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Book Review

[Book Review of] Tyers, Rodney ... : Disarray in world food markets : a quantitative assessment, Cambridge, Cambridge Univ. Press, 1992

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wiegend von einem solchen gewohnheitsmäßigen (habituellen) Handeln geprägt, weil jeder Mensch nur in sehr begrenztem Rahmen „rational“ handeln kann? Erklärt sich Hendry's Vorgehen bei Gleichungen in Fehlerkorrekturform also vielleicht so, daß die langfristige Entwicklung in starkem Maße durch ziemlich gleichgerichtetes habituelles Handeln bestimmt wird, während in der kurzfristigen Entwicklung eine sehr viel differenziertere Reaktion auf die Schocks geschieht? Oder dominierte hier wieder sein Selbstverständnis von empirischen Arbeiten: Teste, teste und teste immer wieder einen der Regelungstechnik entstammenden „black box“-Ansatz?

Torsten Tewes

Tyers, Rodney, Kym Anderson, Disarray in World Food Markets – A Quantitative Assessment. Cambridge, New York, Port Chester, Melbourne, Sydney 1992. Cambridge University Press. XXIV, 444 pp.

The title of this book is to the point. Even a glance at agricultural policies around the world already reveals the “disarray” in the world food markets. In the United States, for example, the government pays farmers not to grow cereals whereas in the European Community, farmers are paid to grow more. In Japan, rice farmers receive a multiple of the world market price for the country's staple food crop whereas some food-deficit developing countries – while pronouncing self-sufficiency in food as an important objective – tax their farmers and subsidize their consumers thereby increasing the dependence upon imported food.

These examples raise many questions. What are the typical agricultural policies of developing and industrial countries? Are they efficient? If not, why then do governments recur to distortionary policies? How do these countries' agricultural policies affect each other? If food markets were liberalized throughout the world, could one expect substantial gains for the world economy in general and for developing countries in particular? The study by Tyers and Anderson provides some answers to these and related questions. Not surprisingly, given the huge welfare costs and distributional consequences of current policies, the authors come down hard in favor of policies that closely relate agricultural prices to free market equilibrium levels and strongly oppose government intervention.

The book contains nine chapters which are equally distributed over three parts. In addition, four appendices give detailed information on the formal structure of the world food model constructed by the authors, and on the parameters plugged into the model. The first part focuses on the changing patterns of world food prices, production and trade, on food policies, and reasons for the pattern of food price distortions. Tyers and Anderson argue, that the long-run decline in international real food prices – and the declining relative importance of agriculture in growing economies – can only partly be explained by low income elasticities of food demand. A major cause is the increasing interference by governments in food markets, particularly in industrial countries. Evidence on the level and structure of protection and on the insulation of domestic from international markets is presented in Chapter 2. Chapter 3 then goes on to explain the observed pattern and nature of food policies by examining their distributional effects. The analysis suggests that the losers are likely to lose little relative to the benefits accruing to those who are gaining from policies. Together with the graphical exposition of the market and welfare implications of price distortions in Chapter 4, Part I provides an excellent starting point for those concerned with the formulation of agricultural policy, including students who wish to broaden their understanding of agricultural price distortions in industrial and developing countries. The authors lead the reader through their analysis, critically examining their hypotheses and results, and putting appropriate weights on the different methods of analyses.

The rest of the study is concerned with the quantification of the structural and welfare consequences of existing policies (Part II) and policy reforms (Part III). Chapter 5 contains a verbal description of the world food model constructed by the authors. The model considers seven food commodity groups (wheat, coarse grain, ruminant and non-ruminant meat, dairy products, sugar) which together account for half world trade and thirty countries or country groups. It is partial (covering only the above-listed traded goods), dynamic (but no intertemporal optimization), stochastic (including production uncertainty and price variability), and incorporates endogenous stockholding and government behaviour. The model description is exceptionally transparent and the assumptions underlying the following simulations are made explicit.

The world food model is then used in the following chapters to investigate successively the consequences of existing food policies, of a gradual liberalization of OECD food markets, and of economic reforms in China and other socialist countries. The model results in Chapter 6 present us with some shocking figures. The estimated global net welfare loss due to agricultural support in industrial market economies amounts to between US\$ 50 billion and US\$ 57 billion per year in the 1990s. This is more than three times the estimated global loss due to these policies as of the early 1980s. European governments, along with that of Japan, bear the greatest responsibility whereas US policies have almost no net effect on global welfare. Those most hurt by these policies are lightly subsidizing agricultural exporting countries like New Zealand, Argentina, and Australia.

Since a complete removal of all distortions is unrealistic in the future, the effects of two alternative scenarios, both leading to a gradual phasing down of protection, are analyzed in Chapter 7. The potential welfare-improving effects of such a move are shown to be substantial even if reforms only occur in OECD countries. Finally, the analysis of the likely impacts of market-oriented reforms in the former centrally planned economies in Chapter 8 shows, that such reforms would introduce further instability to world food markets. This adds urgency to the need for reduced agricultural protection elsewhere, not only as an offsetting influence in the international marketplace but also to facilitate the process of adjustment by former centrally planned economies towards greater reliance on market forces.

After a summary of the main results and a discussion of policy implications, the final chapter closes with a fairly optimistic view about the prospects for a reform in the future.

All in all this is a solid analysis of world food markets by two creative economists which is of interest to both students and professional economists, and hopefully will have an influence on future agricultural policy.

Manfred Wiebelt