Vol XXXVII
No. 3

CONFERENCE
NUMBER

JULY-
SEPTEMBER
1982

ISSN 0019-5014

INDIAN JOURNAL OF AGRICULTURAL ECONOMICS

INDIAN SOCIETY OF
AGRICULTURAL ECONOMICS,
BOMBAY

RAPPORTEUR'S REPORT

ON

SUBSIDY AS AN INSTRUMENT FOR INCREASING AGRICULTURAL PRODUCTION AND INCOME

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I

THE MAIN THEMES

Subsidies directly for or related to the agricultural sector have been offered since before Independence. Successive Five-Year Plans have institutionalised them, extended their scope and increased their quantum. *Direct* subsidies (which are reckoned as such in budget documents) meant for the agricultural sector and offered by the Central Government alone are likely to exceed Rs. 1,270 crores in the current financial year, or 6.8 per cent of the budget outlay. Subsidies, especially to agriculture, have attracted critical attention from informed public opinion. It was expected, therefore, that agricultural economists would devote considerable attention to this theme and a stimulating debate would follow.

The Rapporteur must register his sense of disappointment in this regard. Not only were the contributions fewer than expected (as compared to the responses to the various topics in the earlier Annual Conferences), but, with a few exceptions, most represented neither a new approach to the subject nor a rigorous examination of available evidence. Perhaps this state of affairs is of significance to the topic as well as the profession. We shall revert to it in the concluding section of this report.

Seven possible themes were identified while inviting contributions: the concept and rationale of subsidy, forms of subsidy, mechanisms of subsidy distribution, target groups, impact of subsidy, time horizons and alternatives to subsidy. In the next seven sections, the papers selected are discussed according to each of these themes in the order mentioned. In the concluding section, we shall attempt to integrate the framework and pose issues for discussion at the Conference.

II

THE CONCEPT AND RATIONALE OF SUBSIDY

Almost all the papers begin with at least a brief discussion of the concept of subsidy. There is either a general purpose statement such as "Subsidy plays a crucial role in the economic development of any developing country where it has a great bearing on production, employment and investment"

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(P. K. Joshi and A. K. Agnihotri), or a restatement of the objective of the specific programme under study, such as " The supply of finance at lower interest rates has enabled the beneficiaries to effect improvements in their production activities and also adopt new activities leading to additional employment, production and income" (Jagannathrao R. Pawar and Subhash R. Sutar). In either instance, there is an *a priori* acceptance of the *stated* rationale of subsidies, rather than an attempt at *analysing* the situation which might lead to the acceptance and justification of the subsidy. In any event, since most papers are addressed to examinations of specific programmes involving subsidies, such a treatment of the rationale is little more than a convenient opening statement, rather than an attempt at establishing a rationale for subsidies.

T. P. Gangadharan and S. L. Kumbhare begin on a different note, by accepting the Barker-Hayami thesis (although without attribution) that improvements in physical and institutional infrastructure are the best vehicles of achieving self-sufficiency in commodity production in the long run, but since they require large investments and long gestation periods, subsidies and price supports may appear as attractive alternatives. Their investigation of the impact of the fodder subsidy scheme in Kerala on milk production shows that in the conditions prevailing in that State, subsidy has had little impact on promoting greater fodder cultivation or higher milk production. They feel that given the land-labour base, the scheme was *bound* to fail in Kerala. This suggests a different question: it is not so much a matter of *choosing* between subsidy and other promotional measures as it is to *identify* the right kind of activity to promote in a given area and at a given time. As the authors point out, "subsidising an unproven and, possibly, economically unsound production technology might prove less than promising." Surely, in the light of our experience of every new programme being launched with subsidy and the none-too-careful matching of the programme design and area/beneficiary needs that precedes the programme, such considerations need to be exercised at every stage of programme analysis.

D. C. Sah presents an interesting analysis of the question of fertilizer subsidy. His analytical framework is very much akin to that employed by Barker and Hayami (again without attribution). The two alternatives of offering higher support prices to fertilizer manufacturers as compared to the issue price of fertilizers and of subsiding the inputs to the fertilizer industry have been graphically analysed. Though the analysis does not raise basic questions regarding the necessity of this subsidy in itself, there is an attempt to rationalise it in the overall economic context. The conclusion advocating long-term measures other than subsidy, again following from Barker and Hayami, seems somewhat unrelated to the analysis conducted in the paper.

An intriguing line of enquiry could be as to how an industry used to protection through either product price subsidy or input subsidy could shift its production function to become more efficient. This leads us directly to a variety of other issues: Should subsidy be time-bound? How is this concept to be made acceptable to the recipient of the subsidy, without causing any adverse impact? What is the overall, long-term, cost of subsidy to the economy?

Perhaps the most important justification for subsidy, at least on an *a priori* basis, is that it helps an agricultural economy consisting of overwhelming numbers of subsistence peasants overcome bottlenecks of production and market uncertainties. To an extent subsidies can help reduce the inherent risk in accepting innovations to a level considered acceptable by the peasantry. Subsidies could, therefore, be thought of as substitutes to specific risk-protection mechanisms. They could thus help promote the adoption of new inputs, technologies and activities in the short run. In the medium-term, they could help alter the production function. In the long run, the behaviour of the producers could itself change from risk-aversion to risk-seeking.

The relationship of subsidies and risk is investigated by T. C. Mohan *et al.* and Joshi and Agnihotri. In the earlier paper, risk is very much the central theme. They define the difference between the optimal expenditure on fertilizers and pesticides as recommended by extension workers and the actual farm expenditure as the risk gap. They proceed to examine the relationship between the risk gap and the yield, on the one hand, and the subsidy offered and the risk gap, on the other.

One could perhaps suggest further refinements to the concept of risk gap employed by the authors, but there could be essential agreement on their formulation that the acceptable level of risk determines input use and yields and in turn, the extent of subsidies offered determines the level of risk a farmer is prepared to assume.

Joshi and Agnihotri hypothesize that the high degree of investment required for land reclamation causes the farmers to consider the risk involved as unacceptable. A subsidy is, therefore, considered essential to encourage small and marginal farmers to undertake reclamation programmes. In support of this hypothesis, however, there is not much *direct* evidence.

Along similar lines, the analysis by K. M. B. Rahim and V. K. Sharma shows that improved terracing becomes acceptable to a much greater extent when subsidies are offered. Although they do not link this up with the question of risk, they observe that no farmer has adopted improved terracing without subsidy.

The studies taken together lead us to raise basic issues with regard to the perception of risk by subsistence cultivators and the impact of subsidies on this perception. Clearly, the technology involved in fertilizer or pesticide application, gypsum treatment and terracing is reasonably well-known in the area concerned. In none of the activities, the gestation period is longer than a year. In the case of gypsum treatment and terracing, relatively high, but one-time capital costs are involved, while fertilizer and pesticide applications require only working capital. The returns in all cases are quite substantial in comparison to the investment. Yet in the absence of subsidy, the extent of the spread of such measures among small and marginal farmers is minimal and the few adopters use the inputs in doses which are only a fraction of those recommended.

A part of the reason for this behaviour is clearly that the total funds available to the farmer consisting of borrowings from institutional and informal sources of credit and own funds put together do not meet his requirements and hence he must depend upon the subsidy as an additional source of funds. If this is indeed the explanation of the behaviour in the case of a significant proportion of farmers, subsidy is obviously not the answer; a greater availability of funds through institutional sources is called for.

It should be evident to a serious student of agrarian India, however, that in a very large majority of cases, the small and marginal farmers' lower adoption rate of new technologies stems more from their doubts about realising the full potential of such technologies and they do not make full use of the funds available to them (although the studies under reference do not provide substantial empirical evidence for this). A recourse to subsidies may be recommended as a risk-protection device, but the design of subsidies and their implementation call for a degree of flexibility and imagination. All the three sets of authors realise this in so far as they advocate differential rates of subsidies for the small and marginal farmers. As discussed in the earlier paragraphs, however, the measure of success of such subsidies is whether they bring about long-term changes in producer behaviour. Unfortunately, no studies have been undertaken to generate information with any long-term perspective on the risk-bearing ability of the beneficiaries.

On the whole, there is considerable scope for introducing further hypotheses and analyses on the concept and rationale for subsidies. The papers presented have only just begun these explorations.

III

THE FORMS OF SUBSIDY

A discussion on the forms of subsidy was expected to analyse the explicit and implicit kinds of subsidies or the question of subsidies versus support prices. A. K. Bhatnagar examines data from Central budgets and uses definitions accepted by the Central Statistical Organisation in its analysis of national income. He finds that while fertilizer and food subsidies account for practically the entire amount classified as subsidies in the Central budget, irrigation is an example of implicit subsidies. The extent of it is presently in the neighbourhood of Rs. 500 crores. His conclusion that fertilizer subsidies, which are reimbursement of losses incurred by selling imported and indigenously manufactured fertilizer pooled at an average price, have resulted in remarkable gains to Indian agriculture, should be unexceptional. He also feels that the implicit subsidy of irrigation must continue and thus departs from a major recommendation of the Dagli Committee. His exposition on the definition of subsidies and assertion that public sector losses made good through loans from the exchequer are another form of subsidy should be of interest to others studying the subject.

N. V. Namboodiri also focuses on fertilizer subsidies. He provides detailed breakdown on the various components of this measure. He also discusses, apart from the general subsidy on fertilizers, some specific programme through which further subsidies are offered to specific categories of fertilizer users, such as the marginal farmers and backward regions. While he finds the latter to be meagre and as having substantial social benefits, he thinks that fertilizer subsidies in a continuing fashion may also possess disincentives for further application of organic fertilizers.

K. N. Rai *et al.* investigate the impact of price support versus fertilizer subsidy in attaining wheat self-sufficiency. They analyse graphically the impact on wheat supplies of providing subsidy for fertilizers and of offering support prices to farmers above those charged to the consumers, in the manner suggested by Barker and Hayami. Using the average price and quantity data for 1977-80, they find that while price support saves greater amounts of foreign exchange and confers greater private benefits on the growers as compared to the fertilizer subsidy, the latter has a lower total cost, higher public benefit and a higher benefit-cost ratio as compared to the former. They conclude, therefore, that fertilizer subsidy is a superior measure to achieve wheat self-sufficiency as compared to support prices.

Pawar and Sutar address themselves to another form of subsidy, namely, the differential interest rate scheme implemented by nationalised banks. They perform a before/after comparison of the performance of the economic activities conducted by a sample of recipients of loans with subsidised interest rates. Their findings that this programme has helped the weaker sections will be discussed later on.

The agricultural sector abounds in various types of subsidies. Price support, fertilizer subsidies and cheaper loans are perhaps the most readily identifiable forms of subsidy. Low irrigation rates, low tariff on electricity, lower excise duties on diesel, differential freight rates for agricultural outputs and inputs, free availability of extension services are all examples of other forms of subsidies. Incentives offered for agro-processing industries or exports of agricultural commodities are also yet other forms of subsidy. These are all areas worthy of further studies and discussion.

IV

MECHANISMS OF SUBSIDY DISTRIBUTION

The third theme suggested was mechanisms of subsidy distribution. It was expected that issues such as criteria adopted for identifying recipient groups, timeliness of subsidies, leakages, possibilities of distributing sub-standard inputs, and in general, the overall efficacy of the organization and its procedures in distributing subsidies would be covered. Thus although on the face of it, the theme may appear to be more closely related to disciplines other than economics, its relevance to the subject is self-evident.

Most authors, however, have confined their analyses directly to identifiable economic consequences of subsidies. A notable exception is Ajit Kumar Mitra, who dwells at some length on the problems of administering subsidies under the Small Farmers Development Agency (SFDA) in Ganjam district in Orissa. He brings out such problems as inadequate maintenance rendering the SFDA-financed irrigation structures inoperative after a couple of years, inadequate availability of new inputs and the ineffectiveness of the Agency in overcoming this problem, insufficient managerial and veterinary inputs coupled with an absence of storage and marketing of dairy and poultry products leading to the beneficiaries transferring animals or poultry to others and the existence of concealed or *benami* beneficiaries. This leads him to conclude that the programme was ineffective in increasing the income and production of small and marginal farmers in any perceptible fashion.

S. P. Sinha and Jagdish Prasad studied a sample of recipients of subsidy under the Integrated Rural Development Programme (IRDP) in Musahari block in the district of Muzaffarpur in Bihar. They found that 30 per cent of the sample was not eligible for subsidy on the basis of their land holdings, but received the subsidy any way under a 'target-oriented' programme. They also found that to receive subsidies for irrigation equipment, the households had to undertake a matching investment themselves. Lacking own funds to invest—and presumably, an ability to borrow these from elsewhere as well—marginal farmer households did not benefit much from this ability. They recommend a community approach for this group, favouring joint loans.

As in the case of othei development activities, the administrative aspects of subsidy have been under public scrutiny. In fact, leakages in subsidy programmes, which could ultimately result in the benefits being siphoned away from the intended beneficiaries or adding to the harassment (if not cost) of the beneficiary, have been a subject of much public comment. Economists would also be expected to be interested in the cost of administering the subsidy programme (as against the cost of the subsidy itself) because it too has to be borne by the exchequer. These aspects have not found favour with those who chose to study the subject for this Conference.

V

TARGET GROUPS

The papers represent experiences of a wide group of beneficiaries. Apart from Sah, Namboodiri, Bhatnagar, and Rai *et al.*, all the other authors have taken up field investigations of one or the other set of subsidy recipients. Most authors, quite obviously, concentrate on the small and marginal farmers and landless labourers, since they are target groups of most subsidy programmes. Certain unique groups have also been studied: hill areas (Rahim and Sharma), salinity affected lands (Joshi and Agnihotri), mixed crop and animal husbandry farms (Gangadharan and Kumbhare, B. R. Garg and Naginder S.

Dhaliwal). Geographically, most major agro-climatic regions of the country are also represented in the studies.

The studies are mostly based upon sample surveys and aimed at assessing the impact of the programme on the sample studied. The usual considerations of sample selection—such as its representative character, stratification, randomness, and so on—have been followed by the authors in so far as the group of beneficiaries of the particular programme is concerned. Such an approach does not permit the raising of a very important set of questions: What proportion of the total population of intended group (*e.g.*, small farmers, landless labourers) in areas of operation of the programme is actually covered by the programme? On what basis is this proportion determined? Given the demographics and the needs of the area under study, is the intended group the most appropriate one for benefiting under a subsidy programme? Is there a match between the normal activities of the target group and the activities receiving subsidies? What is the per capita/per household extent of effort under the subsidy programme and what is its relationship to the respective incomes?

The likely reason for such questions not being raised is that they fall outside the limited purview of traditional evaluation methodologies. Moreover, answers to such questions are sought not from a sample of beneficiaries, but from the designers of the programmes. Nevertheless, a perspective field study would at least provide some clues with regard to the importance of such questions. The studies submitted, however, do not concern themselves with these issues. As noted earlier, Gangadharan and Kumbhare are an exception in that they raise the question as to whether offering a subsidy for fodder cultivation is an appropriate activity in Kerala.

Given these limited concerns with the target group, most of the papers find that the subsidies were effective as far as the sample group studied. We shall discuss the question of the impact of the programme in the next section, but it appears worthwhile noting here that there has been an overwhelming endorsement of subsidies as an effective instrument of bringing about desirable changes among the target group. Gangadharan and Kumbhare, Mitra, and Sinha and Prasad are the only authors to voice at least some degree of reservation.

Even if we are to remain content with a limited evaluation of the target group, another important question suggests itself: Subsidies are an instrument of inter-personal transfer of resources, inasmuch as they are met from a taxation-financed exchequer. The acceptable social justification for such a transfer is that it would eventually lead to a more equal distribution of incomes in the society, leading to diminishing concentration. Joshi and Agnihotri devote considerable attention to the question of distribution of gains. They find that as a result of gypsum subsidies, the income distribution can become less skewed in areas suffering from salinity. No other paper ventures in this direction.

VI

THE IMPACT OF SUBSIDY

As discussed in the preceding section, most of the studies submitted for the Conference on this topic concern themselves with field investigations of subsidy programmes. The items for which subsidies are offered range from capital goods, such as irrigation equipment, to purchase of fertilizers and seeds. Investments in livestock, other income generating assets for the landless households and productivity-improving activities such as de-salinisation and terracing are also covered by the studies under consideration. The subsidies are both in the form of reimbursement of a part of the cost (or availability of inputs at lower prices) and lower interest rates.

On the whole, most authors find that the subsidies have served their purposes well. The exceptions, as noted earlier, are Gangadharan and Kumbhare in the case of fodder subsidy, Mitra in the case of SFDA and Sinha and Prasad in the case of IRDP. Conclusions regarding the effectiveness of these subsidies are drawn mainly on the basis of orthodox benefit-cost analysis. The production and cost behaviour of the sample with subsidy is compared either with another group without subsidy or the sample itself prior to the institution of subsidy. In some instances, the post-subsidy cost and benefit computations are based upon assumptions regarding desirable cropping activities. Benefit-cost ratios, net present values, internal rates of return (IRR) have all been studied to draw conclusions regarding the effects of the subsidy. In most instances, even when before/after comparisons are involved, the data used pertain to just one year before the implementation of the programme and one year after the programme is taken up.

In almost all instances the authors confine themselves to costs and benefits directly attributable to the programme. There are no efforts at quantifying intangibles (and this is a welcome development) or at gauging the effect of secondary costs and benefits. Current market prices are used for calculating the costs and the benefits.

There are also exercises undertaken to measure the employment effect (Pawar and Sutar, Joshi and Agnihotri, Sinha and Prasad). Pawar and Sutar and Garg and Dhaliwal carry out financial analyses as well, to determine loan repayment possibilities. Methodologically, the most impressive work belongs to Joshi and Agnihotri, who study the impact of subsidy on income distributions *via* Lorenz curves and Gini coefficients in addition to that on various other, more common indicators. They find that subsidy leads to a more egalitarian income distribution.

Seen in the limited fashion in which they have been analysed, subsidies have found favour with most authors for various reasons: "subsidy is the right instrument for maximizing risk-taking" (Mohan *et al.*), "a subsidy on gypsum motivates the producers to exploit the full potential of barren and uncultivated salt affected lands in both short and long run (Joshi and Agnihotri); "the supply of finance at lower interest rate has enabled the beneficiaries to improve upon their production activities and income levels" (Pawar and Sutar). Sinha and Prasad find that farm productivity increased in the post-subsidy period as compared to the pre-subsidy levels. S. R. Yadav *et al.* find that developing mixed farming (crop and animal husbandry) and reaping its benefits is facilitated by a subsidy, since it augments the capital base of the farmers. A similar conclusion is reached by Garg and Dhaliwal with Punjab data. Rahim and Sharma infer that subsidy is essential to obtain the benefits from terracing, as no farmers have attempted terracing in its absence. Bhatnagar, Sah, Namboodiri, Rai *et al.* have all argued in favour of various subsidies on the basis of their impacts on relatively macro considerations.

The magnitude of the impact of subsidies varies from one region to another and from one activity to another, even among those who find subsidies beneficial, as is to be expected. Thus, Rahim and Sharma find that the benefit-cost ratio, reckoned in private terms, of shifting from traditional unterraced cultivation to terraced, irrigated cultivation, could be as high as 14 in case the slope is less than 5 per cent; those who shift merely to improved terracing with slopes between 25 and 30 per cent have a benefit-cost ratio of just 0.128! Powar and Sutar find, again not surprisingly, that while the marginal farmers nearly double their per capita income with the help of subsidised loans, village artisans and landless labourers register gains of less than 10 per cent in their per capita incomes.

The necessity of subsidy is also seen in a differential fashion. Mohan *et al.* observe that relatively small amounts of subsidies will enable the large and medium farmers to eliminate their risk gap, *i.e.*, to exploit the optimal economic benefits of input use, whereas small farmers will need considerably larger subsidies to get to the same stage. They therefore recommend differential rates of subsidies. Similar differentiation in the impact of subsidies is also observed by most others. Yadav *et al.* find that the small farmers benefit more from mixed farming with subsidies than do the marginal farmers.

The major lacunae in such measurements of impact are that they are conducted under *assumed ceteris paribus* conditions. The indicators chosen for study and the data generated are, however, not necessarily reflective of an adherence to such assumptions. For example, if before/after comparisons are involved, are we reassured that the years selected represent normal agricultural years? What happens to relative prices, when current costs/benefits are computed? In the case of cross-section studies, is the comparability of the two groups assured? Does the institution of subsidy trigger off other changes not related to subsidy *per se* (for example, as in the case of additional extension support being provided for programmes such as IRDP and SFDA, which by itself is quite substantial and unrelated to subsidy)?

The point being raised is that in most development programmes, subsidies are one among the many developmental inputs being provided. Quite often, in their anxiety to show success, the administrators chose only those beneficiaries who would show a greater receptivity to new programmes. The observable changes in cropping patterns, employment levels and overall incomes are because of the sum total of all the efforts going in. To attribute these changes solely to subsidies is therefore not entirely correct. This problem becomes all the more acute when subsidy is treated in a passive manner by the administrators (as in cases when the burden of proving oneself eligible for subsidies and ultimately obtaining them is entirely on the prospective recipient).

This is not to say that either subsidies are not beneficial or that their impact cannot be gauged. What is required is a much greater effort at isolating the effect of subsidy, or decomposing the total benefits into those caused by constituent factors. It may well be that subsidies bring about positive changes in most instances, as is the case when they improve the risk-bearing ability or when they bring the specific activity to the notice of the farmer in the first instance. The resultant improvements are overwhelmingly attributable to subsidies. But when subsidies merely relieve short or long-term credit bottlenecks, the benefit cannot be said to be on account of the subsidy *per se*.

The concern, therefore, boils down to linking the effects of the subsidy to its original rationale. Since we had occasion to observe that the establishment of the rationale was not the strongest point in most studies, this particular weakness is carried forward in the methodology employed, and ultimately, in the discussion of the impact of subsidies. The naivete which marks its discussion is of an avoidable nature.

VII

THE TIME HORIZON

A time perspective is almost entirely lacking in most studies, save for assuming a more or less uniform costs (and possibly benefits) series for calculating discounted cash flows. Garg and Dhaliwal try to see whether a three-year or five-year life of the mixed farming makes sense in Punjab: they conclude that it is the latter which gives a far higher IRR. Both Joshi and Agnihotri and Rahim and Sharma compute pay-back periods.

By and large, this is where the studies stop with regard to time. Sinha and Prasad make an off-hand comment that subsidies even while started as temporary and emergent phenomena, have continued indefinitely and have become permanent parts of any public programme. This is indeed an important point, worthy of further discussion. Have we now created a subsidy orientation, so much so that subsidies are not only semi-permanent, but are also increasingly seen as a right ? Does this reflect a long-term insecurity of the even well-to-do peasantry, in spite of their hitherto encouraging experiences with new inputs ?

Bhatnagar points out in this context that the total cost to the nation on subsidies has increased substantially in the last decade or so, as has the public consciousness of it. Similarly, a number of contributors have at least acknowledged the Barker-Hayami thesis that short-term measures such as subsidies are not the substitutes of long-term improvements in social and physical infrastructure. In view of such concerns, a proper treatment of the time horizon becomes quite critical to a balanced analysis of subsidies.

We had occasion to comment in the preceding section about the relatively lax manner in which points of time in a time-series data have been selected. It is, therefore, hardly surprising that further attention to the time horizon of subsidies as a specific point of analysis is not forthcoming. We need to develop a dynamic framework of analysis.

VIII

ALTERNATIVES TO SUBSIDY

All the papers received have focused on subsidies by themselves. Even when the authors have found that they may not have worked, they have either not suggested or not considered alternatives to them.

The purpose in suggesting this theme was to see the role of subsidies in the light of overall policy frames. As the Synopsis indicated:

> Issues such as whether there should be subsidy for the rural producer, the corrupting effect on the recipient as well as the distribution, the claim of the agricultural groups to subsidy without contributing to the tax-base, the overall quantum of subsidy involved and the benefits arising therefrom, and the need in the first place of protecting the domestic producer/consumer from the international market, have been debated in the current context, often without sufficient data. What are the alternative ways of achieving the same objectives as those of the subsidy programmes? Is it possible to improve research, extension services, credit/marketing institutions and regulatory organizations with proper investments and procedures so that the amount spent in subsidies can be saved?

Even if the authors have not addressed themselves to these and related issues, their relevance in the current context can neither be denied nor over-emphasized.

IX

CONCLUSIONS: ISSUES FOR DISCUSSION

At the outset, the Rapporteur requests a personal indulgence. From a reading of this report so far, it might appear that he is opposed to subsidies as a matter of principle. This would not be quite correct. He has had occasion elsewhere to argue in favour of subsidies to the agricultural sector not just because of the various grounds normally used but also because subsidies are needed (*a*) to enhance the risk-bearing potential and (*b*) to offer at least a partial corrective for the secular decline in the agriculture : non-agriculture terms of trade. The positions taken in this report are based upon the points raised in the papers selected for discussion. The indication of inadequate or unconvincing arguments is not their negation.

A fundamental point, however, needs to be noted. Like all protection devices, subsidies too must be considered at least in part artificial: they are a created, administered device, intended for use only until such time as the basic robustness of the sector or activity can take up its own protection through its essential competitiveness; if this does not happen, the society at large cannot for all times protect it. To bring out the long-term competitiveness, certain structural changes in the economy may well be essential. Subsidies and other such devices are meant primarily to provide the policy makers sufficient time to effect these institutional and structural transformations. Whether this could be a brief statement of the philosophy underlying subsidies can itself be debated.

At the end of each of the preceding seven sections of this report, an effort has been made to group together issues yet remaining for discussion under each of the themes. In addition, some issues cutting across the themes and arising out of the papers presented for discussion are listed below:

1. One of the principal reasons for offering subsidies is that they enhance the risk-bearing ability of the subsistence farmers. Do we have enough empirical knowledge and a conceptual framework to analyse it, regarding the risk preferences of subsistence peasantry, apart from a broad generalisation to the effect of their risk-averseness?

2. The recipients of subsidies expect them for every new programme and hope for their extended continuance. The relatively unquestioning attitude reflected in the literature on the subject suggests that even academic specialists accept them in the same fashion. Is this reason enough to start a debate on the subject, not just related to the empirical aspects but also about the concepts and rationale underlying it ? Have we become blase about subsidies ?

3. Is our accepted methodology, which relies heavily upon field investigations of essentially farm management concerns and analytical tools drawn from orthodox cost-benefit analysis adequate for the discussion of phenomena such as subsidies, where both the time and functional perspective has to be far broader ? What improvements can we think off ? How can we evolve methods of analysis which are truly dynamic in the sense that they reflect changes over time not only in the production behaviour but also risk-reward perception of the producers ?

The Rapporteur believes that unless some of these are at least debated, the utility of our discussion on so vital a question will be limited.