

BOOK REVIEWS

Transforming Agrarian Economies: Opportunities Seized, Opportunities Missed by Thomas P. Tomich, Peter Kilby, and Bruce F. Johnston, Ithaca, Cornell University Press, 1995, xx + 474 pp.

The poverty that afflicts rural economy, Kazushi Ohkawa once observed, can basically be ascribed to the existence of excess labor which remains within the economy. Development economics may be able to claim to have fulfilled one of its important tasks if it can properly pin down the solution to the problem of excess labor supply in agrarian economies. The view articulated in this book is that the problems of low productivity and low incomes in agrarian economies in developing countries result from a surplus of labor force in these economies, and it subscribes to a structural transformation paradigm, which asserts that such economies can only be improved through structural transformation. On the basis of this paradigm, the book describes scrupulously and perhaps very convincingly the development strategies necessary for instituting such a structural transformation.

Two of the three authors, Kilby and Johnston, coauthored an earlier book, *Agriculture and Structural Transformation: Economic Strategies in Late-Developing Countries* (New York: Oxford University Press, 1975), which has been appraised as a standard textbook on development economics, and which was translated into Japanese by Takeo Misawa.¹ As evident from the use of the identical word “transformation” in their titles, the two books share a common basic perspective. Moreover, approximately one-quarter of the content of the new book is a recapitulation of the 1975 book. It would be wrong, however, to regard the new book simply as a revised version of the 1975 book. It goes without saying that the new book, which incorporates twenty years of new research undertakings by the authors, includes a number of improvements over the 1975 book, with new additions and replacements of outdated descriptions in the latter. But a more crucial difference lies in the fact that the new book persistently debates the question summarized in its subtitle, namely, why are some countries successful in seizing the opportunities for adopting and implementing strategies for structural transformation, while others are not? One revealing outcome of this persistent inquiry is the fact that the new book pays a great deal of attention to the political processes which lead to the adoption of development strategies. And the analysis of the political processes undertaken in the book is characterized above all by the use of the concept of “strategic notion,” which was introduced by Tomich, the youngest of the three authors. The concept is carefully embedded throughout the entire book, and serves as a key analytical instrument for linking economic analysis and the concrete policies adopted in the course of developmental efforts.

¹ Peter Kilby and Bruce F. Johnston, *Nōgyō to kōzō henyō* [Agriculture and structural transformation], trans. Takeo Misawa, 2 vols. (Tokyo: Agriculture Policy Research Committee, 1978).

Before reviewing each part of the book in detail, it will be worthwhile to point out that it adopts a strategic narrative. For instance, the adoption of the term CARL (*country with abundant rural labor*), which reminds readers of the origins of the problems of poverty in developing countries, seems quite effective. Moreover, the authors' efforts to emphasize the difference between pairs of rival concepts, by opposing, for instance, broad-based to dualistic strategies when discussing development strategies, and opposing unimodal to bimodal agrarian structures when discussing agrarian structure, is effective in driving their arguments home. The book's strategic narrative, in which the main contentions are expressed in short epithets like marketing slogans, is certainly appealing to policymakers in developing countries. As I will elaborate upon further, however, the advantage of this method of presentation seems to come at the cost of sacrificing some logical thoroughness.

The book's makeup is as follows. Part 1, which consists of Chapters 1 to 3, is devoted to a discussion of the transformations which agrarian economies undergo during the course of economic development. Chapter 1 presents an overview of how CARLs stand today, and identifies the main locus of problems to be dealt with in the book. It shows that in 1990, a total of fifty-eight countries throughout the world were characterized as CARLs, meaning countries in which half or more of the workforce is engaged in agriculture or other rural activities. The book then argues that the CARLs generally suffer from poverty and hunger, and that overcoming these problems will require a structural transformation of their economies from agriculture-oriented ones into ones based on a diversity of industries. Chapter 2 describes in more concrete terms what changes are forthcoming from structural transformation. Chapter 3 compares the long-term processes of agricultural development in Japan and the United States, and demonstrates that the pattern of structural transformation can vary between countries. Policymakers in economically depressed nations may find encouragement in the fact that the two economic giants of the world today were once CARLs themselves.

Part 2, entitled "From Structure to Strategy," which consists of Chapters 4 to 8, is devoted to a discussion of important topics involved in the development of agrarian economies. The observations in Part 2 serve as a basis for assessing the contents of the pertinent strategic notion and for devising viable development strategies. Chapter 4 deals with issues such as the balance of land and labor, and economies of scale. Conventional discussions on development strategies, with their a priori assumption that economies of scale should work in any economy, have often argued in favor of a dualistic strategy which emphasizes the importance of encouraging farmers with large landholdings to introduce new technologies. This line of argument is refuted by the fact that economies of scale do not count for much in the agriculture of CARLs, by the dire necessity of securing employment opportunities in these countries, and by the political bias inherent in policies which favor large-holders. Instead, they argue that CARLs are better advised to pursue broad-based strategies which help improve the productivity of all strata in farming populations. Chapter 5 probes into the agrarian structure of CARLs, focusing on the breakdown of farming households by size of operation and between owner-cultivators and tenant farmers, and discusses what is required for a development strategy to be able to deal properly with such a structure. At the end of the chapter, the concrete policies that need to be adopted are summarized as "six I's," i.e., innovations, inputs, incentives, infrastructure, institutions, and initiative. Chapter 6 deals

with the question of links between agriculture and industry, while Chapter 7 addresses the problems involved in projects for attaining self-sufficiency in fertilizer. A total of nine such projects which were undertaken during the past two decades are assessed in terms of cost performance. Surprisingly enough, the costs of fertilizer production in all these projects are enormously high, and even the most efficient, in Indonesia, incurred more than twice the costs on that in the United States. Thus, this chapter uses statistical evidence to demonstrate that a policy which pursues fertilizer self-sufficiency can be costly for a CARL. At the same time, it harshly criticizes the World Bank and other international organizations for having supported domestic fertilizer production projects based on excessively optimistic forecasts of future fertilizer prices. Chapter 8 addresses the question of how a government, restrained by a limited budget, should order priorities among desirable policies. The conclusion is that the government should limit its role to that of supplying public goods, such as education, agricultural research, improvements of rural infrastructure, health and hygienic services, and macroeconomic stabilization measures.

Part 3 develops the links between rural economy analysis and political economy for CARLs through historical analyses of development strategies in three pairs of countries (Chapter 9 compares the strategies of China and the former Soviet Union, Chapter 10 those of Taiwan and Mexico, and Chapter 11 those of Kenya and Tanzania). Then, in Chapter 12, the concluding chapter, the authors recapitulate their major contention, emphasizing once again that it is imperative for the strategic notion of policymakers to be consistent with both the constraints faced by, and the opportunities available to, their economies.

Appraising Kilby and Johnston's 1975 book, Takeo Misawa, who translated it into Japanese, made this observation in his translator's postscript: "The descriptions in the book, which incorporate rich findings from meticulous field studies and documentation, can be regarded as its most outstanding hallmark" (my translation) (p. 443 of the Japanese edition). The same characterization may apply to this book as well. In analyzing the decision-making process for development strategy, the authors find it imperative to base themselves on a number of case studies, and to make historical comparisons among these cases. Problems concerning development, including the unfolding of the political process, cannot be properly examined using economic theory alone, but should be analyzed from a much broader perspective which is both historical and cross-national. At any rate, what the authors call "the combined analytical and historical approach" not only makes the book a model work of political economy, but also makes it an extremely interesting reading.

It is not, however, without any shortcomings or problems. I will limit myself here to pointing out two major ones. The first concerns the definition of CARLs. As noted earlier, the authors use this to refer to countries where 50 per cent or more of the workforce is engaged in activities in rural economies. Nonetheless, when discussing the turning point, the authors avail themselves of two other definitions as well: at one level, they judge the occurrence of structural transformation in reference to the relationship between marginal productivity and wages; at another, they define the turning point as the point in time when the size of agrarian labor power begins to decrease not only relatively but absolutely as well. In my view, the three definitions are not identical in the strict sense, and the interrelationship among them needs to be discussed more rigorously. This particular shortcoming can be taken as one manifestation of the fact that the book, in its pursuit of easy comprehen-

sion, makes sacrifice in terms of a loss of logical coherence or precision. However, the problem concerning the definition of CARLs is of minor importance for the actual work of making decisions on concrete development strategies.

The second problem with the book is that its discussion of the roles of a government is very limited, with the consequence that it virtually neglects the very active roles the governments of East Asia have played in accelerating the development of their economies. Similarly problematic is its failure to assess the role of credit, as it only warns against the drawbacks of subsidized credit, despite the fact that recent growth in the use of micro-credit seems to point to the potential viability and effectiveness of policies for offering low-interest credit as a means of countering poverty in agrarian economies.

The shortcomings pointed out above are rather minor compared to the splendid net value of this book. Building on their forty years of research findings, the authors convincingly describe what desirable development strategies ought to be like. The book is definitely worth reading for students of development economics and practitioners engaged in development policies; or rather, it is essential reading for such people. (Yoichi Izumida)

Vietnam's Rural Transformation edited by Benedict J. Tria Kerkvliet and Doug J. Porter, Boulder, Colo., Westview Press/ Singapore, Institute of Southeast Asian Studies, 1995, xiv + 251 pp.

More than ten years have passed since the Socialist Republic of Vietnam instituted its *doi moi* (renovation) policy and began its process of economic liberalization. Citing the case of China, economists became interested in these events as a "period of transition" from a socialist economy to a more liberalized one. However, focusing merely on such phenomena in the industrial sector as the urban construction boom and increased foreign investment will not allow one to fully understand the effects of *doi moi* within the Vietnamese economy as a whole, since 80 per cent of the country's population of 70 million lives outside the industrial sector in rural agrarian regions. The authors of this well-balanced collection of papers, which was originally presented at the Vietnam Update Conference held at the Australian National University in 1993, are fully aware of this fact. They attempt to view the political, economic, and social aspects of problems that have arisen together with the sweeping changes that have occurred in rural Vietnam since the adoption of the *doi moi* line and to investigate them on the various levels of region, village/commune, and rural household. One consistent theme running through the entire volume is change in rural society and the role played by the state.

Another characteristic of this volume is the abundant use of field surveys and statistical data in order to clarify regional and agrarian conditions in Vietnam heretofore unknown to scholars active outside of the country. Not content with relying merely on information made available in legislative commentaries and government publications, the contributors