

Rural and Agricultural Development: Change and Challenges

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Some Implications for Food
and Agricultural Policy
(from **Seminar II**)

The **Old** Challenge: Hunger & Food Insecurity

- Long **unfulfilled promise** to eliminate hunger & ensure universal food security (MDG et al.)
 - Reason: deep inequalities in **economic access**
 - Rising domestic **inequalities** in recent decades
 - Falling land bases from climate change & stressed ecology compromise food security
- World food supply only being **demand**-limited is no reason for complacency re: **food insecurity**

Business-as-Usual Policy

- Global commitment to **Schultzian** market rules **plus** undervaluation of state's role
- Inroads by **corporate, industrial AG** via land acquisitions, GMO & industrial inputs, rising contract farming, and food chains
- **Free trade, globalization, export-oriented**
- False notions re: fall in Asian food **insecurity**: **Public investment** plus "**wrong**" **AG prices**, R&D, water access & control, access to credit, T&E, & infrastructure played **historic roles**

Towards Alternative Analytics

- Global-level Paradox: only **effective demand** limits world supply yet chronic **food insecurity**
- For many LDCs, lack of AG development and **low supply** constrains food **demand** for AG sector is large share of mass expenditure
- **Inter-dependence of food D** and **food S** requires a focus on the home market
- **design of AG policies** (shape AG growth) key for **high rather than low D=S equilibrium** in food. This will also accelerate NON-AG growth

Agriculture Post-WTO

- EU & US promised major cuts in farm subsidies. In truth, only shuffled explicit or implicit subsidies across WTO's amber, blue and green boxes so **subsidy regimes remained intact.**
- Post-WTO reality of bilateral agreements and trading blocks makes trade negotiation tricky
- e.g., Major factor in India's recent exit from Asia **Regional Comprehensive Econ Partnership (RCEP)** is its feared employment effects, especially in agriculture, with **>600m** workers

A New Challenge:

AG, GHG & Global Warming Potential

- **AG** accounts for **30% of GHG**, **13%** directly & **17%** in forestry and land-use changes
- CO₂ is dominant but **methane is 23 GWP**
- **EU's** AG-Food GHG contribution **31%** of total
- **UK-composition** farming **38%**, transport **16%** food-mfg, cooking, fertilizer-mfg **≈10% each**, retail, catering and packaging **≈5% each**.
- Livestock **18% of total GHG** (CO₂-equivalent)*

Climate Change & North/South Inequity

- AE responsible for **67%** GHG with 16% people
- DE will face **80%** of climate change damages
- Per caput AE losses only **15%** of pc DE losses
- **Intra-South:** Rich, who gain most from growth, will lose least from CC, while Poor, who gain least from growth, will lose most from CC
- DEs will suffer **9%-21%** yield drops by 2080 compared to **3%-16%** in AEs
- Yet, yields must rise **1.8% pa** from current rate

Comparative Advantage in New Light

- Climate change has prompted **policy-focused research on energy-&-transport intensity** of alternative foods & sources (import/domestic)
- Unjustified incentives for **biofuels**
- Proper accounting of externalities can drastically upset **comparative advantage**-based choices but can also **reinforce** comparative advantage

“Right” Prices in New Light: India Case

- 27mt rice buffer stock, 17m excess. With **price support** & **free water**, excess will be exported
- Huge **water "export"** from water-deficit India
- Burning harvest residues in surplus Punjab makes N. Indian cities most **polluted** in world
- Policy: diversification away from rice, not for "**economic**" but "**ecological**" reasons
- Need for conservation AG, organic AG, reformed conventional AG, agro-ecology models

Sustainability Options for Agriculture

- Externalities **incommensurable** (water-energy) and **non-environmental** (inequality and jobs)
- Food chains implicate **multiple areas** of human concern: public health, ecology, justice
- Farming options: conservation AG, organic AG, reformed conventional AG
- **Agro-ecology models** drastically reduce input-intensive monocultures & industry-scale feedlots
- Need to focus on **long-term fertility, healthy agro-ecosystems and secure livelihoods**

Equity Requires Compensation

- A 3-foot rise in sea level would submerge 20% of Bangladesh land area.
- Need for **compensatory** climate finance
- Shouldn't the **North** pay for much of the problem?
- Shouldn't the **South** pay by sacrificing some of its own chance to be richer?
- Rich must **compensate Poor both North-South & intra-South** for adopting less carbon-using technologies and towards adaptation costs
- New directions for global **migration** policy

Some Implications for
Development Policy
(from **Seminar I**)

Convergence: An Asian Perspective

- If earth isn't flat & divergence is norm, how did Japan, Korea, Taiwan and now China converge?
- Subject to unequal global terrain, they inherited or created non-commodifiable factors of success
- **Land reform** Being outside USA's sphere of influence, USA had no other control option
- **Non-predatory state** for the most part due to eclipse of rentier/feudal elements and quasi-predatory state as in much of the periphery
- **Development state** rules to check external unequalizing forces & discipline local capital
- **Social Cohesion** seems sole sui generis factor

Divergence in the Mexican Case

[Drawing on **Juan Alberto Vázquez Muñoz**]

- Growth fell from **6.61%** in 1951-81 to **2.94%** in 1989-2012, and 1981-88 Debt Crisis ushered in a neo-liberal regime with just 0.10%
- **Home market** Export growth was virtually constant nor did import elasticity rise much. Culprit was huge fall in **domestic demand**
- **LPG** Deceleration due to lower investment but also to shift in investment composition from construction to (mainly imported) equipment, itself due to shift to “LPG” policies

(contd.) ... the Mexican Case

- **Some Lessons:** Export-based growth without policies to industrialize (via investment, including complementary public investment) must leave import dependence intact
- It leaves the **external constraint** in place and the home market blocked
- This is strong support indeed for heterodox development theory of the Home Market and for the Prebisch-Singer model

Some Policy Issues (For Discussion)

- Equality of opportunity and of outcomes
- Policies for economic fairness and equality
- Tax policy: supply of saving, effort, creativity
- Trade policy: synthesizing Smith and Prebisch
- Industrial and credit policies: building a ladder
- Universal basic income: stability and welfare
- De-Globalization?

Universal Basic Income: Rationales

- Social wage not linked to steady work is proving increasingly unattainable. Is UBI an/the answer?
- **New risks:** potential Polanyi double movement in face of automation and rising unemployment
- **Old risks:** Ending discrimination and the gig precariat plus a robust demand stabilizer against disarticulated capitalist growth
- Sharing risks and rewards can create **new freedoms** of enterprise and livelihood
- Permanent reductions in **inequality**