

### **Development Economics: The Role of Agriculture in Development**

*Edited by (Raja) Junankar P.N.*

Palgrave Macmillan

2016

1st ed.

233pp.

Hardcover

ISBN: 978-1-137-55521-2

**Review DOI** 10.1108/CAER-08-2016-0134

#### **Rethinking the role of agriculture in development**

In traditional neoclassical economic literature, agriculture sector is regarded simply as a support to industrialization process rather than of interest in its own right. It is viewed simply as a source of raw materials (such as cotton, wool, coal, etc.), adequate food, and a pool of cheap and unlimited manpower for the industrial sector, as well as foreign exchange to import capital goods for the industrialization.

This prejudice is challenged by the book *Development Economics: The Role Of Agriculture In Development* by Professor P.N. (Raja) Junankar. As an economist who comes from a developing country (India), Professor Junankar always has a particular interest in economic development. He spends most of his career life in studying the development process in Asian countries, especially in India. The book is a selected collection of author's published papers over a long period (from 1972 to 2014) that investigates the role of agriculture in development.

Overall, this is an inspiring development economics study. The chapters in this book study the role of agriculture in economic development from the perspective of social justice and economic efficiency. Combining theoretical discussion and rich empirical analysis, this book has successfully filled a void left by existing development economics literature. The book provides readers with plenty of information regarding the role of agriculture in the process of development, which was usually omitted in previous development economics literature.

In the introduction part, Professor Junankar discusses the limitations of traditional neoclassical economics, which usually regards the agriculture as a subsidiary sector. The economists often lost the social, historical, and political context within which less developed countries features when they discuss the process of development. In fact, economic development is a broader concept than economic growth, as Professor Junankar argues, which entails not only an improvement in living standards on average (GDP per capital) but also the reduction of poverty and inequality, an improvement in the educational, health, and housing standards of people, as well as an enhancement of freedom and entitlements. All of these improvements are linked with the agriculture sector because most of the poor people in developing countries live in rural area. Professor Junankar further presents a model to describe the relationship between agricultural sector and industrial sector in the process of development. As the industrial sector expands, it not only provides a market for agricultural sector, but also provides capital goods to the rural sector, and this could lead, in a process of cumulative causation, to a growing economy. During the process of development, agriculture served as provider of food for the industrial labor force, aggregate demand for industrial products, supplies labor force to the industrial sector via rural-to-urban migration, and by exports of primary products it provides foreign exchange to the economy. Migrants



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to the urban industrial sector also provide remittances to their families in the agriculture sector and hence help to increase the demand for industrial products. A prosperous agricultural sector helps to decrease rural poverty, increase demand for products from the urban industrial sector, and also change the rate of rural-to-urban migration. The extent to which improvements in agriculture helps lower poverty and increase demand for urban goods depends on income distribution in the rural sector. The less unequal the distribution of income, the greater the demand for industrial goods and hence the greater the favorable impact on the urban industrial sector.

By using rich field survey data from India and Bangladesh, Professor Junankar provides more detailed information and discussion about the role of agriculture in the process of development. First, by exploring the role of land tenure and productivity in Indian agricultural sector, Professor Junankar discusses the efficiency of small farms vs large farms, and the role of share-cropping tenancy. Professor Junankar proposes different taxation principles on agricultural producers that would lead to a more efficient and equitable system. Second, by studying the relationship between the Green Revolution, mobility, and inequality, Professor Junankar presents the impact of agricultural technology and mobility on the income inequality and wealth inequality. Third, by testing of the profit maximization hypothesis, Professor Junankar criticizes the neoclassical economics that assumes farmers' maximization of profits in competitive markets. In contrast, he argues that farmers in least developing countries do not face competitive markets with given prices, but are constrained by historical, social, and institutional characteristics of the economy. Rich farmers usually operate in a different world from poor farmers: they have access to better technology, wider markets, cheaper credit, and can and do influence the prices of inputs and outputs. Fourth, Professor Junankar emphasizes the important role of the informal sector in developing countries. Different from the Lewis Model, Professor Junankar finds that although thousands of rural people move into the urban sector, most of them do not find employment in the formal industrial sector. In contrast, most new rural-to-urban immigrants are employed by the informal sector where incomes and working conditions are unsatisfactory. By exploring the informal labor market development in India, Professor Junankar discusses the importance of informal market which is a stepping stone to a secured life in the formal sector. Finally, by using individual level microcredit survey data in Bangladesh, the book identifies factors that influence women's empowerment and highlights the role of microfinance in helping the empowerment of women in poor countries.

Despite the theoretical and empirical contributions described above, the book also has shortages. The main shortage is that the book does not provide a rigorous theoretical model. Based on his deep insight of the development process in India, the author gradually suspects the suitability of neoclassical economic theory in the developing countries. The author emphasizes that social and institutional conditions limit the conditions under which rural people operate in developing countries. Agriculture sector could play a more important role in the process of development than just be a support sector. However, the book does not provide any alternative rigorous theoretical model. Professor Junankar argues that economists know very little about what governs the behavior of peasant farmers in less developed countries. Therefore, Simple models are clearly inadequate. Instead, we need to know the historical, social, political, and economic context within which people in developing countries operate. Especially, we should rethink the role of agriculture in development economics through including the social and culture context. Professor Junankar's arguments are consistent with the World Development Report 2008 which argues that agriculture can be an engine of growth and a force for poverty reduction (World Bank, 2008).

However, this shortage does not challenge the great value of this work, but are sparked debate of this issue in the future. In fact, the role of agriculture in development

remains much debate. According to my understanding of the book, the author's main purpose is to shed new light on this debate and inspire scholars and policy makers to rethink it. Professor Junankar tries to prove that agriculture sector could play an important role in reducing poverty and enhancing entitlement in the poor. In addition, we should consider the historical, social, and political conditions when we discuss the role of agriculture in development. I think the book will also shed new light on the development of Africa countries where most poor people depend largely on agricultural sector. In African countries, agricultural growth may more effective at reducing poverty and enhancing entitlement. Although African countries face many challenges, agriculture and its subsector cannot be bypassed if these countries are to experience poverty reduction and entitlement enhancement. This book takes one of the most important issues with which relevant economic analysis should be welcomed. This book will gain a broad readership among economists and students in development economics.

**Jianqing Ruan**

*China Academy for Rural Development (CARD), Zhejiang University, Hangzhou, China*

**Reference**

World Bank (2008), "World development report 2008: agriculture for development", The World Bank, Washington, DC.