

NOTES ON « DEVELOPMENT, FOOD SECURITY AND FREEDOM »¹

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1. Must world food prices be lowered ?

- The context of this question seems to be Agenda 2000, and the proposed reduction of support prices in the European Union. It is best to focus on these reforms as a whole, since changes in food prices do not stand on their own, and cannot be assessed independently of the policy measures which produce these price changes. Taking a further step back, the broader issue is how ongoing reforms of the Common Agricultural Policy, as described in Agenda 2000 and other documents, affect developing countries.
- The CAP is essentially a programme of price support for European agriculture. High support prices, of course, create surpluses, and there are various means of dealing with this problem, e.g. domestic subsidies, export subsidies, import barriers, production quotas, destroying the surpluses, accumulating stocks (the EU had a stock of 30 million tonnes of cereals in 1993). All this is very expensive : in 1996 the EU spent \$120 billion on agricultural subsidies (Myers and Kent, p.37). Economists have argued for a long time that a more efficient way to help farmers would be to provide direct income support rather than to sustain artificially high prices.
- The thrust of the ongoing reforms is precisely to move from price support to direct income support. The main pressure for reform comes from the EU's obligations under the Uruguay Round. These obligations include, for instance, replacing import quotas with tariffs, reducing tariffs, reducing domestic subsidies, reducing export subsidies, and reducing the volume of subsidised exports. All this makes it difficult to continue with the current price–support approach. Hence the reductions of price support proposed in Agenda 2000, together with increases in direct income payments to farmers.
- How does this affect developing countries ? The effects are of course complex, and vary a great deal depending on the commodities and countries concerned. However, one thing we can say with reasonable confidence is that the reform of the CAP will exert an **upward** pressure on the world price of food, in so far as it represents a phasing out of agricultural subsidies.

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(Contrast with the – misleading – statement made in the background note, that « these proposals are a new form of dumping »). So the concern, if any, is that world food prices might rise, not decline as spelt out in the background note. However, the price rise is likely to be small, partly because

– Are higher world food prices a matter of concern ? Again, the answer varies depending on the countries and commodities being considered (e.g. higher beef prices are good for Argentina, but higher cereal prices are bad for China). It is hard to say whether, “on balance”, higher food prices are good or bad. But two general observations can be made : (1) The effects of current CAP reforms on world prices are likely to be small, partly because the reforms are themselves quite modest, and partly because much of their impact will fall on the size of surplus stocks (leaving the world market unaffected). (2) Whatever adverse effects do arise (eg. in the form of higher food import bills for poor food–importing countries) are better addressed through compensatory measures (e.g. food aid) rather than through a continuation of CAP’s wasteful, inequitable and environmentally destructive system of price support.

– Finally, taking one more step back, it is worth asking whether the world–wide liberalization of agricultural markets, of which the Uruguay Round and the reform of the CAP are one part, is good or bad for poor countries. Here again, there is no simple answer. No doubt, many developing countries stand to gain from improved trade opportunities, better access to European markets, and more stable world prices. Yet, there are possible negative effects for specific countries (eg. rising food import bills for poor food–importing countries). And here as with other aspects of globalization, there is a problem of over–representation of business interests and under–representation of the interests of poor countries. This is where NGOs can help to make a difference, e.g. by lobbying for more equitable trade agreements.

2. Is rural development a waste of time ?

Even if it is true that growing urbanization is a good (or inevitable) trend for developing countries, it does not follow that « rural development is a waste of time », for several reasons.

First, growing urbanization and rural development are not antagonistic processes. In fact there are important **complementarities** between the two. For instance, in a closed economy the urban sector cannot expand unless there is a surge in agricultural productivity, making it possible to feed a growing urban population with a fixed amount of agricultural land (i.e. overcoming the so–called “Ricardian trap”). Conversely, industrial growth contributes to better living standards in rural areas, e.g. by relieving population pressure on the land and generating remittances for the families of migrant labourers. Historical development experiences, and also regional contrasts within the developing world, confirm that rural development and industrial growth tend to go hand in hand. In China, for instance, the surge of agricultural productivity that followed the

introduction of the “household responsibility system” in the late 1970s also paved the way for accelerated growth in the economy as a whole. Similarly, regional development patterns in India suggest that rural development, economic diversification and industrial growth tend to go together (eg. contrast Haryana, Punjab, Maharashtra and Gujarat with Bihar, Orissa or Madhya Pradesh).

The question remains whether NGOs and governments are “investing” too much or too little, at the margin, in rural areas. In response to this question, textbook economics tell us to look at the marginal productivity of capital in each sector, and also that interest rates provide a useful clue to the marginal productivity of capital. As it happens, interest rates tend to be much **higher** in rural areas than in urban areas ; this is one reason why organizations such as the Grameen Bank in Bangladesh make a handsome business by borrowing cheap on the world market and lending dear in villages. This suggests that more emphasis on rural investment would indeed be a good thing.

The real answer is a little more complicated, because investments by NGOs or governments differ from private investments in important respects. For one thing, they typically consist of human resources (e.g. teachers) and public goods (e.g. roads) rather than private physical capital. For another, their goal is to improve the quality of life in a broad sense, not just economic returns. Even then, the same conclusion often applies. The social returns to elementary education, for instance, are often much higher than returns to secondary (let alone university) education. Since out-of-school children are concentrated in rural areas, that is where public investment in education is likely to be most productive. Similarly, simple public-health measures such as child vaccination are highly cost-effective ways of bringing down mortality rates, and here again it is in rural areas that unmet needs are largest. This is not to deny that urban areas call for greater attention in some specific respects (e.g. pollution control).

A second reason why rural development is not a waste of time relates to considerations of **equity and rights**. To illustrate, consider again the case of elementary education. In India, the directive principles of the constitution state that every child is entitled to free education until the age of fourteen. In deciding the location of schools, this constitutional principle has greater force than considerations of cost-effectiveness. It dictates, in particular, that every village of reasonable size should have a school – cost considerations are secondary. Similar examples can be given in the context of health care, social security and other basic public provisions to which citizens are considered to be entitled as a matter of right. Even if rights are deemed irrelevant, there is a case for public intervention in rural areas on grounds of equity : urban areas tend to be disproportionately subsidised, not so much because the needs are greater there but because the urban classes have more bargaining power. Greater investment in rural development is one way of compensating for this general urban bias.

The third reason is that working in rural areas is an integral part of the “comparative advantage” of NGOs. Rural development programmes under government auspices are

notoriously ineffective, due *inter alia* to supervision problems and the aversion of government employees for rural postings. Members of NGOs, however, are often more motivated, more accountable, and some of them are even attracted to rural life (initially at least). NGOs also have special skills for community-based work, for which rural areas provide a natural setting. The work priorities of NGOs should reflect these comparative advantages as much as the balance of needs in different areas.

3. Self-sufficiency and food sovereignty : Should we care ?

3.1. Self-sufficiency and the time dimension of entitlements

The real issue here does not seem to be the “time dimension” of entitlements, but the fact that reliance on market exchange creates an additional source of insecurity. If you produce your own food, you are simply exposed to the risk of crop failure. If you produce something else (e.g. flowers or carpets) for the purpose of exchanging it for food on the market, you are exposed not only to the usual production risks but also to the risk of an adverse change in the terms of trade. In other words, self-sufficiency may be seen as a means of avoiding the risks of market exchange. If food security is a concern, there does seem to be a case for “some degree of self-sufficiency” (as the background note puts it), that is, for greater self-sufficiency than would be dictated by considerations of average returns alone. Indeed, this principle seems to be part of the traditional wisdom of farming communities. However, several qualifications are due.

First, concern for security should lead us to consider not just the risks of market exchange, but the overall risks involved in production and exchange. Food production itself is a very risky activity, and the overall risks involved in combining some other activity with market purchases of food are often **lower** than the risks of food production (example : weaving in Kalahandi). In cases where opportunities arise to take up activities that are both more remunerative and less risky than food production, it is possible to achieve greater food security even though food self-sufficiency declines. Even if food production is the least risky activity, farmers may wish to combine it with other activities to achieve some **diversification** (i.e. avoid putting « all their eggs in the same basket »). As soon as we remember that economic diversification is one of the chief means that poor people have used over the centuries to protect themselves against the risks of crop failure, food self-sufficiency loses some of its appeal.

Second, even where self-sufficiency and security go hand in hand (e.g. because market prices are unstable), we have to consider the **costs** of self-sufficiency. The higher the costs, the less the “degree of self-sufficiency” one would wish to achieve. For instance, if cash crops are more

remunerative than food crops, moving towards self-sufficiency can be quite costly in terms of expected returns (example : onion-growing in Kalahandi).

Third, turning from local self-sufficiency to the national level, we have to consider how national self-sufficiency is achieved. It is easy for a farmer to decide that it is wise to err on the side of self-sufficiency, but policy-makers can influence cropping patterns only through indirect measures such as tariffs, quotas and subsidies. The overall effects of these measures call for careful scrutiny. A tariff on imports, for instance, promotes self-sufficiency, but partly by depressing the consumption of poor households. That seems to defeat the purpose of self-sufficiency. Domestic subsidies do not have this undesirable effect, but they tend to be very expensive, as the CAP painfully illustrates. Here again, the costs of self-sufficiency can be large, and there are often better ways of protecting oneself against the overall risks of production and exchange.

Finally, we should always remember that self-sufficiency is not the same as food adequacy. Some countries (e.g. India) are self-sufficient, yet a large proportion of the population is undernourished. Self-sufficiency on its own is a very incomplete objective.

On the whole, the notion of self-sufficiency does not help us very much in thinking about food security. Confusing the two is especially dangerous. It is true that a country which exports flowers to import food would be quite vulnerable to hunger. But so would a country of self-sufficient farmers, exposed to the uncertainties of the weather and devoid of foreign exchange reserves. Like a good farmer, a country has to learn to seek prosperity and security in a diversified range of activities, including international trade.

3.2. Food sovereignty and collective freedom

It seems to me that the real issue here is not collective vs individual freedom, but “positive” vs “negative” freedom. To say that the approach we have used is “an approach based on individual freedom” is a little misleading. It makes it sound like we are in the same camp as Margaret Thatcher, Robert Nozick and other members of the libertarian right, who believe that the good society thrives on “negative freedom” (i.e. individual freedom from interference from others). In our own work, we have tried to give balanced emphasis on the importance of negative freedom and also **positive freedom**, i.e. a positive expansion of the capabilities that people have. Freedom from hunger, disease and illiteracy are examples of positive freedoms. Accordingly, we have also stressed the role of public action in development. Thus, contrary to what is suggested in the background note, our emphasis on freedom does not entail any rejection of the regulatory role of the state – quite the contrary.

4. Do human rights matter more than social rights ?

First of all, let us remember that social rights **are** “human rights”. For instance, social rights are clearly included in the Universal Declaration of Human Rights. There has, of course, been much resistance from some quarters to the notion of social rights, and excluding social rights from human rights is one way of marginalising the former. It is important to reclaim the broad notion of human rights, which includes social rights. Perhaps we can rephrase the question as, « Do civil liberties matter more than social rights ? »

Presumably, what is at issue here is not a **general** “trade-off” between social rights and civil liberties. Indeed there is little evidence that such a trade-off exists. Of course, it is always possible to make pair-wise comparisons (e.g. between India and East Asia) that make it look like such a trade-off exists. But if we want to have an idea of how, say, India might have fared under a more authoritarian regime, we must compare it not just with the more “successful” authoritarian countries (e.g. in East Asia), but also with less successful ones, e.g. in sub-Saharan Africa. Looking at the overall picture of democracy vs authoritarianism, there is no evidence of any relation between political regime and economic growth, and some evidence that democratic regimes tend to do better in terms of promoting human development. So the notion of a general trade-off between social rights and civil liberties does not stand much scrutiny.

Having said this, there may be specific cases of such a trade-off. The example of Cuba is given in the background note, which asks whether it is right to campaign for civil liberties in such cases « at some risk for these countries’ achievements in terms of social rights ». I believe that there are three arguments against this line of reasoning. First, the notion that continued suppression of civil liberties in Cuba is necessary to sustain the country’s social achievements is very speculative. Authoritarianism is a very **undependable** basis of social progress. It is difficult to guess who will succeed Fidel Castro, and whether the next regime will be as supportive of social rights as the present one has been. Also, a democratic Cuba is likely to **build** on the achievements of the communist period, including widespread literacy and a modicum of social equality. One reason why some democratic countries (e.g. India and the United States) do not deliver much in terms of social rights is precisely that real democracy is derailed by social inequalities and the political marginalisation of a large part of the population. The social conditions in Cuba would be very different, and one can hope that the quality of democracy in Cuba would be correspondingly higher, with the prospect of further progress – rather than any reversal – in the field of social rights.

Second, there is great value in having an undivided position on civil liberties. The notion that compromises on that front are acceptable in some cases, for the sake of social rights, opens the door to endless abuses. Indeed there are plenty of examples of this excuse being invoked to justify authoritarian experiments that have ended in tragedy.

Third, it is not just a question of Cuba itself, or of any specific country, but also of what the world as a whole can gain from a global expansion of democratic rights. To illustrate, consider

the fact that there has never been a war between two democratic countries. (There is some danger of India and Pakistan becoming the first exception, but as things stand, the current crisis in Kashmir is another illustration the comparative restraint that characterises conflicts between democratic countries.) Note that the claim here is **not** that democratic countries get less involved in war in general – that is not true. The claim is that democracies do not **fight with each other**. Thus, a transition from authoritarianism to democracy in any country makes the world safer for many **other** countries. And an expansion of democratic rights everywhere may be the most important precondition for world peace.

6. Can there be too much education ?

It is impossible to answer this question without distinguishing between elementary education and higher education. As far as elementary education is concerned, there is no question of there being too much of it, since elementary education should be provided to all children as a matter of right. The overwhelming problem here is too little rather than too much. In India, for instance, about 75 million children in the 6–14 age group are out of school. Many of them (perhaps 25 million) have never been to school at all. The situation is not very different in sub-Saharan Africa. This is a major tragedy, considering the crucial role of elementary education in development.

Since the case for universal elementary education is not accepted by all, let me summarise it briefly. At least seven arguments can be invoked. First, many countries recognise elementary education as a right of every child, either through international conventions or in their own legislation. Second, there is a strong popular demand for education (even children usually prefer studying to the drudgery of work). Third, the economic returns to elementary education are very high – higher than the returns on most investments in physical capital. Fourth, education enhances personal well-being, not only by raising incomes but also by improving health levels and helping people to engage in a whole range of activities that make life worthwhile (from reading newspapers to finding one's way in an unfamiliar city). Fifth, widespread education helps to resolve social problems that call for open debate and public action. For instance, dealing with issues such as communicable diseases, population growth or environmental degradation in an effective and democratic manner depends on a wide exchange of information and views among the public. Sixth, universal elementary education is a requirement of social justice, in so far as the exclusion of underprivileged children from the schooling system helps to reproduce and consolidate social inequalities. Seventh, widespread education is essential for political participation and real democracy.

Since Kerala has been mentioned in the background note, it is worth noting all this applies to Kerala as well. While Kerala shines in comparison with other Indian states in the field of elementary education, it is still quite far from universal elementary education. (In 1981, the proportion of adults who had completed 8 years of education was barely 60 per cent. Even in the 10–14 age group, the proportion of children who are out of school is far from negligible – around 10 per cent in 1991.) Hence, the need for an expansion of elementary education applies in Kerala as elsewhere.

The problem of higher education is entirely different. In countries such as India, there has certainly been an over-emphasis on higher education vis-a-vis elementary education. India has too many unemployed Masters in English literature, and too few literate plumbers, educated carpenters and knowledgeable mechanics. In our joint work, Amartya and I have tried to draw attention to this bias, which reflects the elitist features of Indian society. Under-investment in elementary education and over-emphasis on higher education should be seen as two sides of the same coin, rather than as contradictory aspects of education policy. Here again, the problem is much the same in Kerala as elsewhere, even though the problem of educated unemployment is particularly acute in that state.

Finally, I beg to disagree with the suggestion made in the background note, to the effect that if there is over-investment in education then it may not be a bad thing if structural adjustment programmes compel governments to reduce public expenditure on education. Expenditure on elementary education needs to be expanded, not reduced, and it is a deplorable aspect of structural adjustment programmes that they have often led to budgetary cuts in this field. So much so that in sub-Saharan Africa, school participation rates have **declined** during the last twenty years. Even in India, teacher-pupil ratios are steadily declining. The reason for this is mainly political, i.e. that public expenditure on elementary education, unlike many other public subsidies, is not protected by influential lobbies. Hence the axe often falls on this and other “soft sectors”, even when this is not the initial intention of those who press for budgetary cuts. As for public expenditure on higher education, if it needs to be reduced, this is better done as part of a concerted reform of the education system rather than in the arbitrary and inequitable manner typical of structural adjustment programmes.