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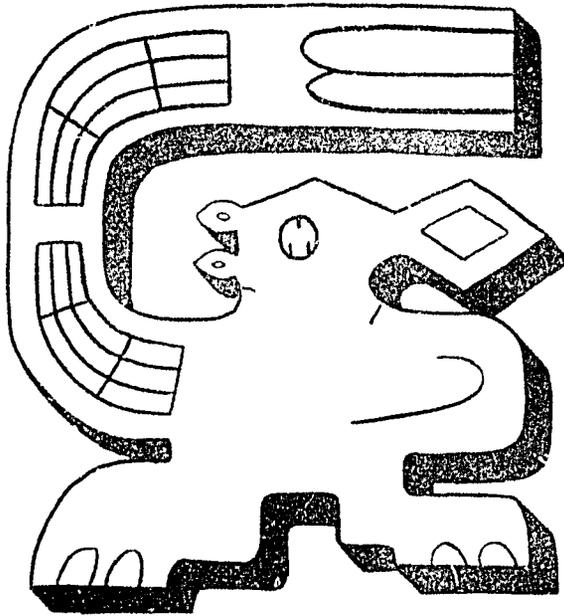
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Needed Redirections in Economic Analysis for Agricultural Development Policy

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Needed Redirections in Economic Analysis for Agricultural Development Policy*

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Economic literature identifies development with average rates of increase in real output per capita. Little research has focused on interrelations between productivity increases and other indicators of development such as the reduction of mass poverty, unemployment, and inequality. Such omissions may be a function of the way agricultural economics developed in the United States. Here a positive correlation between increased production, employment, and income-earning opportunities was assumed inherent in the family farm system and the relative labor-scarce conditions. Problems emerging in recent years throw considerable doubt on the appropriateness of these assumptions.

I

WITHIN the past several decades, especially the one just ended, agricultural economists have become increasingly concerned with agricultural development policies. I underline development since this is a new emphasis.¹ Agricultural economics and the related rural social sciences emerged as academic disciplines at about the turn of this century, after U.S. agriculture was far along the road to modernization. Initially, agricultural economists were concerned with problems of farm management and tenancy. Later, problems of marketing, credit, price and income protection, resource conservation, and aggregative characteristics of demand and supply became subfields of specialized interest and research. Since the discipline "grew up" after the basic economic, social, and political institutions of production and distribution were established, policy issues of concern to researchers were essentially those dealing with imperfections of the system—obstacles and barriers (to the free flow of information and resources) inhibiting the most efficient use and combination of given resources [24, pp. 725-729; 35, p. 83].

A look at the "growth of government in agriculture" [41, 1, 39] reveals a fairly close

* I gratefully acknowledge the many helpful comments on earlier drafts by colleagues at the Land Tenure Center, especially Marion Brown, William Thiesenhusen, Don Kanel, Herman Felstehausen, Elsa Chaney, Kenna Jarvis, and John Bielefeldt. Some of the basic formulations developed in this paper originated in my many discussions over the years with Ken Parsons, Carl Bøgholt, and Ray Penn. I acknowledge my indebtedness to them.

¹ Development is here viewed in the broad sense of expanding opportunities and the human capacities needed to exploit them, along with a general reduction of mass poverty, unemployment, and inequality [36, 31].

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correspondence between policy issues in U.S. agriculture and the development of specialized areas of research.² The shape of agricultural economics as a discipline reflects the range of issues that arise in agricultural policy. Organized systems of thought are the result of man's efforts to cope with experienced difficulties. The configuration of such a system of thought will be different if establishment of basic institutions is a key issue, in contrast to the system of thought that emerges from inquiry into policy issues that arise *within* an established and accepted institutional framework [14, p. 4].

At the time of United States' independence, economics was just emerging as a recognizable, separate branch of moral philosophy. A major policy issue in the late 18th and early 19th century was the nature of economic organization to establish in agriculture. The resulting system of family farms was rationalized more in terms of political theory (a major reaction to European feudalism) than economic theory [16].

The system of economic, social, and political organization was firmly established by the time problems of agricultural policy attracted the attention of professional economists. Had our earlier policies fostered a feudal hierarchy or communal ownership of land instead of fee simple ownership and family farms; had our social organization developed around the extended family or the tribe instead of the nuclear family living in relative isolation on its farmstead; had our political system been one of centralized control and management of the economy with all transactions involving land, labor, capital, and commodities regulated by

² Note also current policy issues (poverty, resource and environmental management, population, urban congestion, agricultural development, etc.) and the corresponding growing interest and research specialization (including new institutes and professional journals) in all of these areas.

central political authority instead of the local autonomy and free private enterprise of individuals in their economic activities; much of our theory of the firm, of markets, of pricing, and of equilibrium would be irrelevant. In fact, we most likely would not have them. *They could be developed and perfected only within a particular political and institutional context.* They provide no analytical insight into a system whose institutions are different.³

Thus, there is little reason to believe that the concepts and hypotheses derived from our theories are entirely relevant to all of our country's currently recognized problems; they are even less relevant to problems facing the poor, agricultural countries. The need, it would seem, is to understand institutional systems and the nature of public policy issues.

On some problems our theories and professional economic analyses are serving reasonably well in the United States and in other industrialized countries. The relevant questions are being asked and the data needed for analyses are being generated. But the categories in our census and other statistical series are not accidental.⁴ They too are products of the policy issues and the theoretical formulations developed through the interaction of problems and ideas.

On other important policy questions, however, present theories provide little insight even on U.S. issues: environmental quality, poverty, race relations, a more acceptable distribution of economic and political power, congested cities, rural development, automation, and basic changes in the structure of resource ownership. Present theories do not seem to encompass

³ N. Georgescu-Roegen has observed, "As soon as we realize that for economic theory an economic system is characterized exclusively by institutional traits, it becomes obvious that neither Marxist nor Standard theory is valid as a whole for the analysis of a non-capitalist economy, i.e., of the economy of a society in which part or all of the capitalist institutions are absent. A proposition of either theory may eventually be valid for a non-capitalist economy, but its validity must be established *de novo* in each case . . . Even the analytical concepts developed by these theories cannot be used indiscriminately in the description of other economies. Among the few that are of general applicability there is the concept of a production function together with all its derived notions. But this is due to the purely physical nature of the concept. Most economic concepts, on the contrary, are hard to transplant . . ." [13, pp. 147-148].

⁴ Seers has noted that ". . . lack of data on poverty, unemployment and inequality reflects the priorities of statistical offices rather than the difficulties of data collection. The conceptual problems of these measures do not seem to be more formidable than those of the national income. We have just grown accustomed to ignoring [them]" [36, p. 3].

these issues; they do not help us to formulate the right questions; hence, appropriate data are not available, and fundamental policy questions tend to fall outside the boundaries of traditional academic disciplines.⁵

II

A basic question is whether economics, or any other social science, has anything significant to say on matters of development policy. More fundamentally, are the social sciences capable of generating guidelines for public policy that are in some sense "better" than those formulated by other means and criteria? Or are the value questions of public policy subject only to political compromise or the dictates of dogma, coercion, and personal tastes?

This depends, it seems, on one's view of the role of theory, how it is developed, and the manner in which it is tested. If one assumes that economic theory develops in some pure form independent of policy issues existing within a specific institutional matrix, it follows that theory can have an "independent career" and be set apart in a separate domain.⁶ This view may not be too harmful with respect to those aspects referred to by Kuhn as "normal science" or the "mop-up work" growing out of established theory.⁷

⁵ "Nowhere," says John Gardner, "can the operation of vested interests be more clearly seen than in the functioning of university departments . . . [the department] assesses the significance of intellectual questions by the extent to which they can be answered without going outside the sacred territory." [12, p. 98].

⁶ "To accept the distinction between 'pure' and 'applied' economics as generally valid and fundamental is not only to accept the view that 'theory' in its pure form can have an independent career but that it can be validated in some way other than by 'application' . . . The crux of the issue is simply this: that the only alternative which we have to the validation of inquiry by problem solving is a reliance either upon self-evidence of fact or principle as the foundations of knowledge - or upon revelation. Both of the latter alternatives are incompatible with a genuinely scientific viewpoint" [30, pp. 664 and 674]. (See also [6].)

⁷ "Mopping up operations are what engage most scientists throughout their careers. They constitute what I am here calling normal science. Closely examined, whether historically or in the contemporary laboratory, that enterprise seems to attempt to force nature into the preformed and relatively inflexible box that the paradigm supplies. No part of the aim of normal science is to call forth new sets of phenomena; indeed those that will not fit the box are often not seen at all. Nor do scientists normally aim to invent new theories, and they are often intolerant of those invented by others.* Instead, normal scientific research is directed to the articulation of those phenomena and theories that the paradigm already supplies" [22, p. 24].

* Here Kuhn cites Bernard Barber, "Resistance by Scientists to Scientific Discovery," *Science* 134:596-602, 1961.

Another position, taken in this paper, is that as major changes occur in society the existing body of theory (developed through the study and eventual resolution of major policy issues) becomes inadequate and fails to comprehend the new policy issues that confront society. The major breakthroughs and theoretical syntheses in economics have come about from attempts to deal with major policy crises. Smith, Ricardo, Marx, and Keynes were all deeply immersed in the policy issues of their time, and their theoretical advances resulted from their inquiry into the possible resolution of questions central to economic policy.⁸ Advances in theory have always been constructed on the basis of detailed and specific research into the very issues that could not be forced "into the preformed and relatively inflexible" boxes available from existing theory [22, p. 24].

Emphasizing the need for research on policy issues does not mean that the goals of policy are set by politicians, bureaucrats, or pressure groups and that the role of research is merely to seek the most efficient means of arriving at such predetermined goals. Rather, it means that the investigator must be concerned with both ends and means. "Since development is far from being achieved at present, the need is not, as is generally assumed, to accelerate economic growth—which could even be dangerous—but to change the nature of the development process" [36, p. 3].

This view holds certain dangers. For example, it raises the question of objectivity in research.⁹ This is perhaps why many social scientists deny that they are working on policy questions and maintain that—as scientists—their only concern is establishing value-neutral relationships. This latter function is of great social significance, and most social scientists will be engaged only in such studies. Indeed, new theoretical breakthroughs are impossible without

⁸ "One of the results of any survey of the development of economic doctrines is to show that in large measure the important departures of economic theory have been intellectual responses to changing current problems" [25, p. 13].

⁹ The problem-solving approach to inquiry "... easily and naturally frays out into a mere servicing of practical judgments. In fact, it requires strenuous intellectual effort to avoid this very outcome. Under such circumstances we gradually drift into an acceptance of the 'problems' as formulated by our constituency. The next step is simply that of making 'investigators' the mere tools of various interests ... Yet the issue must be faced. The argument seems inexorable, that there is no other alternative in genuinely scientific inquiry to having both the roots of inquiry and the final tests of validity in practical problem solving" [30, pp. 675-676].

them [22]. But without direct attention to relationships not prescribed by present theories, some of the most pressing public policy questions are ignored.

It may be helpful at this point to note a fundamental difference between the physical and the social sciences. Both physical and social scientists can carry on much of their normal science under laboratory conditions, but social scientists will always conduct some of their research within the context of human society. When a crisis in policy emerges, when accepted theories fail to offer insights into phenomena readily observed, when these anomalies become so obvious that they can no longer be ignored, a new theory cannot be validated except as it is tested in practice. In physical science this can still frequently be done under laboratory conditions; but in economics it requires new directions in policy. Its measured consequences must then serve as the experimental test. The Keynesian reformulation of the 1930's is perhaps the best and most recent example in the field of economics. Today, many economists are indeed engaged in the normal science that is not directly concerned with ends or values. But this is made possible by the new Keynesian paradigm which has once again (for the industrialized, capitalist countries) relegated many evaluative or "normative" issues to the level of assumption, removing them for the time being from the immediate field of inquiry. This makes possible the common practice of reading prescriptions for public policy directly from the refined Keynesian models (a practice which Keynes himself did not recommend).¹⁰ But such prescriptions could not command the respect they do if the new theoretical constructions had not been tested—in the only meaningful terms possible—through their practical influence in shaping public policy and resulting in measured and anticipated consequences.

In the United States we have begun to accept as a measure of progress the number of people lifted from the misfortune of being poor. There is a growing recognition that development prob-

¹⁰ "The object of our analysis is, not to provide a machine, or method of blind manipulation, which will furnish an infallible answer, but to provide ourselves with an organized and orderly method of thinking out particular problems; and, after we have reached a provisional conclusion by isolating the complicating factors one by one, we then have to go back on ourselves and allow, as well as we can, for the probable interactions of the factors amongst themselves. This is the nature of economic thinking" [21, p. 297].

lems are not confined to some far-off "less-developed country," and people are beginning to realize that development is more than capital, investment, and markets. It is a complicated process of institutional change, redistribution of political power, human development, and concerted, deliberate public policy efforts for redistributing the gains and losses inherent in economic growth [7, p. 291].

Despite such recognition, these issues are still often treated as "fringe problems," outside the mainstream of economic policy. And development economics, so far as I can determine, does not incorporate these issues into its analysis. As a result, the relevancy of development economics to development is being questioned [36, 4]. In viewing the core economic theory requirements at major Ph.D.-granting universities and the content of preliminary examinations, one would hardly suspect that such problems exist or that theory has any bearing on research related thereto.¹¹ While development questions in the United States are becoming more critical, they are at the heart of public policy issues in nonindustrialized countries. Yet U.S. universities are presuming to educate and confer Ph.D. degrees on candidates from these countries.¹²

There is, it would appear, a crisis situation developing in economics (and perhaps in the social sciences generally) in the sense defined by Kuhn—"Crisis and the Emergence of Scientific Theories" [22, pp. 66-76]. Unless some key development issues, presently ignored, are directly addressed in research, this crisis may challenge the very legitimacy of economics. As Boulding reminds us,

The teaching of every profession produces a certain amount of what Veblen called "trained incapacity" and we should certainly look with a critical eye at economics to see if we are not doing this. If the training of the economist leads to his neglecting certain important aspects of the world about him, once he is in a position to give

advice and to have his advice taken, disasters might easily ensue. . . . When one is giving advice, therefore, about a system that involves the total society, it is extremely dangerous to be overtrained in a certain abstract element of the total process. If we run into enough of this we may find indeed a widespread reaction against economics and a withdrawal of legitimacy from it. It is my own view frankly, at this point, that we must move toward a more integrated and perhaps even a rearranged social science, that the existing departmental and disciplinary lines often mask real problems. . . . [2, pp. 306-307].

III

Given the rapid population growth in most of the developing countries, the large proportion in agriculture, and the continuing growth of absolute numbers dependent upon agriculture [9], it is surprising to see how little analytical attention has been given to the need for creating employment and improved income-earning opportunities in rural areas. There is a vague hope that programs designed to increase production will result in agricultural development irrespective of the short-run employment and distributional consequences of such programs. However, experience over the past decade indicates that the questions of increased agricultural production and a more equitable distribution of the fruits of that production must be viewed as parts of the same process. Policies designed to cope with one of these to the exclusion of the other have not succeeded.

These two aspects of development (increased production and a more equitable distribution) are sometimes viewed as being totally independent [3]. The first is seen as the key to development while the second is considered a peripheral problem of welfare or social justice. Some even assume that economists have the analytical tools that permit them to make policy recommendations for increased efficiency in production, but that the problem of a more equitable distribution is a political or cultural matter [17].

In most of the nonindustrialized countries a majority of the people depend on the land for employment; jobs in manufacturing are growing much less rapidly than manufacturing output; and the number of people dependent on farming for a livelihood is increasing. To achieve the benefits that may accrue from what Owen has called "farm-financed social welfare" requires that opportunities—even subsistence opportunities—be provided [27, p. 61; 28].

Policies that emphasize modernization and

¹¹ "Workshop on Core Economics" sponsored by the Agricultural Development Council, October 10-11, 1967, held at ADC offices in New York.

¹² "If a student's formal course training is limited to two years of graduate study and he expects to work on development problems, he is, I'm afraid, in danger of finding that he has acquired a lot of mental luggage of dubious utility while he has not been expected to think very deeply on questions basic to an effective attack on the problems of development. It is not really an answer to say that you are giving him his analytical tools and that his thinking can come later. If he has not been made aware of the basic issues in his university training, he may well pass through life unaware of their very existence" [4, p. 20].

increased production from the commercial farm sector without explicit attention to the creation of employment opportunities will yield increased output of certain farm commodities and growing labor productivity for a part of the farm labor force. But they tend to widen the income disparities and throw the burden of adjustment on the disadvantaged who join the ranks of the landless, become migrant seasonal workers, continue to crowd into existing small farm areas, move out to rapidly shrinking frontiers, or join the underemployed in the cities. There is no evidence that the increased volume of commodities moving through commercial channels as a result of increased production creates sufficient jobs for workers displaced by modernization or for the continuing new additions to the rural labor force.

Poverty (the massive poverty among the majority of people in the less-developed countries) is not only or primarily a welfare and humanitarian problem. It is a problem that has direct and important implications for increased productivity. Supply *does not* create its own demand under conditions of a highly skewed income distribution. To focus primarily on production widens the income gap between rich and poor. It is impossible in many circumstances of development to separate the issues of production and distribution, since distributional measures may be the key to achieving increases in production. And the trickle-down theory of distribution has never worked, especially under conditions of concentrated economic and political power.¹³

Why are policies not formulated to accommodate both of these requirements—increased production and increased employment with a more equitable distribution? The distributional questions, of course, raise many tough issues. Accordingly, and regretfully, policy recommendations of professional analysts using highly sophisticated models usually ignore employment and distributional aspects. Recommendations are too often based on private or project decision-making criteria rather than those appropriate to the interests of the entire nation. Some redirections in economic analysis

¹³ *The Economist* makes the following comments on FAO's "Indicative World Plan": "As long as incomes are so unevenly distributed within the developing countries themselves, and so little inroad is made with their traumatic unemployment problems, the people who are starving will not have the money to buy the food, even if it is there. This is where the planners of Asia, Africa and South America would like FAO guidance, but so far they only get alarming figures and some general advice" [15, p. 75].

are required. Three concepts in such a redirection (and examples of assumptions that frequently preclude their explicit inclusion in analyses) are highlighted in the following sections.

1. *Creation of secure opportunities on the land.* The "war on hunger" position tends to assume that if there are hungry people, food should be produced by the cheapest, most efficient means possible. Yet frequently, and especially when viewed from the private interest of an individual firm, this course of action includes displacing people with machines. And professional analysts, viewing the problem with decision-making criteria appropriate to the private firm while ignoring the possible lack of correspondence between private and social costs and benefits, can reach conclusions such as the following: "One reason for the high cost [of corn in Guatemala] is the amount of hand labor required. Hence, my desire to try out the corn picker" [29, p. 716]. However, this may not be a solution at all once the need for employment creation is taken into account. Even if means could be found to tax away or otherwise confiscate the increased production " . . . a nation cannot put most of itself on the dole, even if money and food are available for distribution" [26, p. 224].

Land must be viewed as a vehicle for human development as well as a resource for food production. As Raup has put it, "Wherever there is surplus agricultural labor and shortage of working capital, the task of the tenure system is to put people to work" [33, p. 274].

It has become an article of faith, at least among many professionals from the industrialized countries, that mechanization (mechanical technology and automation generally) always creates as many jobs as it destroys, sometimes more. According to this faith, there may indeed be some short-run problems of labor displacement and some structural unemployment. But given time, the new technology creates demand for labor in many areas of the economy through its various linkages, and eventually employment will rise to a higher level.

This assumption may be justified in a highly industrialized nation. But does the same assumption apply to a country that does not produce its own technology? In the United States, for example, the mechanical cotton picker displaced workers by the tens of thousands [5]. Many of the workers displaced (though certainly not all) and especially the sons of these workers did find employment among the vast

complex of industries interrelated with the production, sale, and servicing of cotton pickers—steel, rubber, oil, machinery manufacture, transport, farm implement sales and service, etc. But what about Nicaragua, which imports cotton pickers from the United States? Most of the vast complex of industries linked with the cotton picker does not exist in Nicaragua; it remains in the manufacturing country.¹⁴

The entrepreneur of a large farm enterprise may find the importation of labor-displacing machines highly profitable due to a variety of circumstances, many of them related to government policies: overvalued exchange rates, subsidized credit, rising minimum wages and fringe benefits, etc. Reasoning from analogy, U.S. and European experience of farm enlargement and mechanization is sometimes cited to support this type of development. But such an analogy is inappropriate for the widely different situation with respect to factor proportions and *real* factor costs in nonindustrial societies (in contrast to existing factor prices which are often controlled and distorted by some of the above policies) [11].

The cotton picker case illustrates the general principle involved; it does not argue against all modern, imported technology. Much depends on what the machines will be used for. In an agriculture with an overabundant and growing labor supply, it is unlikely that one can make a logical case for importation of labor-saving machinery if the problem is viewed from the standpoint of national policy rather than profit maximization of the firm [19]. If the agricultural sector is to make its most effective contribution to economic development, it must not only improve labor productivity for a select group but must also expand employment opportunities [20, 40].

Mechanical power and equipment might sometimes be justified in terms of increased

yields due to better tillage or timeliness of operations. But there is sufficient experience of countries where such needed machine services were provided to an agriculture otherwise based on labor-intensive production practices.

On the basis of his model of rural outmigration and urban unemployment, Todaro concludes:

Perhaps the most significant policy implication emerging from the model is the great difficulty of substantially reducing the size of the urban traditional sector without a concentrated effort at making rural life more attractive [40, p. 147].

But how is rural life to be made more attractive? Presumably public investments in rural education and health services would help; and funds used to accommodate rural migrants in the cities might be diverted to rural areas. Yet such services cannot be extended rapidly because of both capital and professional manpower shortages. Higher minimum wages for farm workers could be counterproductive so long as investment decisions in the farm sector are made by private entrepreneurs. A higher minimum wage might lead to a shift to labor-extensive enterprises or to an acceleration of machine substitution for labor. Even with low wages there is a strong incentive on large farms to mechanize and simplify labor supervision. It is almost impossible to find farms of, say, 1,000 hectares in rice or cotton that are planted, tended, and harvested mainly by hand labor. These farms either mechanize or operate with a sharecropper system. To get at the crux of the matter, "making rural life more attractive" in most cases means providing the farm family with *a secure opportunity on the land*. Land tenure arrangements and size of holdings must be included as variables in the analysis. But the basic assumptions underlying production and distribution theories take these as "givens."¹⁵

¹⁴ The problem is compounded if, as Singer has pointed out, the investments and the production processes are actually controlled by foreigners. "The main secondary multiplier effects, which the textbooks tell us to expect from investment, took place not where the investment was physically or geographically located but (to the extent that the results of these investments returned directly home) they took place where the investments came from. I would suggest that if the proper economic test of investment is the multiplier effect in the form of cumulative additions to income, employment, capital, technical knowledge, and growth of external economies, then a good deal of the investment in underdeveloped countries which we used to consider as 'foreign' should in fact be considered as domestic investment on the part of the industrialized countries" [37, p. 475].

¹⁵ "Distribution theory today concerns itself, in essence, with tracing out the effects of various policies in distributing economic fruits among persons who own or otherwise command control over resources . . . In current theory, distribution of ownership or other control of resources among people is 'given' . . . In terms of the dynamics of economic development, however, the real problem of distribution is: 'How does ownership or other control over resources come to be distributed in the manner it is?' . . . The question is not, for example, whether a landlord and a tenant each receives the appropriate return for the resources he controls; but rather, is it appropriate, from the standpoint of the economic development of the country in question, for the landlord and the tenant to have these particular proportions of the nation's resources under his control" [24, pp. 729-730].

2. *Development of human abilities and capacities.* Another reason why the employment issue gets little attention is that in the less-developed countries, the most abundant potential resource usually is labor. I say *potential* because training and work experience are needed to transform raw labor power into the manpower resource (with skills, experience, and discipline) required for development. An abundance of people does not necessarily rule out labor shortages in selected occupations. The scarcest resource generally is capital. Given the abundance of people, there has been a tendency to ignore the need for investment in and development of the labor potential. Instead of viewing land as a vehicle for employing people and for developing the skills and experience required of the rural labor force, land has been viewed primarily as a resource to be efficiently combined with scarce capital so as to maximize agricultural output.

T. W. Schultz has written a good deal on the issue of investment in human capital [34], but he places primary emphasis on formal schooling. I do not deny this need, but formal schooling is not the only and not always the most significant dimension of education. Furthermore, many poor countries have not yet been able to supply even elementary schooling for large numbers of their people. Under these circumstances, economic activity should be designed to produce educational effects. Productive work can offer experience and discipline as valid as that gained in the classroom. It is different, to be sure, and neither kind of education is alone sufficient. Work experience can be directed and enriched by learning obtainable only from school situations; schoolroom education can be enhanced by work experience.

The manner in which increased production is achieved, and the number of people who participate and reap some benefits from the experience, may be as important as the production increase itself. One gets a different perspective regarding the role of land if (in addition to its accepted function in the production of farm products) it is viewed as a vehicle both for creating economic opportunities and upgrading the human skills and capacities required for their exploitation [8, p. 12].

Man is a resource to be used (along with land and capital) as well as the user of resources. An individual plays a dual role—he is both the user and the used, the interested and the object of interest, the exploiter and the exploited.

In a society where economic and political

power are widely shared, there is a continuous attempt to modify institutional structures and norms in order to keep this process of “using others” mutually beneficial. Procedures are designed so that individuals and groups, in pursuing their private interests, are not injuring (preferably, are furthering) the interests of other individuals and groups. When mutuality in the process breaks down and conflicts intensify, zones of discretionary behavior of the individuals and groups involved must be redefined in order to reestablish mutuality in the processes of associated living.

The common formulation in resource allocation-efficiency models is to view man as labor power—as the object of use. This view, far from being value-neutral, accepts the status quo power positions and ownership patterns of land and capital. In fact it places the weight of authority of “scientific analysis” in the camp of present owners. Under conditions of vast and increasing inequality, policy prescriptions based on such efficiency models are consistent with the poor man’s view of the world: “Them that has—gets”.

3. *Inclusion of income distribution as a variable in analyses.* Economic literature tends to deemphasize the income distribution consequences of the development process. Since land tenure arrangements are most directly associated with the creation of and access to income-earning opportunities and their distribution, these arrangements receive only passing mention in the economic literature on agricultural development policies.

If the task of development is conceptualized to include income distribution as an endogenous variable, some of the economists’ most powerful ideas and tools lose some of their analytical leverage. For example, marginal analysis and the accompanying planning, programming, and budgeting tools implicitly assume certain nonchanging structural parameters. Yet once an elaborate and somewhat arbitrary measurement emerges, as from benefit-cost analysis, a strong faith is placed in it. The unstated assumptions remain unstated and are frequently ignored. The higher the benefit-cost ratio, the “better” the project.

However, the results of these calculations are directly conditioned by the pattern of income distribution.¹⁶ Investments in the increased

¹⁶ “ . . . Cost-benefit analysis as generally understood is only a technique for taking decisions within a framework which has to be decided upon in advance and which in-

production of chickens and beans rather than airlines and television sets might give a good benefit-cost ratio if the pattern of income distribution were changed. Poor people, lacking the money votes, cannot register their needs or desires through the market mechanism. But change the income distribution and you change the structure of demand, thus changing the benefit-cost ratios of various projects and in turn altering investment priorities.¹⁷

Assumptions like those described in these examples allow certain strategic developmental questions to fall between the analytical slats: productive employment for the growing rural labor force; creation of opportunities for the development of human abilities and capacities; and ownership distribution of land and other resources. An agricultural economist, using a farm management approach, may ignore the displacement of workers or their need to find viable opportunities on the land. He is concerned with profit maximization from the resources available to the firm. Even an agricultural economist dealing with farm policy for the agricultural sector could ignore these questions on the assumption (well founded or not) that industrial and other nonagricultural activities are available for the absorption of excess rural labor. Nor does a macroeconomic approach assure that these strategic questions will be addressed in the analysis. While Keynes may have shown a deliberate disregard for the supply side of investments (and focused only on their demand-creating consequences) [23], post-Keynesian development economists seem to have overemphasized the supply consequences.

There is indeed an implicit assumption that somewhere policies are being implemented to

maintain full employment and that when a laborer moves from one job to another it always results in increased productivity. But these are unwarranted assumptions in most cases of less-developed countries. Indeed, these assumptions point to some of the critical problems of development.¹⁸

IV

What conclusions are to be drawn from the arguments set forth in this paper? First, we need additional criteria by which to assess development. This means inclusion of presently less measurable and quantifiable variables than the commonly accepted ones in use today. Second, both ends and means must be incorporated as variables in the analysis rather than accepting certain ends implicit in standard economic theories. Finally, distributional questions must be given higher priority on the research agenda.

Present theories may have much more relevance once we understand better the institutional context of specific country development problems and the "special case" out of which our own theories were constructed. If new theoretical extensions can accommodate the enlarged context, present theories may become more useful in guiding research in the very situations in which they are at present unsuccessful.¹⁹

New developments in theory are not simply willed into existence. The hypothesis suggested in this paper is that only as research concentrates on presently neglected policy issues within specific institutional contexts of individual countries can more adequate theories of agricultural development be constructed. It is

involves a wide range of considerations, many of them of a political or social character" [32, p. 685].

¹⁷ Hirschman speaks of the centrality of side-effects in judging investment projects. "The quest for a unique ranking device probably accounts for the hostility of economists toward side-effect and secondary benefits. Yet this quest is clearly futile. How could it be expected that it is possible to rank development projects along a single scale by amalgamating all their varied dimensions into a single index when far simpler, everyday choices require the use of individual or collective judgment in the weighing of alternative objectives and in the trade-off between them? There is much to be said, it is true, for facilitating decision making by reducing the many aspects of a project to a few crucial characteristics, one of which would of course be the rate of return. It is one thing to permit, in this way, the decision maker to use informed judgment in making critical choices and trade-offs; it is quite another, however, for the technician to aim at dispensing with such judgment altogether" [18, pp. 162 and 179].

¹⁸ "... [the] process of labor transfer is typically viewed analytically as a one-stage phenomenon, that is, a worker migrates from a low productivity rural job directly to a higher productivity urban industrial job. The question is rarely asked whether or not the typical unskilled rural migrant can indeed find higher-paying regular urban employment. The empirical fact of widespread and chronic urban unemployment and underemployment attests to the implausibility of such a simple view of the migration process" [40, p. 139].

¹⁹ The theorist can be of help to the politician, the practitioner, "... if he refrains from trying to adapt uncritically models and measures designed for industrial countries, where priorities are different, but helps instead to develop policies, national and international, to mitigate the great social problems of the Third World... above all, the aim must be to change international attitudes so that it becomes impossible for the political leaders and social scientists of Europe and North America to continue overlooking, and aggravating, often inadvertently, the obscene inequalities that disfigure the world" [36, p. 6].

obviously asking a great deal of a man to be guided by present theories and preconceptions and yet to be continuously suspicious and to

question them at every stage in his research. Nevertheless, this would seem to be the nature of the present challenge.

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