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THE ROLE OF GOVERNMENT, NATIONAL AND LOCAL,
IN PROMOTING AGRICULTURAL PRODUCTIVITY

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THE ROLE OF GOVERNMENT, NATIONAL AND LOCAL, IN PROMOTING AGRICULTURAL
PRODUCTIVITY--BY: John Bennett, Development Planning Bureau for Far East

Introduction -- By way of introduction, I would like to repeat that my subject is the role of government, both national and local, in raising agricultural productivity. I repeat the title because put in the form of questions (i.e., what is the role of national government in raising agricultural productivity? of local government? of private initiative?), it provides an outline of the material that I want to cover and leads to answers which are central to solution of the agricultural productivity problems of the world today.

It is important to state the subject in the form of questions because answers are too often given in the form of revealed truth, of ideology, or of settled dogma. There are those who say that only the national government can solve the productivity problem. There are others who hold with equal certainty to the opposite view that only the private sector can succeed. In fact the experience of nation after nation is that neither answer is correct for all measures and for all time and that pragmatic search for the answers to particular aspects of the productivity problem gives the best results.

Ideological answers are also often used to determine the relative roles of national and local government. Again experience shows that there is no single answer. Rather, the decision to use either local or national government has advantages and disadvantages, or benefits and costs which need to be carefully weighed.

The emphasis in this paper is on agricultural productivity because it has generated increasing concern. There are several reasons. For one, the supply of suitable new land is fast running out in the underdeveloped world; even where it has not, current rates of population growth suggest that it will run out within a time span of one generation. Another reason is that the supply of productivity increasing measures is enormous while their use has hardly begun; many of these are extremely inexpensive, particularly when compared to the cost of developing new land. A third reason is that progress in raising agricultural productivity has been so extremely slow, as to create concern at the highest levels of government, about the reasons, despite the seeming attractiveness of many of the measures.

Analysis of the productivity problem -- I would suggest that the answer to the question of roles flows in large measure from an analysis of the conditions giving rise to the productivity problem. One of its roots seems to be in the social and economic conditions in the rural areas of the underdeveloped countries.

One group of students of these matters has gone so far as to identify the failure to adopt new methods with continuation of the traditional village and with the isolation of the rural area. Many things can be said about this traditional village. Among the obvious ones are the subsistence nature of production, the inward looking vision of its inhabitants stemming from their isolation, and the determination of how things are done based on custom.

This description is of an archetype which probably does not exist anywhere in the world today in its pure form. Subsistence farming is giving way to production for the market. Slowly but surely, new methods are being adopted which challenge traditional methods and shake the hold of custom. Nevertheless, the change is not rapid enough. Analysis of traditional rural society & experience so far have led many to the conclusion that the process cannot be hastened, and thus that the prospects for the near future are bleak.

A second group, which studies the question of agricultural productivity, finds the barriers in a set of particular conditions. Fertilizer isn't used because it is expensive relative to the revenue it returns. Insecticides are not purchased because much of the benefits are lost when adjacent farms fail to use them too. Overall in this analysis stands the problem of farm prices, the key to farmer motivation to adopt any & all of the productivity improving changes available. The farmer is said to pay the price for keeping foodstuffs cheap for the urban consumer. It is admitted that insufficient attention is paid to the enormous costs paid in perpetuating and archaic & inefficient marketing system, composed of poor transportation, wasteful storage & processing facilities, lack of uniform grades, standards, & measures, & an absence of competition among middlemen. It is agreed that these conditions should be dealt with, but this takes time, & in the interim price reform cannot be delayed, if the productivity problem is to be solved.

A third group has examined the productivity problem and reached the conclusion that it is not solveable when only one aspect is attacked at a time, because of interrelations among the changes. Thus the benefits of fertilizer and improved seed may be reduced to insignificance or lost for lack of adequate water control.

Which of these explanations is correct? I submit that they all are at various times and places. They lead me to the conclusion that solution to the urgent and complex productivity problem requires the national government to have a minimum role, that of planning the program to attack the problem, of allocating responsibility for the various parts of the program and of seeing that all the pieces are being carried out.

The role of national government -- Given the overall responsibility of national government, the obvious temptation is to have it do everything. Experience in many countries indicates that this would be a mistake, given two criteria, effectiveness and cost. The costs of having the national government do everything would likely be higher than necessary. The management burden on national government would be immense and unwieldy. The social gains from local government and private sector participation would be lost, as would the element of efficiency implicit in their flexibility and responsiveness to the enormous variety of local conditions and needs.

The list of required fields of action is enormous. Running through the obvious ones quickly, I would identify research and development, extension, education in both the narrow sense of technical agriculture and in the broad sense of general education which equips rural families to live in a modern economy, land tenure, credit, cooperatives, seed, fertilizer, insect control, irrigation, farm practices, farm machinery, and finally, marketing, which itself covers a whole vast field, including transport, quality control, pricing, statistics, export promotion, and processing. Others would add additional items to the list. But the point is that there is more than enough for national government to do. In fact, the problem is to find help for the national government. The operating principle might then be to have it spin off as many activities as it can, either to local government or to the private sector, always commensurate with the need for program unity and balance.

Are there things which national government cannot spin off, in addition to its overall responsibility? I believe several can be identified. In general, these relate to activities which local government and the private sector lack

sufficient interest to do or which encounter local interests that conflict with national goals. Among these I would tentatively place regulatory functions where local and national interests diverge or such things as export promotion, where no local government or private organization has sufficient interest to carry it out effectively.

But let us also be clear that by spinning off activities, the national government adds significantly to the difficulty of its task, by compounding the problem of coordination. This is the price that must be paid for the advantages of having the participation of non-national agencies. It calls for a degree of sensitivity on the part of national officials to the interplay of local and private interests, recognition that a great deal of patience will be required initially to give the non-national agencies a chance to develop, a willingness to suffer frustration and an awareness that reason will sometimes not prevail, even with the best of wills. It is not a small price. However, that many countries have found it well worth paying should be reassuring.

At the same time, it is important to realize that the "spinning off" must be real. Placing the responsibility in non-national agencies and then not permitting them to exert power is worse than useless. Such agencies soon become hollow but expensive shells. Their autonomy must be recognized and honored, if they are to serve their purpose and the gains from their participation in the national effort are to be realized.

The role of the private sector --Private initiative has usually taken two forms, that for profit and that for the mutual benefit of the members of an organization. An obvious example of the latter is the cooperative, but less formal organizations also play a role in many countries, for example, clubs, associations, and even local branches of political parties.

Using private initiative motivated by profit has often proved most difficult in agricultural development. Part of the problem is the fact that agriculture is a new field for business, in which the risks are high and the rates of return seem unattractive by comparison to those available in other fields. Yet as agriculture has grown in the more developed economies, business has shown surprising ability to find niches in which it can perform useful and profitable services. Examples abound. Much of the hybrid seed in the United States is commercially produced and sold, in close cooperation with government which originally developed it. Private fertilizer production followed the lead developed by such government efforts as TVA. Both still depend on government for support and assistance.

Two conclusions follow. One is that we can probably depend on private initiative to follow where government has opened a path. But it is also possible that government can speed private initiative by publicizing opportunities and by creating incentives, that is, by raising the initial rates of return on investment or reducing the risks. This should be the subject of a paper by itself; the specific measures used need to be studied in the context of the particular situation. That a considerable amount can be done to hasten private interest cannot, however, be questioned.

Farmer associations are often informal. Their ostensible function is, from our point of view, often not their most important. Rather, for our purposes, their critical function is to organize farmers in a "political" sense, so

that communication between government and its farmer citizens is more effective. Communicating with organized farm groups has several advantages. One is that it is possible to reach larger numbers quickly. Another is that farmers can organize themselves to act on what government wishes to communicate. They can discuss and reach a consensus on how to respond. Finally, they can be organized to make known their reactions, needs, and desires. This last is perhaps the most important, as one of the constant problems faced by government is to determine how farmers are responding in order to adjust its programs to give them the highest chance of achieving their objectives.

The role of local government -- Local government can be viewed as occupying a position between national government and the private sector. Its role is in many respects much the same as that of national government; it shares an interest in the success of agricultural development and the fate of its farmer citizens. However, on the one hand, it cannot control many of the factors which determine program success or failure. On the other, national government cannot tolerate conflict or even too great deviation from the set of national priorities that stem from its planning efforts.

This position should not prove too unsatisfactory to local government. In addition to the fact already mentioned that local government cannot control many of the factors affecting its farmers, it often lacks the resources of national government, most obviously financial, but also of access to research elsewhere in the country, or the technical expertise of specialists which only the national government can afford to hire or train, and then keep in its employ.

At the same time, it should not be forgotten that the smaller size of local government, its consequent flexibility, and its greater nearness to its farmer citizens endow it with real development advantages. These often result in greater ability to deal with farmer organizations as well as with individuals and leads to the major conclusion that national government would do well to spin off activities to local governments just as it would spin them off to the private sector. The means for doing so are similar. We in the United States have developed an extensive system of cooperative activities, built around the concept of joint programs, drawing on personnel from all levels, funded by generous national grants made possible by its greater tax power, carrying forward shared national, local, and private sector activities consistent with the overall priorities determined to be in the national interest.

Increasing agricultural land -- The title of this paper appears to restrict the subject to improving agricultural yields and to exclude the large subject of means to increase area planted. By way of a footnote, it is probably well to add that the same considerations should apply in deciding on the roles of national and local government in programs to increase the area under cultivation. Nevertheless, experience indicates that the national government is more likely to be involved in an active way because of the nature of the problem. This often requires opening up of new land not currently in private ownership. Title is held by the national government. Local government is often new and weak in the areas under going development. People must be induced to move from one local government jurisdiction to another. A great deal of infrastructure must be put in place quickly. The arguments which apply to local government seem to apply with even greater

force to private enterprise.

Nevertheless, the answer in developing new lands, even under the most difficult conditions, cannot be categorical. Much of the world was initially settled through individual efforts, in which local government had a large role. On occasion, it even involved large corporations, as in the case of the railroads in the United States, which received assistance from the national government in the form of enormous grants of land and access to capital on favorable terms.

Summary and Conclusions -- The role of government, both national and local, in raising agricultural productivity is immense. The residual responsibility belongs to national government. The tasks confronting it are so enormous, however, that national governments have found it advantageous to spin off as many of the required activities as possible, leaving for themselves the overall role of planning and coordinating and of doing a large set of activities which cannot or will not be done by local government or the private sector because of the nature of the task or the lack of incentive.

The advantages of spinning off activities are more than simplifying the burden on national government, since local government and private initiative are often more effective because of their flexibility and closeness to the farmer.

It may even be necessary to go further than this and to state that national government must elicit the participation of local government and the private sector. I state this undogmatically, as otherwise it would be out of spirit with the rest of my paper. Nevertheless, I believe it. For one thing, the list of tasks is enormous. For another, the problems are delicate, interrelated, and enormously complex, involving not only economics, but politics and sociology. Nevertheless, national government might eventually be able to do the job, given time. Given time, I repeat. Because that is exactly what we do not have. One of the nightmares modern man faces as a result of his ability to control disease is massive hunger like nothing known before.

There remains a large area for discussion involving measures that national government can take to induce local government and the private sector actively. I would like to suggest that discussion today take the form of a review of measures to increase agricultural productivity, asking:

1. how they are performed in the Philippines today
2. whether other agencies might perform them advantageously
3. how other agencies might be induced to do so.