

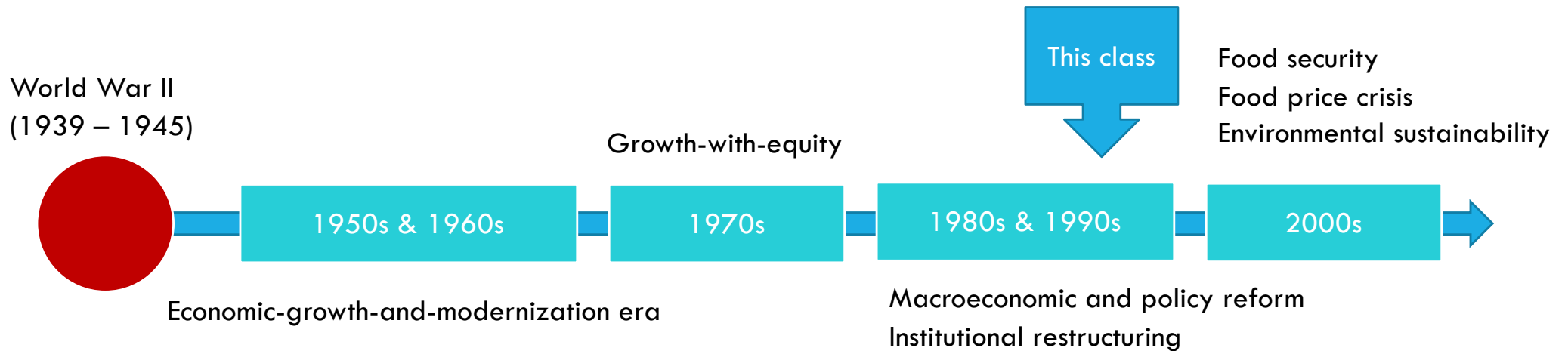


DYNAMICS OF GLOBAL AGRICULTURAL DEVELOPMENT: LESSON LEARNED (3)

EE390:

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OVERVIEW: THE PERIODS OF AGRICULTURAL DEVELOPMENT IDEAS



WORLD IN 1980S AND 1990S

Globalization:
Good Or Bad?

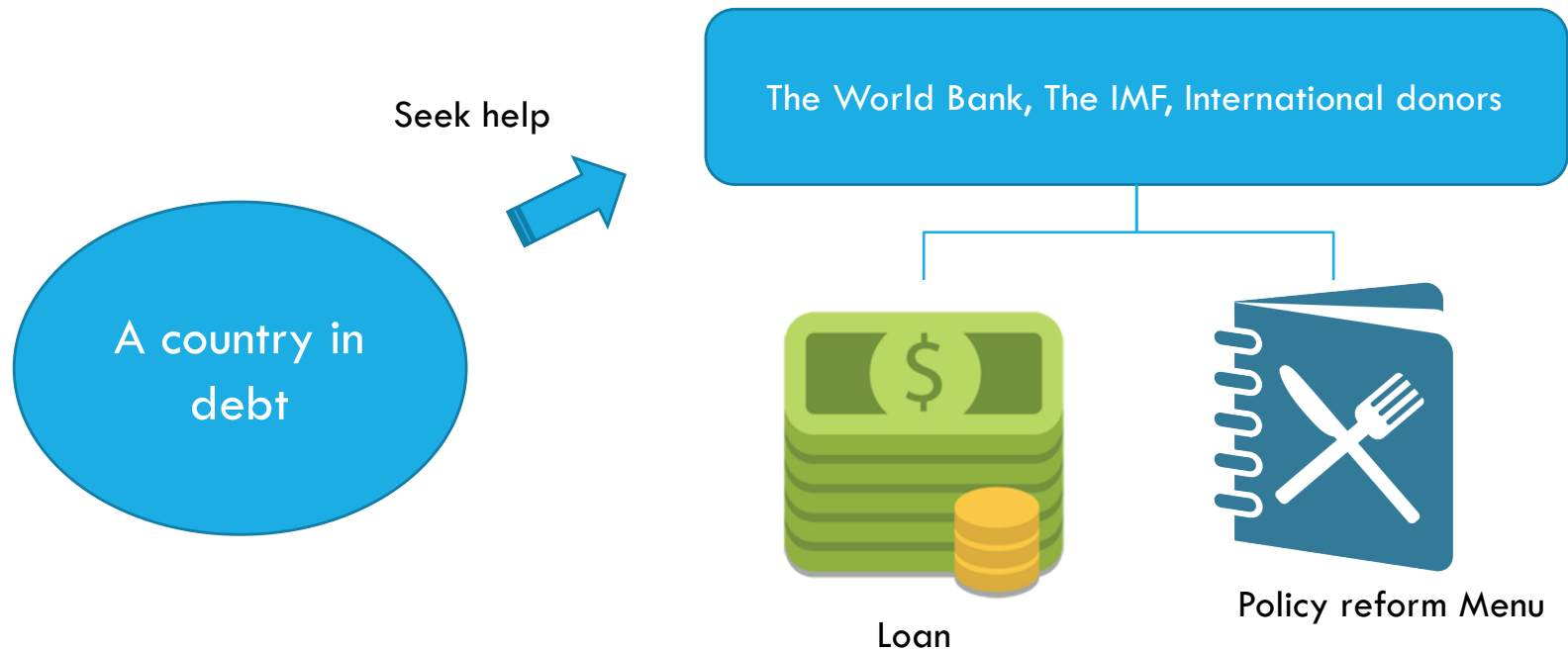


WORLD IN 1980S AND 1990S



MACROECONOMIC REFORM AND RESTRUCTURING

- INTERNATIONAL DEBT CRISIS IN THE EARLY 1980S --> Policy reforms in Latin America, Africa and Asia.



MACROECONOMIC REFORM AND RESTRUCTURING



Policy reform Menu

Structural Adjustment Programs (SAPs)

- Stabilization phase: Reestablishing macroeconomic balance
 - Reduce government budget deficit
 - Lowering balance-of-payment deficits
- Restructuring phase: Re-igniting growth
 - Getting the price right (Liberalization)
 - Private sector plays more role in allocation of resources (privatization)



Scaled back subsidies on food and agricultural inputs as the programs became financially unsustainable...

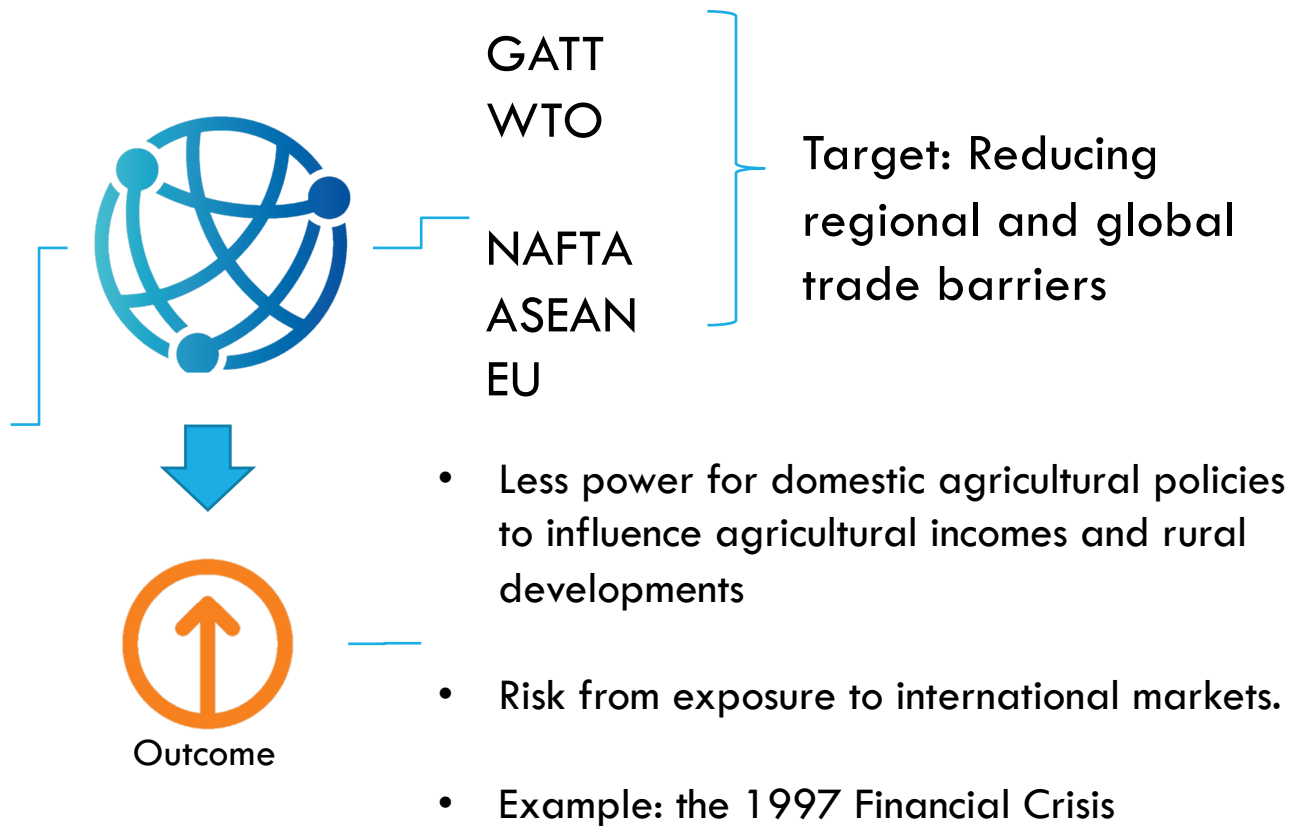
MACROECONOMIC REFORM AND RESTRUCTURING

- In Asia, SAPs, new technology, and institutional reforms help increase agricultural growth in the 1980s and 1990s, and achieved self-sufficiency in grain production..
- Yet, Hardly any improvement in the cereal and nutrient intake of the poorest 30 percent of population in several countries...

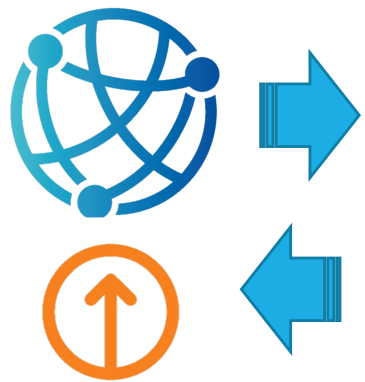
Why?

MACROECONOMIC REFORM AND RESTRUCTURING

- Many Southeast Asian countries reformed their policies towards more outward-oriented strategies, stimulating agricultural and agribusiness growth.
- Expansion of World market and labor intensive manufacturing such as textiles and electronics



RESEARCH ON THE IMPACT OF MACROECONOMIC REFORMS ON FOOD SYSTEM PERFORMANCE



- Domestic food and agricultural policies needed to be analyzed in an open-economy framework.

• A debate:

Food Policy Analysis

Food price
Agricultural Policy
Macropolicies

The production incentive school
“Get prices right”



The basic needs approach
“Keep food prices Low”

RESEARCH ON THE IMPACT OF SAPS ON AGRICULTURAL DEVELOPMENT AND ECONOMIC GROWTH



Findings

- The poor might be especially hurt by the reduction in government spending on social services, such as health, and on subsidies on basic staples.
- Budget cuts would slash vital support services to agriculture, such as research, extension, and infrastructure development → limiting supply response.
- Massive currency devaluations and other structural reforms allowed agriculture to play a leading role in economic growth in many countries in Latin America and Asia. However that depends on domestic and international conditions experienced by each country.
- African nations experienced difficulties to development, such as sluggish world demand for their products, inability to break structural constraints.

TIMMER'S FOUR STAGES OF STRUCTURAL TRANSFORMATION

Stage 1: “Mosher” stage – Getting Agriculture Moving



Stage 2: “Johnston-Mellor” stage – Agriculture contributes to economic growth through a variety of linkages.

Stage 3: “Schultz” stage – Rising agricultural incomes fall behind those in a rapidly growing non-farm economy, inducing political tensions.



Stage 4: “Johnson” stage – Labor and financial markets fully integrate the agricultural economy into the rest of the economy.

INSTITUTIONAL RESTRUCTURING

- **Institution** : “The rules under which the economy operates”

Economic History: e.g. Fogel (1994), and North (1990)

Old Institutionalism: e.g. Commons (1924, 1950), and Veblen (1912, 1927)

New Institutional Economics: e.g. Coase (1937, 1960) and Stiglitz (1988)



INSTITUTIONAL RESTRUCTURING



Two features of institutional analysis



1. History Matters – the concept of “**Path Dependency**”

- Country’s or firm’s current options depend critically on its past decisions.
- Diversity in growth patterns, institutions and applicable theories.
- “One-size-its-all” policy reform advocated in early 1980s is unlikely to be successful.

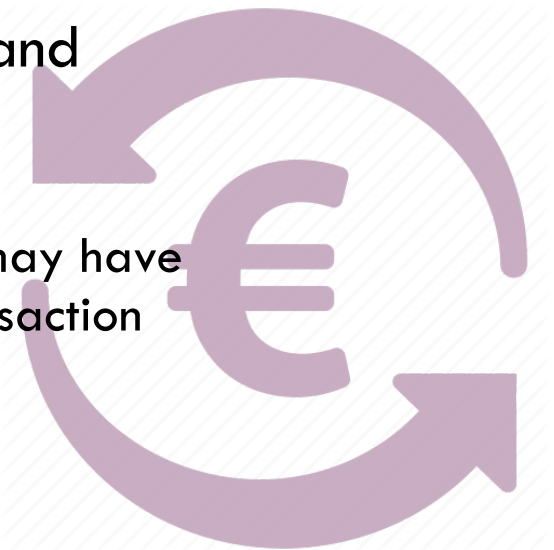
INSTITUTIONAL RESTRUCTURING



Two features of institutional analysis

2. Transaction Costs— Importance of information and transaction costs in influencing the way economic activities are organized.

- Some seemingly inefficient or exploitative institution may have marked advantages in terms of reducing risk and transaction costs.
- Transaction costs and rural markets and food security.



INSTITUTIONAL RESTRUCTURING



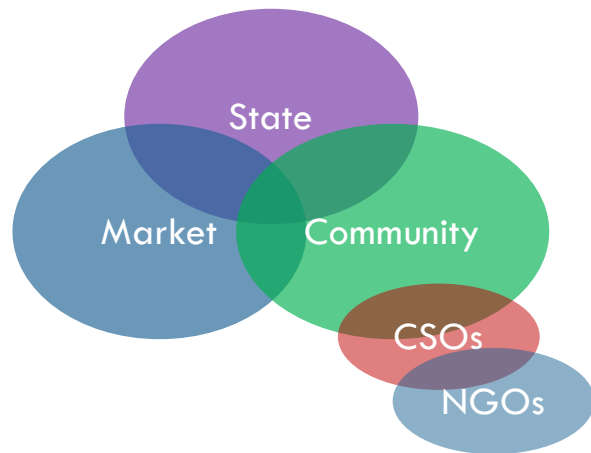
Institutional Design : Helping develop organizations and rules of the game that would permit smallholders and the rural poor to capture the benefits of the more open, market-driven economies.

Good governance: Western donors emphasize on the need for good governance. Good governance is defined as having transparent rules governing the economy and civil rights, non-arbitrary enforcement of laws and contracts, and some degree of democracy.

Role for civil society organization (CSO): CSOs such as independent farmer and trader organizations and trade unions.

Larger roles of Non-governmental Organizations (NGOs): NGOs played larger roles or even major roles in development with funds from international donors when the local or national government was too weak.

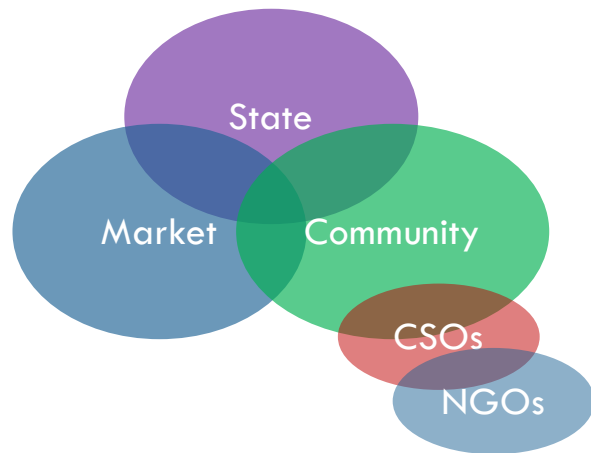
RELATIONSHIPS BETWEEN STATE-MARKET-COMMUNITIES



Community-Yoke thesis vs Evil-market Thesis

- **Community-Yoke thesis:** Certain community practices are exploitation of local elites on the locals. Market access should be promoted to free those locals from the elites.
- **Evil-market thesis:** Community cultures and traditions are good and pure. Market brings greed and materialism into the community and destroys those good cultures and traditions.

RELATIONSHIPS BETWEEN STATE-MARKET-COMMUNITIES



Moral Economists vs Political Economists

- **Moral economists:** Community traditions, such as reciprocity through kinship and local networks, emerged because of fluctuations in conditions for agriculture. It is necessary for the local's survival.
- **Political economists:** The locals have to depend on kinship networks and other patron-client relationship because market mechanisms and other public goods are not provided, inefficient, or controlled by the local elites.

FOOD INSECURITY AND POVERTY

Recall previous slides...

- In Asia, SAPs, new technology, and institutional reforms help increase agricultural growth in the 1980s and 1990s, and achieved self-sufficiency in grain production..
- Yet, Hardly any improvement in the cereal and nutrient intake of the poorest 30 percent of population in several countries...

Why?

FOOD INSECURITY AND POVERTY

Solution to Famine and malnutrition

National food
self-sufficiency



Food security

= Adequate supply of food
(country's own production and trade)
+ access by the population to that
supply

Amartya Sen's *Poverty and Famines* (1981)

FOOD INSECURITY AND POVERTY

The production incentive
school
“Get prices right”

The basic needs
approach
“Keep food prices Low”

Which approach to
help poor farmers
achieve food security?



FOOD INSECURITY AND POVERTY

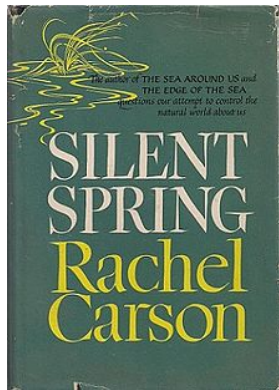


Turning back to Generation of Rural income and employment (in World Food Summit 1996)

Three reasons:

1. The achievement of national food self-sufficiency in many countries was unable to ensure that all family could secure their food needs.
2. Because of high urban unemployment rates, most of the new entrants to the rural labor force would have to find employment in farming and rural nonfarm activities.
3. Most countries could not finance measure such as food subsidies and food transfer programs over the long term. The rural poor need to increase their production and/or income to secure their own food needs.

SUSTAINABILITY



1962



1987



1992



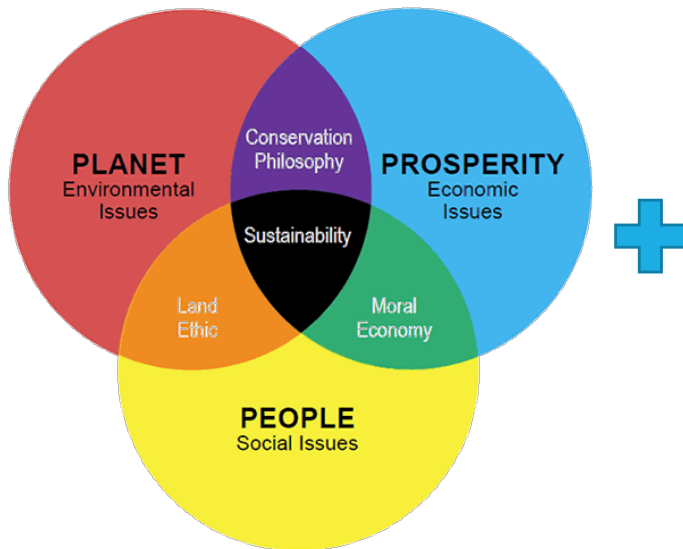
United Nations
Framework Convention on
Climate Change



THE GLOBAL GOALS
For Sustainable Development



SUSTAINABILITY



Sustainable Development

“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

Brundtland Report 1987

SUSTAINABILITY

