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REVIEW ARTICLE

Government Interventions in Agriculture - A Review of Studies in Developing Countries*

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The developing countries are currently going through a process of major reappraisal of their development perspectives and strategies in response to the difficult economic situation in which many of them find themselves. While most of them have been successful in initiating growth in their economies with a measure of modernisation, they still seem to be far from the take-off stage. Considering the formidable problems they face in sustaining growth and in coping with social tensions and conflicts occasioned by the fast pace of change, it should be obvious that the reappraisal would have to cover the basics of their development approach and not merely the nuances and details. The aspects of the development approach which figure prominently in the reform programmes of these countries relate to the role of government in the economic sphere and the contribution which agriculture can make to growth and poverty removal. As a consequence, the policy area combining these two aspects, *viz.*, government interventions in agriculture, has begun to receive critical attention in both academic and policy making circles in these countries. The publication under review takes a comprehensive look at these interventions as they operated over a period of nearly quarter of a century from the early 1960s to the middle of the 1980s in a large and carefully selected sample of developing countries drawn from Asia, Latin America, Africa and the Mediterranean. While these countries differ sharply in many respects, there are a number of striking similarities in their policy experiences relating to agriculture. The purpose of this paper to describe the broad propositions emerging from the country studies and to discuss their implications for future policies. Section I presents the synthesis derived by the editors from the country studies. Section II points out the wide spectrum of development situations represented by the countries selected for study to suggest that no single common future strategy would be appropriate to all of them. Section III offers some concluding comments.

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* This review article is based on the study: *The Political Economy of Agricultural Pricing* (A World Bank Comparative Study), The Johns Hopkins University Press, Baltimore, U.S.A., consisting of the five volumes listed below:

Volume 1 - Latin America, Edited by Anne O. Krueger, Maurice Schiff and Alberto Valdes, June 1991. Pp. xiv+273. This volume covers Argentina, Brazil, Chile, Colombia, Dominican Republic.
Volume 2 - Asia, Edited by Anne O. Krueger, Maurice Schiff and Alberto Valdes, June 1991. Pp. xv+293. This volume covers the Republic of Korea, Malaysia, Pakistan, The Phillipines, Sri Lanka, Thailand.
Volume 3 - Africa and the Mediterranean, Edited by Anne O. Krueger, Maurice Schiff and Alberto Valdes, October 1991. Pp. xv+340. This volume covers Egypt, Ghana, Morocco, Portugal, Turkey, Zambia.
(*Note:* The study on Cote d'Ivoire is not included in this volume. Its findings have been included in the synthesis presented in Volumes 4 and 5.)
Volume 4 - A Synthesis of the Economics in Developing Countries, by Maurice Schiff and Alberto Valdes, September 1992. Pp. xii+268.
Volume 5 - A Synthesis of the Political Economy in Developing Countries, by Anne O. Krueger, May 1992. Pp. xii+158.

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The views expressed here are the personal views of the author.

As the phrase "Agricultural Pricing Policies" occurring in the title of the publication is likely to suggest a study limited to government interventions to fix agricultural prices, it is best to begin by quoting the editors' somewhat unconventional definition of this phrase: "By agricultural pricing policies is meant the entire array of governmental policies that affect agricultural incomes relative to what they would be in the presence of a laissez-faire system." The reference is not merely to all *direct* interventions in agriculture (fixation of prices, procurement, taxes, input subsidies, investments in infrastructure, research, extention, land reforms, etc.) but also to other policies like protection to industries, maintenance of the exchange rate at a level other than its equilibrium level, etc., which affect agriculture *indirectly*.

The research reported in the publication has a three-tier structure. Detailed countrywise studies covering the historical and institutional changes along with the more conventional econometric analyses of the statistical material available for the country have been done by the scholars who are country-specialists. The first three volumes of the publication - Volume 1: Asia, Volume 2:Latin America and Volume 3: Africa and the Mediterranean - contain short summary versions of the detailed country studies with each volume containing the chapters on the countries selected from that region. Volumes 4 and 5 contain the synthesis of the country findings prepared by the editors.

Volume 4 is confined to "Economics" by which is meant the results of econometric analyses of divergence of domestic prices from the 'border' prices and its impact on a number of economic variables of interest like output, consumption, income, etc.[1] Only expert econometricians would be able to understand the complex analytical procedures used in this volume (and in the 'econometric' sections in the country studies) and, again, only they would be in a position to distinguish the plausible and meaningful results from others which may be freak or worse. In preparing this note, we have relied primarily on the qualitative propositions and summary results thoughtfully provided by the editors for the benefit of those who may not be able to follow the story in its full technical details. Volume 5 focuses on the 'Political Economy' which looks at the economic policies and events as being shaped by interactions among the government, on the one hand and numerous lobbies and groups pursuing their own interests, on the other. This volume along with the insights provided by the country chapters in Volumes 1 to 3 is a timely and useful contribution to the literature on the developing countries. While India does not figure in these volumes, there is much in them which would be of interest to those perplexed by the current agrarian situation in the country. The echoes of problems and dilemmas faced in India could be detected in the experiences of a number of countries included in the study.

While looking at the synthesis of country studies contained in Volumes 4 and 5, it is useful to keep in mind a 'representative' developing country having the following features. The country has an agriculture-cum-primary production-based economy. Now independent, it has had a colonial past with some of the remnants of that epoch, like export-oriented commodity production, still embedded in the economy. It has been and continues to be a victim of volatile international prices for its primary exports and, from the colonial days, its leaders and elites have aspired for economic development through industrialisation and broad-based agriculture. When independence arrived, the country found itself severely

handicapped in terms of infrastructures, organised markets, development-oriented institutions and entrepreneurship. It had to get started by burdening the government with the tasks of making good these deficiencies and initiating the development process of extensive direct participation in economic activities; it looks likely that the country had no other feasible alternative to get started. The performance of the economy since independence has been uneven in relation to growth, employment generation, industrialisation and technological modernisation. Owing to low returns to investments, slippages in programmes, distortions caused by political lobbying and external pressures, an increasing measure of disorientation has been creeping into its government policies and interventions. The unorganised sections in society and the dispersed, localised activities like agriculture have suffered the most owing to the inability of the government to devote enough attention to the long-term structural issues. The future looks uncertain as the gap between the country and the developed world widens and the clamour of numerous problems, each demanding priority attention, grows into a distracting cacophony.

It is only to be expected that in this setting the benefits of development would mostly be appropriated by the organised groups while the costs of development and all the disagreeable consequences of inefficiency, distortion, etc., would get shifted on to the rural areas and agriculture. This is amply borne out by the major findings of the synthesis which are listed below:

(i) As a result of direct and indirect interventions, agriculture bore 'taxation' of 30 per cent over the study period with the taxation increasing from 26 per cent in the first half of the period to 33 per cent in the second half. Nearly 70 per cent of the taxation was accounted for by 'indirect interventions' with a major part attributable to protection to industries. It is necessary to remember that 'taxation' is a measure of net impact on agriculture of all interventions, direct and indirect. In effect, it is an index of adverse impact on agriculture of the development strategy as a whole pursued by the developing country, especially where the strategy has not been successful.

(ii) Within agriculture, 'direct interventions' taxed exportables to the extent of 16 per cent and gave 18 per cent protection to importables like staple grains. However, when both direct and indirect interventions were taken into account, importables as well as exportables were seen as being 'taxed' though there was a wide margin of difference in the extent of taxation between the two categories.

(iii) The price situation remained adverse to agriculture with substantial lowering of agricultural prices relative to other prices and with producer price trend remaining below the world price trend over the entire study period. However, 'direct interventions' did succeed in some measure in insulating domestic prices from the volatility of international prices.

(iv) The protracted and extensive 'taxation' of agriculture has been associated with a lower rate of agricultural and overall growth. The income transfer out of agriculture was 'enormous' (46 per cent of gross domestic product of agriculture). Interventions did not help the rural poor; in fact, many among them would have gained if interventions were removed.

(v) The bias against agricultural exports resulted in substantial loss of foreign exchange earnings.
(vi) Public investment in agriculture did not compensate for adverse price policies.
(vii) Explicit food subsidies being costly, procedures were taxed to give low food prices for consumers.
(viii) As an overall consequence of interventions, agricultural producers lost and government, industry and urban consumers gained. The economy as a whole suffered owing to slower and inequitous growth in incomes.

This is indeed a serious indictment of Government interventions in agriculture in developing countries. So long as the numbers given above are treated as indicators of order of impact or change, it could also be regarded as a fair and balanced indictment. However, the study - in particular Volume 4 - goes further to attribute the retarding effects of interventions on agriculture to the divergence between the domestic prices and 'border' prices and to derive the prescription that if parity were to prevail between the two sets of prices through withdrawal of interventions, growth would occur and equity would be promoted. While few would dissent with the proposition that agriculture in the developing countries deserves a more positive and promotive policy regime, even fewer are likely to accept the prescription that restoration of free markets and the resultant removal of price bias against agriculture are all that is required to improve the health of the developing economies.[2] The country studies stop at the point where many of the selected countries were yet to show the results (or lack of them) of the reform packages being implemented by them at the behest of 'market-friendly' aid agencies. A follow-up study to assess these results would indeed be very instructive.

In our view, it would be simplistic to attribute the bias against agriculture observed in the developing countries entirely to the whims and errors of the government which could be eliminated once the government receives the right advice. The systematic behaviour and compulsions are the dominant influence on policy making in these countries. Interestingly, Volume 5 of the publication itself recognises this fact frankly as revealed by its observation quoted below:

"It is seldom useful to regard a government as a monolithic decision-making entity.... at least for purposes of considering the political economy of agricultural pricing policies, it does not appear useful to regard the outcomes quantified in the country studies as having been the result of a process that can be analysed as if it were a rational decision made by an individual.... differences in taxation (across the countries) are explained by the extent to which farmers/their representatives were part of the governing coalition.... Given the present state of knowledge, it would be folly to attempt an overall 'theory of political economy' to explain agricultural pricing policies in the developing countries." It may be mentioned that, in its concluding observations, Volume 5 does not go beyond a hesitant note of optimism: "Given the experience of 1980s and the disillusionment with import-substitution policies, it may be hoped that discrimination against agriculture, with its deleterious consequences for agricultural productivity and growth, will diminish as governments undertake policy reform programmes."

An interesting implication of the synthesis of the country findings given in Volumes 4 and 5 is that while the aggregate picture of government interventions in agriculture in terms

of statistical averages is useful in understanding their impact, it is not of much help in considering the policy reforms. Our description of 'representative' developing country given earlier above referred to its future as uncertain. The developing countries present a bewildering spectrum ranging all the way from those which are now being recognised as developed countries to those, at the other extreme, which remain too weak and vulnerable to succeed in sustaining any kind of development at all. While a measure of marketisation along with shedding of some of the load which the governments now carry is likely to be found necessary in many of them, this would have to be part of a larger package of policies whose contents, priorities, pace and sequencing are likely to differ substantially from country to country. The country descriptions given in the next section, though brief and sketchy, would be of some help in understanding the differences in their development situations and policy needs. It must be mentioned that the findings and assessments contained in these profiles are of the scholars who did the country studies and not of this author.

II

THE REPUBLIC OF KOREA

Many might be surprised to find Korea included among the developing countries as it has already become well-known as a model of fast growth through export-oriented industrialisation. Its gross national product (GNP) increased at the annual rate of 8.2 per cent from 1962-1986 with an eight-fold increase in per capita GNP. The study describes Korea as having a 'highly authoritarian and centralised government' with public enterprises forming the 'leading sector'. Along with rapid industrialisation and urbanisation, there has been a decline in population growth and steep decrease in the share of agriculture in GNP and total employment. In 1986, agriculture accounted for only 13 per cent of GNP and 23 per cent of total employment. While in the initial years food prices were kept low and the terms of trade remained unfavourable for agriculture, the policies changed after 1970. Taking the study period as a whole, both the direct and total interventions had a positive effect on agricultural output which grew at the annual rate of 3.6 per cent. The study mentions that the Korean agriculture was helped not so much through higher product prices as through achievement of higher productivity, larger income from non-farm sources and massive investment in rural infrastructure. While agriculture benefited from the fast growth of the economy, large farmers and urban upper income groups are reported to have gained more than small farmers. However, the economy now appears to be in a much better position not merely to subsidise the poor but to make them productive and viable. It is tempting to believe that the developing countries had a model of industrialisation similar to that of Korea in their mind when they launched their development programmes but the model did not quite work in their case. Some of the country profiles given later below would indicate the reasons for the failure.

MALAYSIA

Malaysia is another example of successful transition. Its GNP grew at the rate of nearly 7 per cent per annum between 1960 and 1987 with per capita increase at the rate of 4 per cent. Savings and investments remained at high levels and inflation was only at the rate of 4 per cent per annum. The transition was achieved through diversification of exports from rubber to crude oil, petroleum products and manufactures. According to the study, "the

government has attempted to use the increasing income from crude petroleum exports to raise the incomes of the small farmers, either directly through subsidies or, indirectly, through reduction in the export tax." The strategy towards agriculture has been "to raise the standard of living of Malay paddy farmers and to achieve self-sufficiency in rice production; stabilising the prices of rubber and oil palm (the main export crops) and to get a share for the government in the surplus". Rice benefited from strong price support while export taxes were imposed on rubber and palm oil. The area under oil palm increased from 54,630 hectares in 1960 to 1,253,000 in 1983. The study reports that the rubber small holders, more dispersed geographically than paddy farmers, could not put enough pressure on the government. The Malaysian strategy has been described as involving "a shift away from a laissez-faire, market-oriented economy toward greater intervention". This strategy reflected "the cultural, political and economic conditions in the country" and, overall, it "enabled a multi-racial country to achieve rapid economic development without serious ethnic conflicts.... poverty in Malaysia is relative, as there is no malnutrition or hunger".

A large number of developing countries could be regarded as 'strugglers'. They have not quite arrived as yet but have a fair chance of making it with some support from outside provided sudden crises of social or political nature do not intervene to disrupt the growth rhythm of the economy. Presented below are the profiles of four 'strugglers".

PAKISTAN

As regards overall growth, Pakistan economy has performed well registering a growth rate of 6 per cent per annum during the period 1960 to 1988 and achieving the highest per capita income in South Asia. Remittances and foreign aid have been a more important source of development finance than domestic savings. The Pakistan chapter gives the following elegant characterisation of the development strategy followed by the country: "In the early stages, when agriculture is the largest sector in the economy, it is heavily taxed to finance the development of other sectors. When other commodity-producing sectors become as large as agriculture, it then faces a more neutral regime. Subsequently, when agriculture becomes only a small proportion of the economy, the country can afford to subsidise it in pursuit of equitable income distribution." Pakistan is believed to be still in the intermediate phase. Substantial resources were transferred out of agriculture into industry and agricultural development is reported to have suffered as a result. As regards the course of agricultural production over the study period, it is noted: "After stagnating in the 1950s, agriculture surged during the 1960s, stagnated again during most of the 1970s and moved forward again after 1978." It may be mentioned here that the economy is reported to have remained fairly open since the early 1970s. As in India, wheat has been a success story. While its domestic producer price, adjusted for inflation, declined from Rs. 2,150 (per tonne) in 1961-65 to Rs. 1,900 in 1987, wheat output expanded steadily as a result of "a reduction in unit costs coming from government investment in agriculture, subsidies on green revolution inputs and technological change". Between 1961 and 1988, the border prices of wheat were 30 per cent higher on an average than the procurement price. However, the former had a larger coefficient of variation (after adjustment for inflation) and, according to the country study, border prices may have resulted in greater uncertainty for the farmer and it is not clear what the supply response would have been.

The Pakistan study makes a perceptive observation on the econometric analysis which

deserves to be quoted in full. "Agricultural output since 1963 has been below its potential because of government price intervention. However, the (estimated) extent of the shortfall must be considered an approximation since demand and supply inelasticities of inputs and outputs do not fully capture the dynamics of technological change and the implications of different levels of private investment in agricultural sector. Government intervention in the form of subsidies on inputs and direct investment in irrigation, probably, had a positive impact on the former and, because of the output policies, a negative impact on the latter. Therefore, it is difficult to say whether the number presented tends to underestimate or overestimate the actual effect of government intervention on agricultural output."

To conclude the Pakistan profile, it is tempting to mention a finding which should have a familiar ring for the Indian readers. It was seen that out of Rs. 1,800 million subsidy for the wheat consumers incurred in 1985-86, only Rs. 250 million reached them. The main beneficiaries were shopowners, flour mill operators and provincial food departments!

SRI LANKA

Sri Lanka is famous for its remarkable progress in the human development indicators despite being a low income country. The country study describes Sri Lanka as a rich agricultural country in the late 1940s with abundant foreign exchange and no structural constraints on growth. Per capita consumption grew at the rate of 3.6 per cent per annum over the study period. The main components of development strategy were: *(i)* protection for rice; *(ii)* taxation of tree crops like tea, rubber and coconut; *(iii)* subsidies for consumers of rice, sugar and wheat; and *(iv)* subsidised public irrigation and fertiliser supply.

According to the country study, Sri Lanka could be regarded as a welfare state financed by taxation of tree crops. In the period since 1953, rice area doubled and there was a five-fold increase in rice production. On the other hand, the production of tea and rubber stagnated as their real price declined from 1950 to 1977. Tea plantations owned by foreigners and operated with the help of Tamil labour were an easy target for taxation. However, as the Sri Lanka experience shows, continued taxation of a tree crop results in the blacklash of adverse long-term elasticity effect on output. It is estimated that as a result of price interventions and over-valuation of exchange rate, the country lost foreign exchange to the extent of nearly 20 per cent of its export earnings. Reforms have been initiated since the late 1970s to limit food subsidies to half of the population, to reduce protection given to industry and to allow substantial rise in the prices of tea, rubber and coconut. The economy seems now to be in a sound shape though its continued growth and development would depend on the management of the tricky ethnic problem confronting it.

The Sri Lanka study makes an intriguing comment on the methodology of the study based on estimating the effects of government interventions by comparing the actual states with what they would have been if there were no interventions. "The existence of free-trade regime would have meant a structural transformation, and it is not clear what rules would have applied." It would seem that, like the Pakistan study, the Sri Lanka study too appears to have had some doubts in accepting the common methodology for econometric analysis used in the country studies. The study also reports that two different sets of price data gave opposite conclusions about consumption growth.

The four profiles presented so far relate to Asian countries. Given below are the profiles of two Latin American countries, both middle income and having good overall growth.

BRAZIL AND ARGENTINA

As the Brazilian study observes, from 1914 to 1945 Latin American economies had suffered from external shocks such as wars and depression. These shocks gave birth to industrial activity to produce domestic substitutes for imports that could not be obtained. From 1952 to 1973, the growth rate in Brazil was 9 per cent for industry and 5 per cent for agriculture. The latter is reported to have come more from expansion in land than through modernisation of the sector. Comprehensive agricultural policy covering credit at concessional rates, minimum prices and programmes for research and technological improvements appeared on the scene in Brazil only in the 1970s. An interesting point to note is that the minimum prices (intended to be close to equilibrium prices) are reported to have turned out to be either too high or too low. The study mentions that fertiliser use expanded fourteen-fold between 1960 and 1980. Taking total intervention into account, cotton and soyabeans which are the export crops were taxed to the extent of 22 per cent and 35 per cent respectively, while the food crops - corn, rice and wheat - received some protection. Foreign exchange earnings from the export crops were affected. The Brazilian study has an interesting observation to make on the influence of socio-political setting on policy making. "The more that interest groups with conflicting interests pressure the government, the more erratic is the conduct of the agricultural policy."

According to the Argentina study, the agriculture in the Pampas region bore a heavy tax at the rate of 45 per cent from 1960 to 1985. Prices were frozen at war-time relative levels adverse to agriculture. The study describes this policy as an 'equilibrium' between the conflicting pressures exerted by the agricultural lobby wanting low export taxes and industrial lobby wanting higher ones with the latter lobby being the dominant between the two. However, the study reports that during the recent years agricultural growth has been revived in the Pampas as a result of significant technical improvements and increase in productivity. The study estimates that as a result of trade policy pursued during 1960-85 of high tariffs and quantitative restrictions on imports that compete with industrial sector and export taxes on the main agricultural and agro-industrial exports, the production of wheat, corn, sorghum, soyabeans, sunflower seeds and beef remained much below the levels attainable in the absence of interventions. However, the study believes that it may have over-estimated the increase in foreign exchange as "we did not include increase in non-agricultural imports that would have resulted from removing tariffs and import quotas.... we suspect that the overestimate may be large, although industrial exports would have been higher because of devaluation of local currency".

Finally, we present profiles of two 'losers' who hardly seem to be in a position to sustain any kind of development process. They are located in the Sub-Saharan Africa.

GHANA

The Ghana study describes the country as a disintegrating economy which was strong in the 1950s but is now in ruins. Between 1950 and 1984, its GDP declined by 30 per cent, gross investment from 21.1 per cent to 7.1 per cent and gross savings from 19 per cent to 5 per cent of GDP. The trade account was deficit for most years due to price distortions caused by a combination of inflation with rigid exchange rate. The economy depended heavily on cocoa with widely fluctuating world prices. Collapse in cocoa prices, inflation, rise in government expenditure due to welfarism and the resultant political instability led to the

end of Nkrumah era in 1966. Successive regimes wanted to move away from the urban consumer base of Nkrumah but did not succeed because of rising public sector employment. The government efforts to increase cocoa producer prices and subsidise inputs were ineffective and cocoa production declined during the 1970s though some recovery has been reported after 1983. The programmes for rice and maize to achieve food self-sufficiency also failed and there was greater dependence on imports. Excessive reliance on administrative controls resulted in rent-seeking activity on a massive scale in a society marked by extensive networks of patron-client relationships founded on favourtism, personal connections and bribery. Political feedback mechanism failed and the state was increasingly isolated from the people. The people turned from formal sectors to food farming and other informal activities. Political development occurred on a decentralised rural basis that ignored the state and concentrated instead on local political systems. The study concludes that without institutional development, the government can be expected to encounter increasing frustration and hostility.

ZAMBIA

Zambia is a land-locked, sparsely populated, lower-middle income country. Copper is its main export and source of investment. The GDP growth was 5.6 per cent per annum between 1965 and 1974. The 40 per cent drop in copper prices in 1975, rise in oil prices and droughts led to deep economic crisis. Between 1975 and 1985 there was no growth and real per capita income declined at a rate of 2.5 per cent per annum. Copper accounted for 90 per cent of exports and not much progress has been made in diversifying exports even by 1985.

The share of agriculture in GDP varied between 11 per cent and 15 per cent and was less than 1 per cent in exports. The country depended heavily on agricultural imports. Food production per capita in 1983 was only 75 per cent of its average level in 1974-76. Development policies have been marked by capital intensive investments, over-valued exchange rates, high tariffs on finished products and low tariffs on intermediate and capital goods. As a consequence of these policies, there has been little expansion in employment. Pricing policies and subsidies are reported to have favoured the urban consumer at the expense of the agricultural producer. Uniform pricing of maize along with monopoly procurement by the Government for the benefit of urban consumers favoured the agricultural producers in 'line-of-rail' areas (presumably, the relatively well-settled areas) as against those dispersed in the vast rural hinterland. Fertiliser subsidy benefited mainly the commercial farmers.

Intervention policies are believed to have had a negative effect on agricultural output, particularly maize. However, estimation of this effect proved difficult. Referring to the three supply response models built with the data for the country, the study observes: "Their results are unacceptable ....many of the variables were not statistically significant and the elasticity estimates were much higher than estimates for other countries that derive from much stronger data basis. In this study, the effect of pricing policy on agricultural output was assessed from elasticity estimates from other countries with similar agronomic and resource endowments and institutional settings." It may be mentioned that the output effects were measured only for maize and virginia tobacco. Maize production was estimated to be less by 53 per cent but tobacco production was higher by 3 per cent.

The most interesting part of the Zambia study is its political analysis of the urban-rural divide which is sharply biased against the latter though rural areas account for 55 per cent of total population as compared to 45 per cent of urban population. "Political power became concentrated in a powerful coalition of urban bureaucrats and parastatal officials, labour unions and an elite of large-scale commercial farmers. Small holders, who were scattered in the rural areas, had little political clout. Economically, rural people are much worse off than they used to be.... (they are) unlikely to form forceful political lobbies even if they are aware of the extent to which they are being 'taxed'....(referring to the reforms now being implemented) "the least progressive option from the standpoint of agricultural development - taxing the farmer - is the most feasible solution from the standpoint of political expedience.... the domestic pre-requisites for successful reform are still lacking in Zambia.... The clientele of reform are too impoverished, unorganised and powerless to form a constituency with a clout.... The present coalition of political forces has become increasingly preoccupied with defusing the immediate financial crisis and with appeasing the powerful urban constituency which feels threatened by the decline in real incomes and is intent on clinging to the benefits it has reaped from established agricultural policies. The government is unlikely to change its agricultural policies if that means antagonising this politically vocal and powerful group." The country study is left with no alternative except expressing the hope that a fuller recognition of the cost of not implementing the reform would prompt a search for reform which would enable Zambia to resume economic growth!

III

Two points appear to stand out clearly even in the brief glimpses of countrywise experiences given above. First, the government interventions appropriate in a particular country depend on the state it has reached in its strategy of development. Where a country has already achieved a good growth rate and viable and diversified industrial structure, many options would be available to it to free agriculture from interventions and to give it a measure of protection. Where a country is still only half way through its development process or its development strategy has miscarried, the situation is likely to need extensive interventions in agriculture, though within the interventionist regime, there may indeed be scope for allowing progressively expanding room for free markets. The liberalisation policies now being implemented in India provide an instructive example of how these policies which move quite fast in relation to industries become hesitant and piece-meal while covering agriculture. It is doubtful whether the policy maker in India has a clear idea at this stage of how far and how fast he would be able to go in freeing agriculture from interventions.

Secondly, the country studies bring out very well the extent to which dominant lobbies influence the government to adopt interventionist approach towards agriculture. Having recognised the 'political economy' of agricultural pricing, it is indeed amazing that the editors in their synthesis of country studies suggest drastically non-interventionist policies without pausing to ask themselves whether the dominant lobbies would allow implementation of such policies. An analytical approach more consistent with the political economy perspective would have been to take an economy-wide view, including industry along with agriculture, to look for a strategy for reforms which would not only give competitive environment for agriculture but would also be able to tame the dominant lobbies and build up the clout of groups having little influence now on policy making. It is likely that such

an analytical approach would need an interdisciplinary research strategy seeking to supplement and extend the political economy findings with insights from other disciplines like history and sociology.

One can only speculate about the implications for strategy and policies flowing from an economy-wide interdisciplinary approach. We would mention a suggestive clue that these might be quite different from those provided by the political economy-cum-econometric approach used in the study under review. A finding which has received much prominence and emphasis in the policy analysis of the study under review is the negative statistical association between the 'taxation' of agriculture, on the one hand and the agricultural and overall growth, on the other. This leads to the prescriptive proposition that if the government interventions in agriculture cease, both agricultural and overall growth in the economy would improve. Interestingly, one can look at the same association in the reverse way by attributing high agricultural 'taxation' to low growth performance of the economy with the latter being an outcome of the failure of the strategy for industrialisation pursued by the developing countries. This would lead the analysis towards looking for the basic reasons for the failure of the development strategy and treating agricultural 'taxation' - a derived summary measure of net impact of diverse 'direct' and 'indirect' interventions in agriculture - as one of the outcomes of the failure of the strategy. It may be mentioned here that, among the countries covered in Section II, the summary measure was negative or modestly positive in Korea and Malaysia (the 'winners'), had a larger value in the four 'strugglers' and reached the highest level in the case of two 'losers'. Re-reading their profiles, it seems quite reasonable to argue that high agricultural 'taxation' was a result rather than a cause of failure of the development strategy in these countries.

Despite what we perceive as the limitations in its analytical approach, the study under review deserves credit for systematic mapping out of an important research area and for providing promising clues and leads for other researchers to pursue. The provisional lesson that we have learnt - and one which should be quite obvious to social science observers of developing countries - is that these countries follow their own characteristic laws of change. No government - much less an aid agency operating through remote controls - would be able to shift the developing countries on to a different path unless the former understand these laws and learn to work with them. Economics can make a valuable contribution to this process provided it remains aligned with the sister disciplines instead of sitting in splendid isolation in its computer room. The observations on the econometric analyses made by the authors of the country studies have been included in the profiles given in Section II not so much to criticise these analyses as to suggest that even sophisticated statistical data-based approaches might turn out to be a tool of limited reliability and use in understanding the broader processes of change in human societies particularly in the transitional societies where the mechanisms of change themselves may be in an unsettled state.

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NOTES

1. The argument given in favour of this choice is that "border prices can be measured easily and provide a uniform comparator for all of the studies". While the choice may be reasonable for measuring the effects of distortion in prices, it is not obvious that all the ill-effects of interventionist policies could be removed merely by restoring border prices. The study itself recognises the problems created by 'a great deal of short-run instability' in border prices and by the presence of 'price-setting power of a developing country in a world market' in the case of certain commodities.

2. Dantwala has recently cautioned against the dependence of food security system on imports/exports rather than on domestic stocks: "One is not so sure of such a balanced international trading regime in foodgrains.... the psychological impact of stocks in the country's own warehouses is much greater than that of foreign exchange 'reserve' searching to locate foodgrains in world markets' (see Dantwala, 1993, p. 181). Interestingly, as Baru (1993) points out in his review of the World Bank study (1993), the opinion within the World Bank itself seems to be divided on the role of government interventions and active trade policy in the developing countries. In this connection, it must be mentioned that the methodology adopted by the study under review precluded the analysis of "such issues as the optimal investment of public goods in the agricultural sector, the optimal taxation of agriculture, or the role of agriculture in overall development strategy. Important as these questions are, they cannot be examined in an analysis that concentrates, like this one, on a single sector of the economy. A broader analystical framework is necessary.... computable general equilibrium models are available for several of the eighteen countries included in the project.... (the authors of country studies) decided not to use them (as) they were not satisfactory for the purposes of these studies." The purpose of this note is to suggest that while the study under review has brought out a number of interesting analytical findings, one will have to be cautious in accepting the policy prescriptions derived by the study from them.

REFERENCES

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