

Discussant comments on “Why Has Africa Been Slow in Developing its Agriculture” - April 7, 2011

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I want to thank the organizers of this Stanford symposium series on global food security issues for inviting me to be a discussant at today’s presentation by Dr. Ousmane Badiane. We have just heard a quite profound analysis of Africa’s agricultural problems, its structural history, and the possible ways forward.

The scope of the presentation was truly impressive—not only is the task one of “getting agriculture moving,” the title of Art Mosher’s influential little book (1966), but also of “getting industry moving.” Badiane understands that part of the failure of Africa’s agriculture lies with an even more depressing failure of its industrial sector. And although he covered all the ground in his allotted one hour, I think full justice to the topic requires a full course, not a lecture.

I come to this task with a reputation as a “professional Africa skeptic.” I tend to view the world through my Asian experience—I first started working in the National Planning Agency in Indonesia in April 1970, and gained nearly all of my professional understanding of the economic growth process by working in East and Southeast Asia.

My first experience in Africa was in the early 1980s, when the Kenyan parliament tabled its first “White Paper” (1981) on food policy. I was asked to discuss the paper after I had spent time in the field. There I observed the vast differences in multi-crop farming systems in Kenya from the much more uniform, rice-based farming systems with which I was familiar on Java. My conclusion at the time was that agricultural development would be more difficult in Africa, even in such favored regions as Kenya, because of the great diversity of the farming systems and the complexity of developing profitable new technologies for them.

But more troubling for me was the policy approach being followed by the government—my report argued that “you are raping your countryside.” Despite significant success in raising agricultural output between 1970 and 1980, the economic framework for agriculture was highly exploitive and urban oriented, especially because of macroeconomic policies and marketing regulations. It was hard to imagine how the country could continue to develop its smallholder agriculture with such an anti-rural bias.

As the 1980s played out, this concern seemed amply justified. Africa went through a series of economic crises and more-or-less forced structural adjustment programs imposed by the donor community, and agricultural productivity fell in many countries. At the same time, Asia struggled with low commodity prices but continued to invest in its smallholder agriculture, especially rice and the labor-intensive export crops such as rubber, coffee, palm oil and cocoa. Over the decade, agricultural productivity continued to rise, the structural transformation was quite rapid, and poverty was significantly lower in Asia in 1990 than it was in 1980.

By the end of the 1980s and early 1990s, it became fashionable to seek “lessons from Asia for Africa.” USAID sponsored a series of conferences on the topic, with assistance from Winrock

International (Seckler 1993). As a commentator in that series, I laid out three major concerns for Africa's agricultural development from the perspective of Asia's historical record.

First, and somewhat paradoxically, wages in Africa were not low enough to compete with Asian workers, in either labor-intensive manufactured goods, or in agricultural export crops. It was hard to see how Africa could develop a dynamic *urban* economy that would help pull up labor productivity in rural areas as well. And this was before the hundreds of millions of surplus workers in China entered the world labor market as additional competitors.

Second, Africa had completely lost the capacity to do state of the art agricultural research on either food crops or export crops. Asia was making rapid progress on both. As a consequence, Africa was simply no longer competitive in world markets for many of its agricultural products—especially palm oil and rubber, but coffee and cocoa were also threatened by new Asian producers.

Third, the serious governance issues that were apparent in Kenya in 1980 showed no signs of being resolved. If anything, the anti-rural bias was becoming stronger, reinforced by the availability of very cheap food in world markets to provision the major coastal cities. Much of this imported food was made even cheaper through aggressive food aid policies pushed by the OECD countries. It was clear to me that easy availability of food aid had a clear disincentive impact on the *policy environment for agriculture*, even if the econometric evidence says that it had little short run impact on local market prices and incentives for farmers.

So, question number one following Dr. Badiane's lecture: Has the Africa-Asia divergence begun to close?

My second question follows up on the implications of the startling finding that the structural transformation in Africa has been "backward," that is, it has lowered labor productivity rather than raising it. Migration of labor has been from relatively high productivity farming activities to very low productivity jobs in the informal rural and urban service sectors.

This "push" of labor out of agriculture into the service sector has important implications for the nature of the development strategy that should be pursued. In the classic "labor surplus" model developed by W. Arthur Lewis (1954), and the basis for much of Asia's strategic approach, low productivity ("surplus") labor is pulled out of agriculture and employed at higher productivity in a rapidly growing industrial sector. Wages are low in both sectors until the surplus labor runs out, and these low wages permit the industrial sector to make large profits that are reinvested in expanding factory capacity, which leads to more industrial employment.

If the Badiane story is right, the surplus labor in Africa now appears to be in the informal service sector. A strategy of raising labor productivity on farms, thus freeing up food and labor for the industrial sector, will not have the same impact it had in Asia. Raising productivity in the informal sector would seem to be a much trickier task, with no clear technological innovations available that would match the Green Revolution in its broad-scale and general equilibrium impact. These concerns are similar to those raised by the RuralStruc research program, jointly hosted by the World Bank and the French development agency (World Bank 2011).

The potential importance of this informal service sector thus highlights Dr. Badiane's concern for the role of social services in poverty alleviation. If social services focus on safety net

provisions based on entitlement mechanisms, the resources will not be available for the kind of social services needed in the health and education sectors that will build human capital and the potential productivity of workers in the informal service economy.

My third question grows out of Dr. Badiane's plea for "evidence-based" policy reforms. Although I understand the plea in terms of rejecting the traditional interest-group based approach to policies, or ideological approaches, I think it is very important to clarify what kind of evidence can be brought to bear in policy analysis.

In particular, within the economic development community in the last decade, "evidence-based" has come to mean evidence from randomized controlled experiments, where selection bias in project and program evaluations can be eliminated, thus providing accurate assessments of how well specific interventions actually work in a "with versus without" context instead of a "before and after" evaluation.

The problem is that randomized trials simply cannot be used for the key policy decisions. How should exchange rate policy be managed? What border controls on food trade are desirable? What investments need to be made by sector? Within each sector? To answer these kinds of policy questions, the only resort is to comparative policy analysis and good economic history. Virtually no Ph.D. programs in economics, or even in development economics, teach these skills.

My final question has to do with what happens if Africa does begin a "successful" structural transformation by getting both its agricultural and industrial sectors "moving." The Asian experience during this process has been a uniform widening of the gap in labor productivity between the industrial (and modern service) sectors and labor productivity in agriculture, even as that productivity is actually increasing.

A widening productivity gap had (and has) profound implications for agricultural price policy in Asia (Timmer 2009). Despite rising wages in rural economies, and rapidly falling poverty, the widening *gap* put enormous political pressure on policymakers to intervene on behalf of an agricultural economy that was falling behind in relative terms. The advent of democratic governments actually exacerbates this pressure, even if such governments are the only hope for reduced corruption and better economic governance more broadly. So the question is, how will Africa cope with these new pressures?

References

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