

**COMPENDIUM OF REMARKS**

**SENIOR SECTION ORGANIZED SYMPOSIUM**

**OPPORTUNITIES FOR ECONOMISTS IN AGRICULTURAL, NATURAL  
RESOURCE, AND RURAL DEVELOPMENT**

**AMERICAN AGRICULTURAL ECONOMICS ASSOCIATION  
ANNUAL MEETING**

**PROVIDENCE, RHODE ISLAND**

**JULY 26, 2005**

## PREFACE

Economists are potentially valuable resources in the development of agriculture, natural resources, and rural communities at home and abroad. Many have a plethora of experience in teaching, applied research, institution building, management, and policy analysis in fields relevant to development processes. Many in the audience attending this symposium have been directly involved in development programs in various capacities in numerous countries. As substantial as these accomplishments may have been, much remains to be done in the decades ahead. Economics and economists are, or should be, central to that development.

The growing cadre of senior economists in the U.S. may offer opportunities for development of a “Gray Peace Corps” as suggested by Bhagwati to provide much needed skills in developing countries. There also are many opportunities for economists to contribute more extensively to U.S. rural development including the still pervasive problems related to poverty, underemployment and poorly functioning institutions in rural areas.

Despite the growing involvement of economists in development, the “market” for economists’ development services is imperfect in several respects. Economists, particularly senior economists, may lack information on institutions and programs through which they might participate in the process; development organizations may lack information on the availability and skills of economists for their specific needs; information on development opportunities is fragmented and not always readily accessible.

This symposium was designed to bring together economists and representatives of development organizations to discuss development experiences, opportunities and means of enhancing the formation and functioning the “market” for such services.

**G. Edward Schuh**, Regents Professor and Director, Orville and Jane Freeman Center for International Economic Policy, University of Minnesota, Humphrey Institute of Public Affairs, Minneapolis, set the stage for subsequent discussion with a comprehensive presentation **Economists in The Development Process: Roles and Responsibilities**. Schuh’s remarks include a recommendation that AAEA develop a capacity to assist economists on taking advantage of development opportunities.

Each of four individuals, selected to bring a range of perspectives on the theme of the symposium, offered brief remarks (10 minutes).

**Richard P. Taub**, Chair, Department of Comparative Human Development, University of Chicago offered comments on **Agricultural Economists in Rural Economic Development** drawing on his recently published book **Doing Development in Arkansas**.

**Carol Kramer LeBlanc**, Economist, Millennium Challenge Corporation, Washington, D.C. and formerly FAS International Development Programs, USDA, Washington commented on the missions, goals and activities of the newly founded Millennium Challenge Corporation and development opportunities for agricultural economists in that organization.

**M. Julio Barragan Arce**, Ph.D. candidate in the Department of Agriculture and Applied Economics, University of Minnesota, spoke on the theme of **Roles of Economists In the Process of Growth: Insights from the Chilean Growth Experience as Seen in the Eyes of a Bolivian**.

**Nicole S Ballenger**, Chair, Department of Agricultural and Applied Economics, University of Wyoming discussed **Improving the Market for Development Services for Economists** and outlined means by which the market might be made more efficient.

**Kenneth R. Farrell**  
**Vice President, Emeritus**  
**University of California**

**Symposium Organizer and Moderator**

## ECONOMISTS IN THE DEVELOPMENT PROCESS: ROLES AND RESPONSIBILITIES\*

G. Edward Schuh\*\*

Many observers of the contemporary scene note that the international economy is best characterized as being in a massive disequilibrium. The dimensions of this disequilibrium include: (1) the persistent undervaluation of the Chinese renmimbi (yuan), (2) the rapid and sustained rise in the Euro as a consequence of that undervaluation, (3) the huge budget deficit the United States is running, and (4) the massive trade deficit this country has sustained. In addition, there are the large subsidies the United States and the European Union provide to their agriculture, and the distortion these policies create in the developing countries, where they are equivalent to consumer subsidies. Finally, there is the large disparity in per capita incomes that characterize the international economy, with many of the disparities tending to grow over time.

I like the notion that these disequilibria constitute opportunities for economists in agricultural, natural resource, and rural development. However, the perspective I take in my remarks today is that as a profession we have a responsibility to do something about these multiple disequilibria. Their pervasiveness and magnitude suggest that substantial global income is being sacrificed because of these disparities. Moreover, the disequilibria represent in many of their dimensions substantial equity problems that properly designed economic policies can do a great deal to ameliorate.

Economists who address economic development problems are in a position to contribute a great deal to reduce the disequilibria cited, to bring about a more efficient allocation of the world's resources, and to improve equity in the distribution of income on a global scale. Moreover, as will be explained below, I believe the American Agricultural Economic Association should do a great deal more to help the members of our profession to become more effectively involved in these important tasks.

The remainder of my remarks is divided into three parts. The first section provides an analytical framework that can be used to address development problems in the international economy. The second part contains a description of some of the opportunities available to economists in the international economy. In the third section I offer some suggestions on what the Association might do to expand the opportunities for its members to contribute to a more efficient, equitable allocation of the world's resources. At the end I will have some concluding comments.

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\*Presented at the AAEA Organized Symposium on Opportunities for Economists in Agricultural, Natural Resource, and Rural Development, Annual Meeting of the American Agricultural Economic Association, Providence, Rhode Island, July 26, 2005.

\*\*Regents Professor and Director, Orville and Jane Freeman Center for International Economic Policy, the University of Minnesota's Humphrey Institute of Public Affairs, Minneapolis.

## A Conceptual Framework

I personally engage in a great deal of economic development work at the international level. I find that in doing that work I must take a broad analytical perspective if I am to understand the changes taking place in the international economy and the forces that are driving them. Moreover, in my courses in the Humphrey Institute, I use that same broad perspective, the components of which include modern economic development theory, international trade theory, and the theory pertinent to understanding international financial markets. The challenge of this perspective is that these components have to be integrated into a cohesive whole if they are to be useful.

Perhaps the centerpiece of this approach is a dynamic perspective on international trade that views it as an instrument of economic development and growth. In fact, I teach economic development as being based on two pillars: investments in human capital and international trade. The perspective of trade as an engine of economic growth and development has two analytical bases: (1) Allyn Young and his emphasis on externalities rooted in the sectoral division of labor and specialization, and (2) the dynamics of trade liberalization.

The advantage of the Young perspective is that it makes explicit the opportunities open to small economies from participating in international trade. The critical factor here is that most of the world's poor are located in small economies. In such economies the Adam Smith limits from the extent of the market come into play rather early in the development process, and thus doom the citizens in those countries to poverty. The Young perspective puts the division of labor and specialization in a sectoral context. The more traditional Smith division of labor and specialization is specified instead to be among members of the labor force. The sectoral division of labor is an enormously uplifting idea, since it indicates that small economies, where most of the world's poor reside, can continue to have sources of economic growth as they grow. This perspective is equal in importance to the finding that a country's comparative advantage can be changed by investing in human capital. What happens in the Young perspective is that supply industries for larger industries are spun off and can be adopted by small countries. That is consistent with the empirical evidence that most of international trade consists of trade in parts, and not complete products.

The externalities argument of Young is complemented by the emerging recognition of the dynamic effects of reducing barriers to trade. The insight in this case is that reducing barriers to trade induces a more economically efficient allocation of resources, which in turn attracts a flow of capital to the sector (perhaps from outside the country), and with that flow the induced transfer of new production technology that often comes with the inflow of new capital. Traditional analyses of international trade tend to neglect these powerful sources of economic growth and development.

The third component of the framework is the theory of international financial markets. This perspective is important because distortions to trade are often created by distortions in foreign exchange markets, and because the source of many of the

disequilibria in the global economy are rooted in the international financial markets. To cite only a few examples, an unhealthy dependency has grown up between the United States and China that is rooted in China's undervaluation of its currency. To sustain that distortion, China acquires large volumes of U.S. Treasury bonds. In so doing, interest rates remain low in the United States. That in turn makes it possible for the U.S. to persist in its large budget deficits (see Schuh, 2005). A corollary of this interaction is the rise in the value of the Euro, which is encouraged in part by the low interest rates in the United States.

To conclude this all too brief description of a rather complex conceptual framework, one should recognize that this is not just a perspective of convenience, but of necessity. One simply cannot understand the world about us by taking a narrower and simpler perspective that consists of either economic development theory, international trade theory, or the theory of international financial markets considered independently. Given the extent and speed of global economic integration, and the unique and important role of the international financial markets, one only misleads oneself if one believes that one can understand any one of the three components of the framework without being sensitive to the constraints implied by the other two.

#### Details on the Market and Opportunities

A conventional perspective to the topic I was assigned today would be to address the sources of permanent hires by the international development agencies. That would include agencies such as the World Bank, the U.S. Agency for International Development, the World Trade Organization, the U.S. President's Trade Representative Office, Regional Development Banks, and other lesser organizations.

I prefer to focus my limited time on a set of opportunities that perhaps can best be described as coming under the rubric of outsourcing. I take this perspective because I believe that in the future this is where the largest number of development employment opportunities will be, and because I think it is where we could do more to promote market and employment enlargement.

An impressive feature of the global economy at the present time is the extent to which national policy leaders are taking steps to promote economic growth, and for the most part (although not exclusively) with neoclassic economic policies. What is especially important is that leadership for this perspective is coming from China and India, two countries where a major portion of the world's poor are located. A recent World Bank paper (Chen and Ravallion) calls attention to a significant reduction in the world's poor. It is worth noting that this reduction is based in large part on the economic development of those two countries, and not from income redistribution policies.

As more and more developing countries choose to accelerate their rate of economic growth and development, they will undoubtedly turn increasingly to consultants they can hire on a short-term basis. To the extent that agencies such as the World Bank and the USAID have turned away from economic development and

emphasized other program initiatives such as human rights and governance, they have created a niche for international consultants.

The parallel development, and one not entirely independent of the emphasis on economic development, is the large number of efforts at economic integration that is being negotiated. At my last count, the number was 72. This is important because these negotiations constitute a significant opportunity for economists. It is worth noting that one of our professional colleagues did a great deal (if not all) of the work for Brazil in preparing the case for the WTO action against U.S. cotton subsidies.

That leads to a parallel set of opportunities—the reform of the GATT and the creation of the WTO. The growing role for this important international organization opens many opportunities for U.S. economists. My guess is that if Brazil is successful with its case against the U.S.—successful in the sense that the United States responds to the case—many other opportunities will open up.

I am struck that most developing countries have very limited institutional capacity to make their cases for trade liberalization—either internationally or domestically. When these countries begin to realize the potential for growth from economic integration, my thought is that there will emerge a significant market for U.S. economists, and especially for agricultural economists, not only to design such initiatives, but to evaluate their impact on domestic economies.

Still another unexploited market in my judgment is the growing number of graduate programs around the world in economics and agricultural economics. The decline in financial support for such programs from the World Bank and the USAID has not impeded their development. Moreover, in Latin America at least, there has been growing support from domestic funding agencies to hire faculty from abroad. My guess is that this will be another growing market in the future.

The challenge of rural development constitutes another set of issues that cuts across the work on general economic development. The growing specialization in tradable commodities is leaving large numbers of small farmers on general farms in many of the developing countries (Araujo et. al.). I expect the issue of rural development to receive more attention in the future. Although it is not the case that we have a very successful track record in addressing these issues in this country, there still could be a significant market for specialists in the future.

Finally, I would be remiss if I did not mention the opportunities right here at home for people with economic development skills to participate in international development activities. It is a sad commentary on our own institutional development activities that our domestic activities dedicated to understanding developments in other countries are so poorly developed. Our experience in Iraq is Exhibit A on this issue. If we are to remain competitive in international markets and to have sensible international diplomatic policy, we will need to develop a stronger domestic capacity to understand the

rest of the world. Understanding the development process in these other parts of the world will be critical.

In closing this section I want to emphasize the importance of international competition in driving policy reform, international development, and diplomatic relations. That competition is a powerful force for reform and change, and the reforms will in my view open many opportunities in the future for professional members of our profession.

### A Proposal for the Association

The discussion of opportunities outlined above motivates me to propose that the Association develop the capacity to help create a market for the members of our profession to take advantage of these opportunities. My original thought was that this service should be limited to members of the AAEEA. However, as I thought about the issue, it seemed more appropriate that the service be extended to agricultural economists all around the world. In extending this coverage, we need to remind ourselves of the great amount of income currently being sacrificed in the global economy because of inefficient and inequitable economic policies.

Two kinds of services will be needed. The first is to inform potential decision makers of the services available from members of the profession. That is a significant educational task, but one that has considerable social value in its own right. The second task will be to build a market information system that assembles information on people available for such tasks and their respective skills, and on the positions available and the skills they require. Given the advances of information technology all around the world, such an information system should be feasible with a minimum of costs.

Costs will be an issue, however. Those benefiting from such a system should be willing to pay for the services rendered, however, and that should apply to both users and consumers of the outsourcing services. To start the program it might be possible to obtain grants from philanthropic foundations or other organizations. Agencies such as the World Bank, for example, may be willing to contribute.

The mission proposed for the Association is not innocuous. It will take staff and resources. However, the benefits that follow should be substantial as well. The Association has added a number of responsibilities to its mission in recent years. Our membership is better off because of the additional services it receives. With the present proposal, more is involved than additional services for the member of the Association. The world as a whole will benefit from higher rates of economic growth and a more equitable distribution of income. Those are important goals.

### Concluding Comments

To conclude these remarks I would like to emphasize two points. The first is to recognize the importance of institutional design issues in promoting the skills available

from the profession and in identifying proper skills for the solution of the international design issues. Policy is imbedded in institutional arrangements, and to change policy usually requires a change in the institutions.

Second, economists by no means have a monopoly on the solution to the world's policy problems. Other disciplines such as political scientists and anthropologists have a great deal to offer. Members of the natural and biological sciences, as well as engineers, also have a great deal to offer. There is hardly any important policy problem before us that does not require the participation of natural and biological scientists, and/or engineers, to design improved policy. Hence, the new office in the AAEA Secretariat should be sensitive to the need for these additional skills, and be alert to helping identify them when they are needed.

Finally, I realize that these are just preliminary ideas. A great deal of additional work needs to go into defining a new system and to articulate the new services required. The Association's International Committee may want to work on this challenge. Alternatively, the President of the Association may want to appoint a special task force to address the design issues.

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## AGRICULTURAL ECONOMISTS AND RURAL ECONOMIC DEVELOPMENT: SOME COMMENTS

Richard P. Taub  
Chair, Department of Comparative Human Development  
University of Chicago

I participated in research on rural economic development efforts in India a long time ago, and, more recently completed a project in Arkansas that is discussed in my new book, appropriately titled *Doing Development in Arkansas*.

My own research focus over the years has been on efforts to encourage small businesses to grow through technical assistance, incentives, and finance or credit.

Over the years, I have found that economists and, particularly, agricultural economists, are not very interested in this activity. There are several reasons. I should add that what I report is not based on sophisticated surveys, but rather on my own small forays into the rural development world.

The first is that much rural development is not really about agriculture. In this country, as you know, it is one of those incongruous facts that rural development is actually in the hands of the Department of Agriculture. What makes that incongruous is the fact that most rural residents have incomes and lives that may be only marginally connected to agriculture, if at all.

My development interest and the efforts of the many rural development practitioners I have studied involves getting connected to local businesses. These programs focus on economic activities that are more likely to have little to do with agriculture than to be on any agricultural agenda. They may, for example, have a tourism growth orientation, which is, at least, locally related. But much of their activity might also be aimed at the production of goods that, except for some accident, might be produced anywhere. For example, in my research, I encountered a manufacturer in Hope, Arkansas, who made sophisticated jigsaw art puzzles using pictures from the world's great museums. In Hot Springs, I observed another who produced a coating for steel to increase its life in high friction uses.

It is also true that this lack of true agricultural connection is evident in some USDA development programs that mimic policies that could have come out of HUD—for example, programs on low-income housing.

Second, some of the strategies used by small farmers to stay in business have not been of much interest either to USDA or to Land Grant Colleges and Universities.

This means that, even where agriculturalists are involved in the development process, some of their efforts have been ignored or derided. Many small farmers have learned to survive, for example, by producing what were once called niche products—

organic fruits and vegetables; hormone and anti-biotic free cattle and poultry; unusual fruit and vegetables like heirloom tomatoes or old varieties of apples.

Production of these products has flown in the face of the great miracle of modern agriculture trumpeted by USDA and many agricultural universities—vast quantities of food at low prices improving the nutrition of low and moderate income people around the world. Yet, the reality is that for some farmers, who might not pay the prices themselves for the foods they produce, strategies like that have been the road to economic survival. To be sure, there have been recent changes in the negative orientation toward niche farming practices, particularly as they move into larger markets. An example is the standards that have been set by the Department of Agriculture for organic certification. But it is not clear that those changes have had much impact on the mainstream orientation of academic practitioners.

The third reason is that much rural economic development in this country is locally based. Economists like to think big—statewide policy or national or even international—worldwide grain pricing, for example, poultry production and trade and the role of tariffs and subsidies—matters of that sort. Thinking locally is not so important or momentous.

That lack of interest in the local also stems from theoretical predilections. The economic success of one local area can be seen as the merely the result of substitution effects, with one locale's gain, another's loss; or evidence of one area's relative advantage over another; or the problem of small markets which can never be surmounted.

If one works in Arkansas, of course, one has a numerous dramatic examples of violations of obvious economic rules. Wal-Mart succeeded partly because none of the smart money thought rural markets were big enough to make discounting successful. This meant that Sam Walton had no or little competition and he had time to tinker with and develop his model. One of his biographers has provided us with a wonderful report of one of Walton's early marketing efforts with melons on display bursting in the summer heat, and then mixing with the manure from free pony rides.

By contrast, the poultry industry benefited not only from marketing innovations, but the fact of cheap land where any income at all from raising chickens enabled marginal farmers to hold onto their land especially if their wives had other jobs in town.

The Wal-Mart story is a rural development story, but not an agricultural story. The growth of the poultry industry led by the Tysons is both.

Finally, in violation of many economic development rules, the trucking industry grew in that region without adequate infrastructure—particularly decent roads. Only in the last five years have those winding, narrow mountain roads been replaced by a modern highway.

The point of all this is that, for ordinary people laboring in the rural development field, professional allies among economists expressing interest have been hard to find.

At one time I was asked to find an advisor to the economic development council of the mid-south. After making many inquiries, I was happy to find an economist who was, at least, interested in banking. John Casky is an economist who studies pawn shops and other non-mainstream banking practices.

The point all this, then, is that much of what passes for rural development in the United States is not really agricultural in any narrow sense. Even when it is, the habits and predilections of agricultural economists have traditionally made them unlikely candidates for guidance. That is unfortunate, because they bring to the table a package of skills and theory that would be useful. If things have changed in this regard, that is, they do have an interest in this kind of development activity, they have a serious marketing challenge ahead.

MILLENNIUM CHALLENGE CORPORATION: FOOD SYSTEMS.  
A FRAMEWORK FOR AGRICULTURAL AND RURAL SECTOR ANALYSIS

Carol Kramer-Le Blanc  
(PowerPoint presentation)

Outline

- A few words about MCC
- Importance of agricultural development, market integration, information
- Principal Areas, critical to MCA-Agriculture Mission
- Examples of MCA Agribusiness projects
- Job openings at MCC

Millennium Challenge Corporation

Core Principle: “Policy Matters”

- Aid most effective when it reinforces sound political, economic and social policies.
- Good policies encourage inflows of private capital and increased trade, the real engines of sustainable growth.

MCC Selection Process

- MCC uses 16 indicators to assess policy performance of individual countries.
- Countries are measured against others at same income level.
- Indicators reflect Millennium Challenge Act of 2003 criteria:
  - \* Ruling Justly
  - \* Economic Freedom
  - \* Investing in People

Congressional Funding

- Congress appropriated slightly less than \$1 billion for the MCA’s inaugural year, and \$1.5 billion for FY05.
- FY 06, \$1.75 billion?

MCC Eligible Countries (2004-2005)

Madagascar	Sri Lanka	Senegal
Mali	Vanuatu	Georgia
Mongolia	Armenia	Ghana
Morocco	Benin	Honduras
Mozambique	Bolivia	Lesotho
Nicaragua	Cape Verde	

## Bigger picture:

Agriculture development → Rural Development → Poverty Alleviation → Prosperity → Peace

### Critical Areas to MCA–Ag Mission

- Development of market-driven food and agriculture systems
  - Capacity building in marketing, business, value-adding, cooperative/association development, productivity, etc.
- Private sector extension and applied research
  - Focus intensively on training, extension, and private sector encouragement of new and improved productivity practices, etc.
- Establish enabling environment for sustainable rural development
  - Ministries of Agriculture must seek successful collaboration with other ministries to improve policy issues of security, roads, land, rural development incentives, and child nutrition, etc.
- Alliances to leverage resources and business opportunities for rural development
  - Alliances will create linkages among potential stakeholders, encourage capacity building and facilitate match-making for marketing and investment.

### Private Sector Role in Sustainable Growth

Examples of Agribusiness components in current compacts:

- Madagascar
- Honduras
- Georgia
- Cape Verde

In conclusion,

- MCC committed to reducing poverty through economic growth
- Agricultural sector critical
- Export markets and local processing both key factors
- Private Sector engagement—crucial

### Opportunities at the MCC

Monitoring and Evaluation Division

- Administrative & Research Assistant
- Director
  - Program Development Team
  - Due Diligence
  - Data Analysis

- Economist
  - o Evaluation of Compact Proposal
  - o Analysis of Monitoring and Evaluation data

Working with the MCC:  
Opportunities for Individuals

Agriculture and Rural Economy Program

- Roster of Agricultural Economics for short-term intermittent assignments
- Individuals who are experts in all aspects of agricultural investment project cycle including:
  - o Feasibility assessment
  - o Design and appraisal
  - o Financial and economic analysis of agricultural proposals
  - o Project evaluation

Monitoring and Evaluation

- Short-term Economic Analysis Consulting Services to provide:
  - o Evaluation of proposals from MCC-eligible countries
  - o Assessment of experience on similar projects in non-MCC countries
  - o Original data gathering and analysis
  - o Rigorous impact assessments

Working with the MCC:  
Opportunities for Firms

Agriculture-Related Consulting Services

- Facilitate the due diligence process and provide technical assistance to MCC and country staff
- Technical, Economic, or Social Assessment of:
  - o Rural Infrastructure
  - o Agricultural Productivity
  - o Agricultural Market Chain
  - o Land Tenure (as it relates to economic growth and poverty alleviation)
- Monitoring and oversight to assess the performance of compact programs

THE ROLES OF ECONOMISTS IN THE PROCESS OF GROWTH: INSIGHTS FROM  
THE CHILEAN GROWTH EXPERIENCE AS SEEN FROM THE EYES  
OF A BOLIVIAN\*

M. Julio Barragan Arce\*\*  
University of Minnesota

Chile is usually seen as the prototypical example of the positive role that “neoclassical”(you might want to read “U.S.-trained”) economists can have on growth and development. In particular, the stabilization, structural adjustment and trade liberalization policies implemented by the “Chicago Boys” have been credited for much of Chile’s success in attaining high rates of growth during the past two decades. Being a citizen of Bolivia, a country that has implemented orthodox versions of these policies to no clear avail, I have always considered the Chilean story as a partial account of how things came to be. In what follows I will illustrate the role I think economists ought to have in the process of growth by highlighting some key aspects of the Chilean experience that have usually been understated or just plainly omitted.

Left untold in Chile’s now proverbial success story is the country’s long tradition of public sector investments in human, infrastructure and technological capital. To illustrate this point, consider the state of affairs of the fruit industry in the eve of the 1970s. To begin with, one has to acknowledge the high educational level of the country’s population at the time. By the 1950s Chile had accomplished levels of literacy (even in the country side) that would take Bolivia another 50 years to reach. Chile had also managed to make considerable improvements in the quality of its education (remember that Gabriela Mistral and Pablo Neruda are products of early twentieth century Chile). Bolivia, in contrast, did not start to seriously tackle the issue of educational quality until the mid-1990s, a decade after its structural adjustment policies were first implemented. We have yet to see the first results of this effort.

Similar progress was made, both in breadth and depth, in the areas of science and engineering. It all started in the 1950’s when the Chilean government solicited the technical assistance of the State of California in selected agricultural issues. An agreement was eventually signed between the University of Chile and the University of California by which the latter was to provide, among other things, graduate education in horticulture to Chilean agronomy students. This effort was supported by the U.S. Government and financed by the Ford Foundation. Out of it was born a critical mass of professionals trained at the PhD level and many institutional and curricula improvements in the higher education system. Bolivia has not yet begun to tackle the issue of improving its higher education system, particularly that part of it concerning the fields and disciplines of science and engineering.

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\* Draft prepared for the Symposium “Roles and Opportunities for Economist in Agricultural, Natural Resource, and Rural Development”, Annual AAEA Meeting, July 26 2005, Providence, Rhode Island.

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In Chile, the critical mass of highly qualified professionals trained in California later proved to be crucial in the process of transferring and adapting fruit culture technology from abroad. They were assisted in their research by University of California professors (mainly from Davis). In 1964 INIA was created as an independent agricultural research institution. Following the intentions set forth in the National Fruit Plan, which funds were also provided to introduce and test new fruit plant varieties from the US and to build nurseries to mass-multiply disease free stock. By contrast, Bolivia has generally neglected research to this day; and this is reflected in almost every indicator of the country's agricultural R&D activities.

At the infrastructure level one has to begin by noting that Chile does not nearly have the geographical barriers that Bolivia faces. Bolivia is land-locked and trapped in between a dense, steep and high elevation mountain range on one side and the Amazon forest on the other. Chile, on the other hand, is a long strip of land with almost every single point in its territory no more than a couple of hundred miles from the Pacific Ocean. On top of that, Chile's historical record of investments in infrastructure such as highways, railroads and seaports has significantly surpassed that of Bolivia in absolute and relative terms. So Bolivia, probably the country that needs this type of infrastructure the most in Latin America, is actually one of the countries that did the least to provide it. Chile on the other hand, fares much better at the Latin American level, but would probably fare better still if the ease with which it can access seaports was taken into account. Finally, during the 1960s Chile also made sizeable investments in much needed cold storage facilities, the benefits of which were more directly targeted to the horticultural industry.

In short, by the time of the arrival of the Chicago Boys—they themselves trained during the 1950s and 60s, Chile had accumulated an incredible amount of human, infrastructure and technological capital that could potentially improve the production levels and productivity of the horticultural sector. It was the job of the Chicago Boys to unleash all this under-utilized potential by introducing markets into the economy. I think it was the flexibility and signaling merits of markets, together with the level and type of readily accessible capital and technology accumulated thus far that helped transform Chile into one of the most important fruit exporters in the world.

In my opinion, the Chilean experience vis-à-vis the Bolivian one highlights the importance and necessity of key public sector investments aimed at increasing productivity and promoting sustained growth. This policy implication, which seems almost self-evident as I write it down, has unfortunately been neglected in Bolivia for the past two decades. The policy priorities centered instead on stabilization and market liberalization during the 1980s, and on privatization and regulation during the 1990s. Fighting poverty was also a policy priority,

There is an exception in Bolivia that proves the rule. Up to the 1950s the city of Santa Cruz was a small forgotten town in the Eastern plains of Bolivia. The Government of Bolivia then started an aggressive investment campaign to connect the Western part of the country with Santa Cruz by building the first and, to this day, the most important

paved road in the history of Bolivia (in fact, as this road deteriorated, a second “replacement” road was built from Cochabamba to Santa Cruz during the 1970s). Important infrastructure was also provided by the public sector, for instance, to industrialize sugarcane. The landowners in the East had better educational level than “campesinos” in the Andean range in the West. There was also an important influx of better-off Bolivians from the Western region of the country, as well as of Menonite, Japanese, Brazilian, and German migrants during and after this period that brought with them agricultural knowledge and entrepreneurship.

During the second half of the twentieth century, the Government of Bolivia also invested considerable amounts of resources to import and adapt technology from abroad for the production of crops such as sugarcane, cotton, soybean, and wheat. Most of the technology came from Brazil and the US. The Alliance for Progress and later USAID were important sponsors and contributors in all this process. Today the city of Santa Cruz is one of the fastest growing cities of Latin America and the Santa Cruz region has contributed enormously to the growth process of a country whose mining sector—historically the economic backbone of the country—has been in a clear process of decline throughout the second half of the twentieth century, but was mainly approached from a consumption point of view.

As a result of these events, we now have in Bolivia an entire generation of economists and policy-makers completely alienated from the production side of the economy. They lack the knowledge and expertise to tackle growth and productivity issues. It is by filling this gap that I think the next generation of economist can contribute the most to the development process in my country. We need economists who can provide a comprehensive and articulated strategy to increase the productivity of broad segments of our rural and informal urban sectors, and that can translate these strategies into specific projects and policies at the central, state, and local levels. To this effect I think “neoclassical” economists from the fields of growth and development have yet to play the more prominent role they deserve in the process of policy-making. An area in which U.S. expertise can also be of great use is that related with successful institutional arrangements. This includes for instance the land-grant universities and their role in the process of developing and transferring technology in the U.S., the Ford Foundation and its role in improving Latin American higher education and technology transfer through investments in human capital, the education system of rural U.S., the process of achieving market access, and private producer organizations.

The paradox of the past two decades in Bolivia is that U.S.-trained economists have had a pervasive influence in the country’s policy arena and yet have played a negligible role in its development process. This need not be so in the future and we have to create the opportunities to ensure that this is the case.

SOME THOUGHTS ON THE MARKET FOR DEVELOPMENT JOBS  
(Power Point presentation)

Nicole Ballenger  
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Market Ingredients

- A product or service
- A collection of sellers
- A collection of buyers
- Institutions to facilitate transactions between buyers and sellers that generate prices and conditions of sale or use

What's for Sale?

- Knowledge
  - General (embodied in an ag econ degree)
  - Specialized (sub-disciplines, areas of expertise)
- Skills
  - Conceptual (e.g., how markets work)
  - Technical (e.g., data collection, analysis)
  - Managerial (e.g., how to get things done)
- Time

The Supply Side

- Who are the sellers?
  - Some at every stage of career?
  - Second-career retirees?
    - How many ag economists are over 50?
    - Bhagwati's "gray peace corps"?
- How flexible are they?
  - Will they go anywhere? Iraq? Afghanistan?
  - Or just Belize, please?

- Who are their competitors?
  - Economists, MBAs, Entrepreneurs

#### The Demand Side

- Who are the buyers?
  - Development agencies (USAID, World Bank)
  - Development consultants (Nathan Associates, Chemonics, etc.)
  - United Nation agencies
  - Red Cross
  - NGOs (CARE, Oxfam, etc.)
  - Foreign universities

#### What Are They Looking For?

- Extensive overseas experience in relevant region
- Language skills
- People willing to relocate to remote and challenging places
- Highly specialized skills, often emphasizing entrepreneurship
- Team and project management

#### Institutions

- A manual
  - [Development.jobs.info/na](http://Development.jobs.info/na)
- Internet-based job markets
  - [Monster.com](http://Monster.com) (go to “work abroad”)
  - [Internationaljobs.org](http://Internationaljobs.org) (International Career Employment Center)
  - [Developmentex.com/jobs](http://Developmentex.com/jobs) (The Development Executive Group)
- Agency, organization, and company websites
- International fellowships, e.g. Fulbright
- Newsletters and list serves
  - The Exchange
  - Millennium Challenge sends opportunities to Ag Econ Heads list

## Networking

- According to Career Journal ([www.careerjournal.com](http://www.careerjournal.com)), 80% of jobs are still obtained through networking
- Informal (who you know)
  - First step 20 years ago, call Alex McCalla
  - Now, “Google it”
- Strategic (who you make a point of getting to know)
  - Internet markets can help guide strategic networking

## Market Failures?

- Do we have the product they want?
  - What’s embodied in an ag econ degree?
  - Are we willing to go where the jobs are; for the desired period of time?
- Is information asymmetric?
  - Do we know more about the buyers than they do about us, or vice versa?
- Is the market structure fragmented?
  - Networks, e.g., the NGO community, “beltway bandits,” may be insular, jobs recycled among chosen few, hard to break into even if they advertise all sources

## Strategies

- Define and differentiate our product
  - Create unique image and niche that emphasize the match between our knowledge and skills and certain development job requirements
- Reduce search costs for buyers
  - Create, maintain, and market an “AAEA Senior Economists for Development Corps” listing
  - Market the Exchange to buyers
- Training
  - Pre- or post-conference workshops
  - Learn from those who have gone and done it!