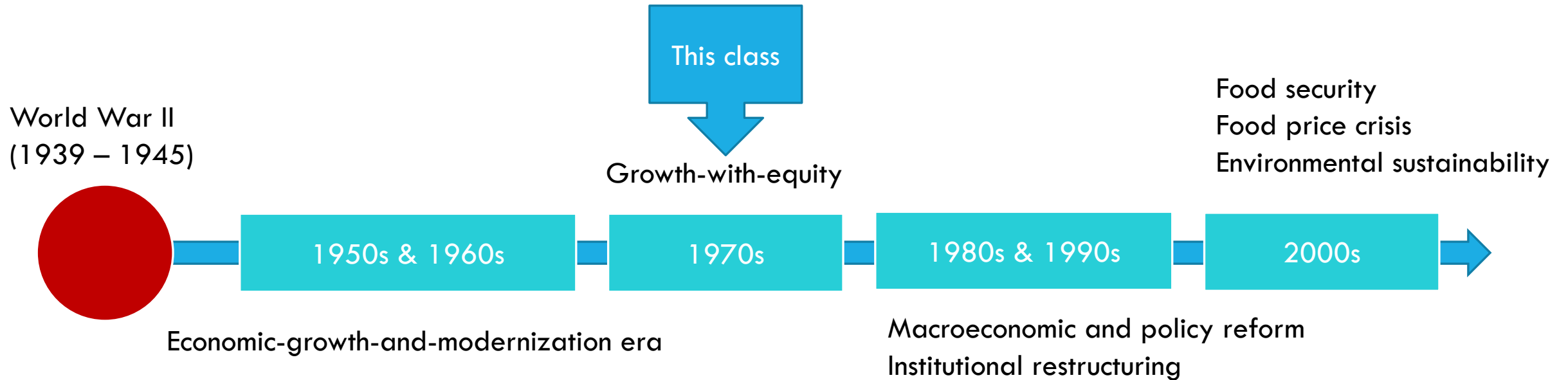


DYNAMICS OF GLOBAL AGRICULTURAL DEVELOPMENT: LESSON LEARNED (2)

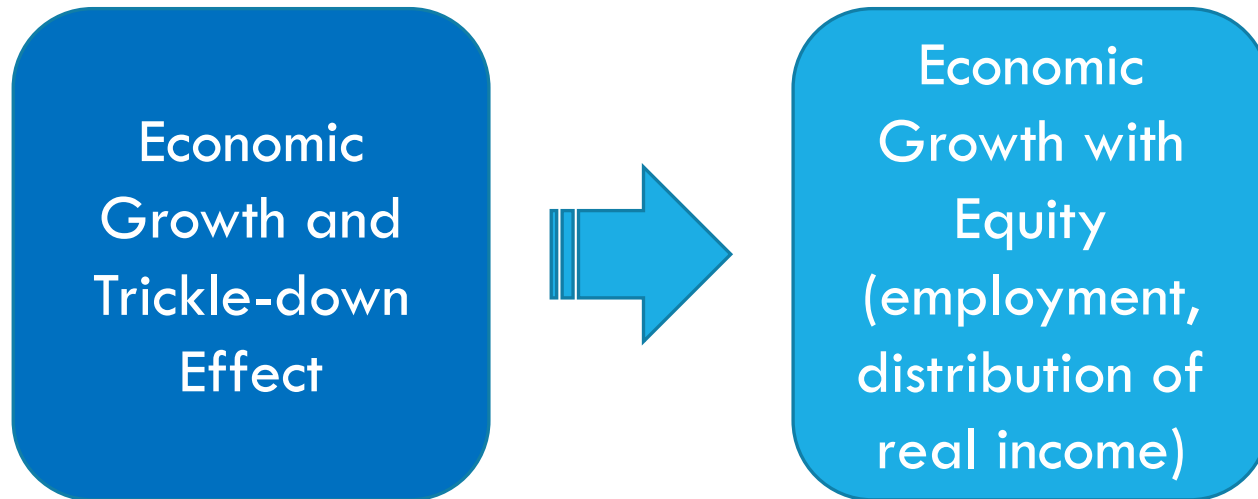
EE390:

Ajarn Chol Bunnag
Faculty of Economics,
Thammasat University

OVERVIEW: THE PERIODS OF AGRICULTURAL DEVELOPMENT IDEAS



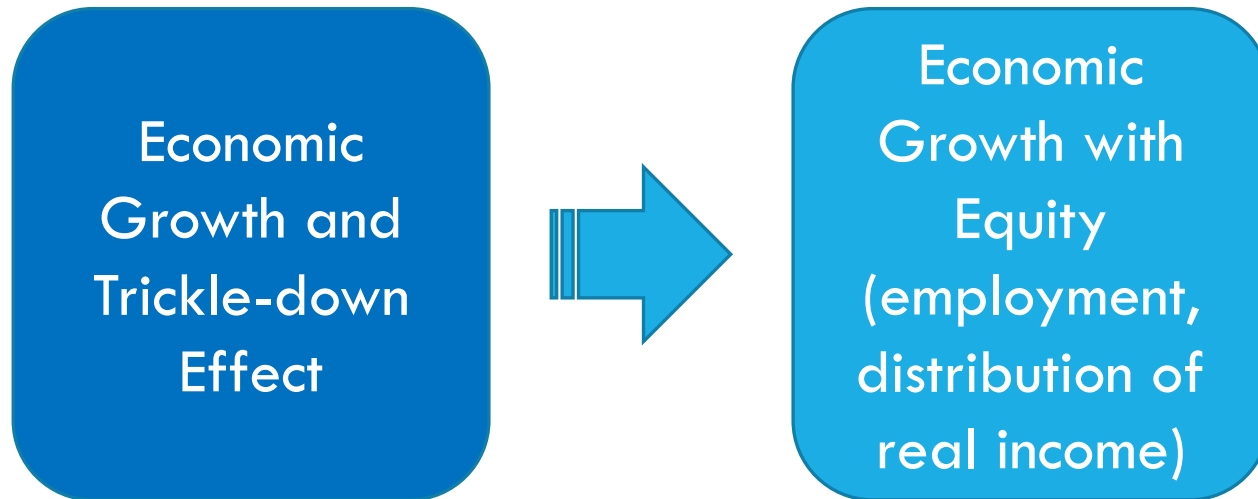
SHIFT OF DEVELOPMENT PERSPECTIVE IN THE 1970S



Three reasons for the shift

1. Ideological: Response to the critique of belief that economic growth was mutually beneficial for everyone ... redefine goal to preserve legitimacy
2. Empirical (1): Rapid growth in many countries was accompanied by disastrous side effect
3. Empirical (2): Benefit from growth did not trickling down to the poor, and the gap between the rich and the poor was widening.

SHIFT OF DEVELOPMENT PERSPECTIVE IN THE 1970S



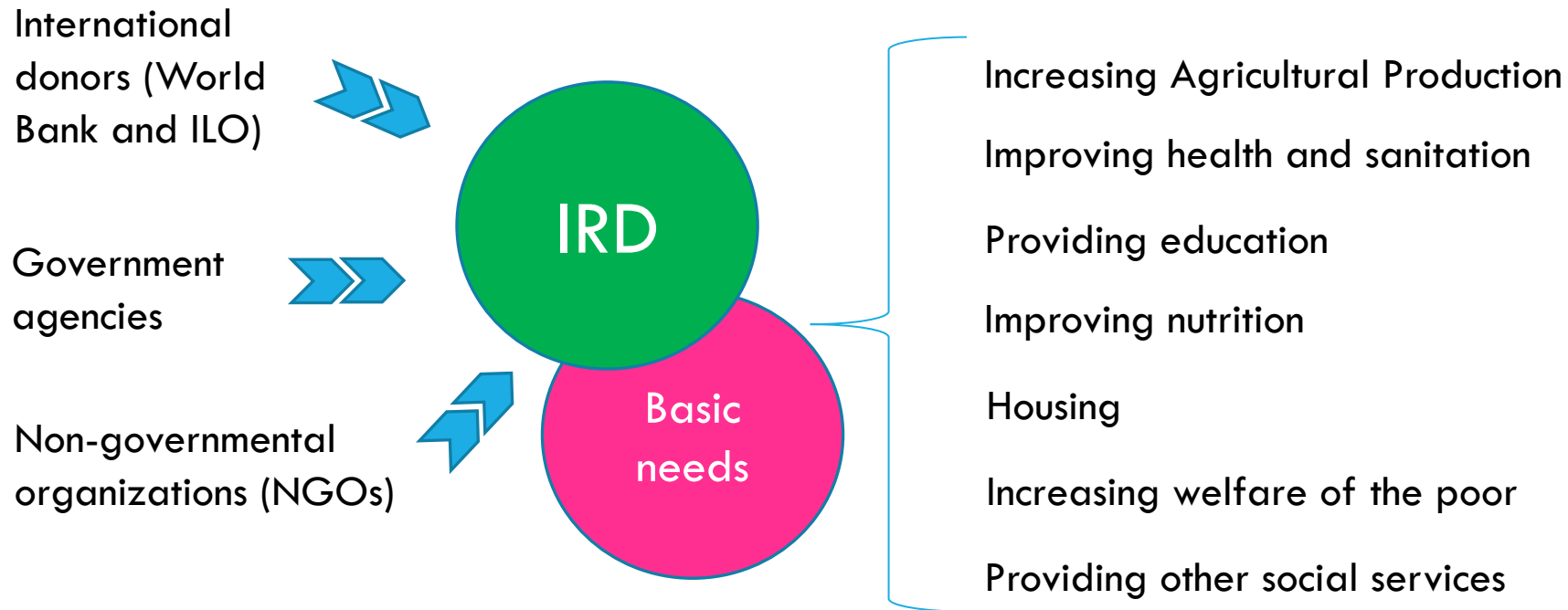
Explicit attention to paid to employment, income distribution and basic needs

Helping the people in the bottom 40 percent of the come distribution in low-income countries.



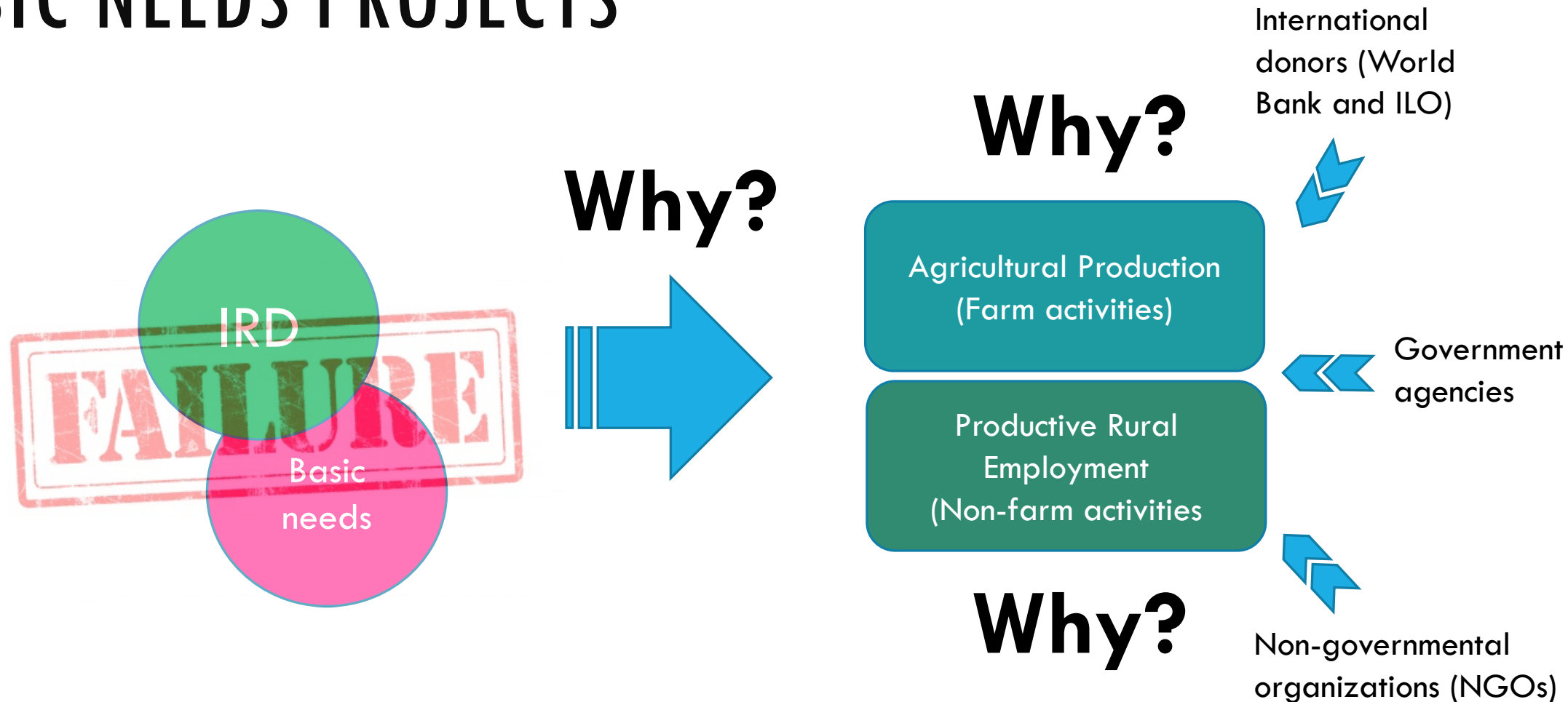
“Integrated Rural Development and Basic Needs”

INTEGRATED RURAL DEVELOPMENT (IRD) AND BASIC NEEDS PROJECTS



What is your opinion on the IRD and Basic Need projects?

INTEGRATED RURAL DEVELOPMENT (IRD) AND BASIC NEEDS PROJECTS



RESEARCH FINDINGS OF THE 1970S

Relationship between Growth
and Income Distribution

Product Market Performance

Employment Generation,
Factor Markets, and Choice
of Technique

Farming System Research
and Farmer Decision Making

RELATIONSHIP BETWEEN GROWTH AND INCOME DISTRIBUTION

Questions

How Growth Patterns
Affected Income
Distributions ?

What determines
patterns of agricultural
technology
development ?

How alternative strategies of
agricultural development
affected overall economic
growth rates and distribution of
Income

RELATIONSHIP BETWEEN GROWTH AND INCOME DISTRIBUTION

Percentage of the population received what proportion of country's income or assets

Distribution of income between various social groups

How Growth Patterns Affected Income Distributions ?

Distribution of income between men and women

How the distribution was affected by different growth strategies?

RELATIONSHIP BETWEEN GROWTH AND INCOME DISTRIBUTION

What determines patterns of agricultural technology development ?

Hayami and Ruttan

- Argument:
 - Multiple technological paths to agricultural growth
 - Relative factor prices guides a country's researchers to select the most "efficient" path.
 - Wholesale importation of technology from developed countries could lead to highly inefficient patterns of growth (e.g. displacing abundant workers with expensive imported machinery).
 - Technological development also guide the design of social institutions.

RELATIONSHIP BETWEEN GROWTH AND INCOME DISTRIBUTION

How alternative strategies of agricultural development affected overall economic growth rates and distribution of Income

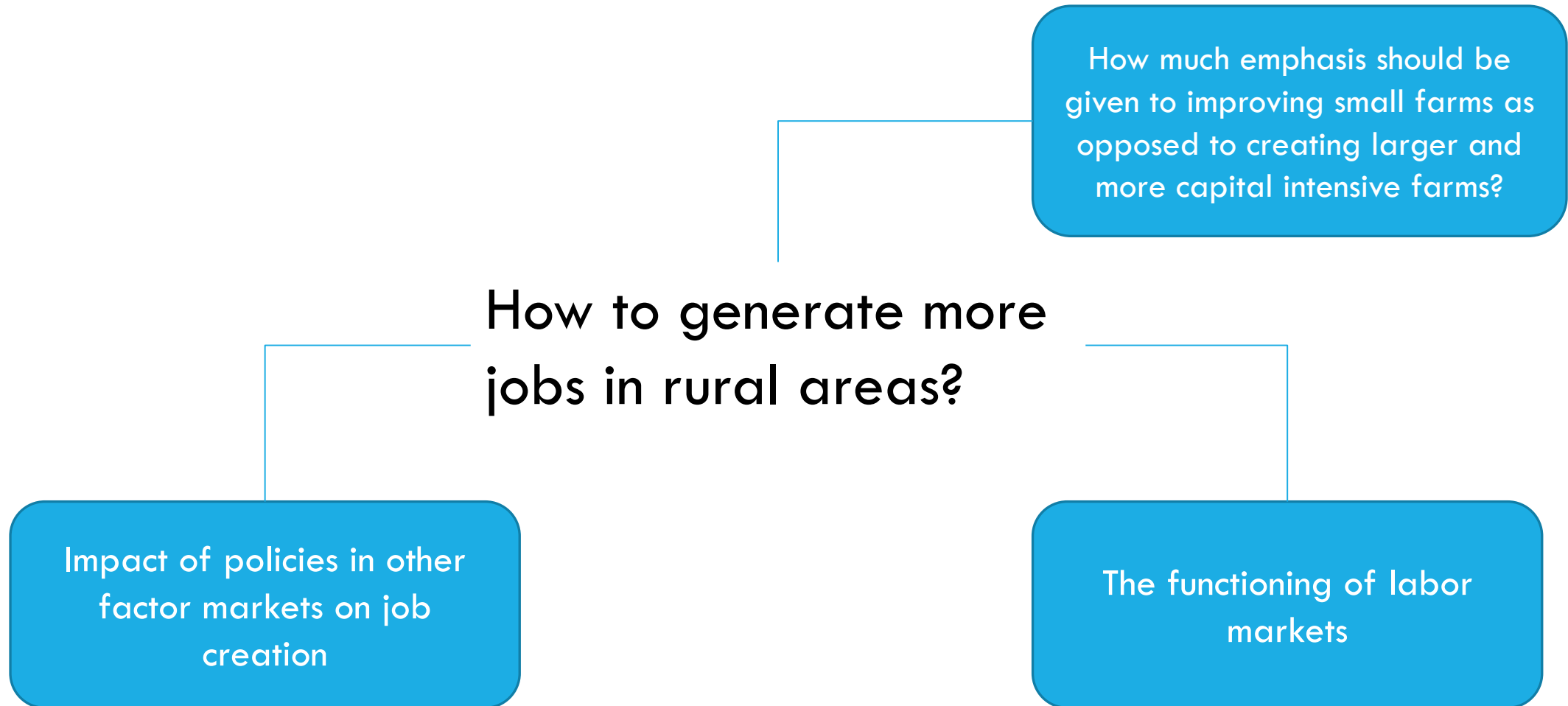
Mellor (1966, 1976):

- Argument
 - It was possible to design employment-oriented strategies of development based on the potential growth linkages inherent in the new high-yielding grain varieties.
 - Potential growth employment lying outside food grain sector.

Johnston and Kilby (1975) and Tomich, Kilby and Johnston (1995):

- Argument
 - Broad-based agricultural growth by smallholders was more effective than plantation production in stimulating the demand for industrial products and hence speeding the structural transformation of the economy.

EMPLOYMENT GENERATION, FACTOR MARKETS, AND CHOICE OF TECHNIQUE



EMPLOYMENT GENERATION, FACTOR MARKETS, AND CHOICE OF TECHNIQUE

How much emphasis should be given to improving small farms as opposed to creating larger and more capital intensive farms?

Findings:

- Economies of size in tropical agriculture were more limited than had previously been believed.
- Small farms often achieved greater output and employment per hectare than did large-scale farming.
- Land reform would stimulate economic growth because of small-scale farms' higher potential for employment and land productivity.
- Small farm is labor-intensive, mainly uses family labor.
- Political support for land reform waned during the 1970s.

EMPLOYMENT GENERATION, FACTOR MARKETS, AND CHOICE OF TECHNIQUE

The functioning of
labor markets

Findings:

- Overvalued exchange rates and subsidized credit often encouraged excessive substitution of capital for labor in low-wage economies.
- Rural labor market was found to be effective, with little unemployment during the peak of the farming cycle, while there were labor surpluses at other periods of the year.
- Earlier researchers had overestimated the size of the surpluses.
- Labor markets in most countries were generally competitive, with wage rates following seasonal patterns of labor demand.

EMPLOYMENT GENERATION, FACTOR MARKETS, AND CHOICE OF TECHNIQUE

Impact of policies in other
factor markets on job
creation

Findings:

Why rural people often moved to the cities even when urban unemployment levels were high?

- Motivation : Difference between his/her expected income and the prevailing rural wage.
- Paradox : Creating more urban jobs result in more urban unemployment. The policy that creates urban jobs induces greater migration to the city as rural people believe they have more chances.
- Arguments: raising rural incomes could reduce incentives to move to the cities

PRODUCT MARKET PERFORMANCE

Findings:

- Found little support for the allegations of widespread collusion and extraction of monopoly profits by private merchants in low-income countries.
- Market inefficiency was rather caused inefficient infrastructure, lack of reliable public information systems, and other public goods and corruption.
- State monopolies of domestic food trade were inefficient.
- State should provide public goods, such as better information system, standardized weights and measures, to facilitate private trading, price stabilization, and regulation of international trade.

FARM SYSTEMS RESEARCH AND FARMER DECISION MAKING

Findings:

- Better understanding on farmer's decision to adopt new technologies led to the development of farming system research which involves farmers more in the process of problem identification, on-farm agronomic trials, and extension.
- Farm household decision was modelled as both a production and a consumption unit. The models stressed the need to understand how government policies could affect both the production and the consumption decisions of small holders.
- Accumulation of knowledge about:
 - Behavior of farmers
 - Constraints on the expansion of farm and nonfarm production, income, and employment.
 - Linkage between agricultural research and extension organizations
 - Complexity and location specific nature of agricultural development process.