Research Application Summary

The analysis of agricultural policies in Malawi: The maize political economy

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Abstract

The choices of the maize policies are political decisions made by elected officials in the political arena, yet it affects the overall maize industry. This study will model how decision are made in the political arena and how such decisions are affected by changes in political and macro-economic variables. Such knowledge would enable prediction of future direction of policy and assist researchers to come up with policy options that have a high chance of adoption within the political cycles. Potential entry points for research evidence into the policy process will also be identified.

Key words: Maize, Malawi, political economy

Résumé

Le choix des politiques de maïs sont des décisions politiques prises par les officiels élus dans l'arène politique, mais il affecte toute l'industrie du maïs. Cette étude permettra de modéliser la façon dont la décision est prise dans l'arène politique et comment ces décisions sont touchées par les changements dans les variables politiques et macro-économiques. Une telle connaissance permettrait la prédiction de l'orientation future de la politique et aider les chercheurs à proposer des options politiques qui ont une grande chance d'adoption au sein des cycles politiques. Les points d'entrée possibles pour les données de recherche dans le processus politique seront également identifiés.

Mots clés: Maïs, Malawi, économie politique

Background

Food self sufficiency or rather maize self sufficiency has been a primary objective of the Government of Malawi since colonial times. Following the devastating famine of 1949, the colonial government introduced interventions that included the first maize fertilizer subsidy in 1952 aimed at boosting national production to achieve sufficiency. Malawi is landlocked with very high transportation cost and as a result, it always been cheaper to produce maize than to import it. This has made the self sufficiency almost a natural objective for all the governments

after independence in 1964. Unfortunately, food self sufficiency has been elusive. In fact, for over two decades (1975 to 1998) Malawi either produced barely enough for consumption or relied on imports (Stambuli, 2002). Maize per capita consumption fell steadily from 163 kg in the early 1990s to less than 150 kg in the late 1990s (Orr *et al.*, 2001). Low maize productivity has resulted in over 70-80 percents of all rural households being short of self produced staple foods for 4 -5 months (Chinsinga, 2004).

Policies that affect the production and consumption of maize (staple food) have undergone several reforms. Policy makers are confronted with a classic "food price dilemma" on one hand, and pressure to ensure that maize producers receive adequate incentives to produce and sell their crop. Rural livelihoods depend on income from farming. On the other hand, food security of the growing urban population and the rural households that have deficits depends on keeping the prices low (Jayne *et al.,* 2005). The main policy instruments that have been used are the consumer domestic price and input subsidies. Formal policy *de jure* formulation process requires that policies be crafted by technicians in government ministries and then forwarded to politicians for adoption. The choice of the maize and fertilizer prices are political decisions made by elected officials in the political arena, yet it affects the overall maize industry. It has been widely argued that the output prices are too low to stimulate increase in domestic maize production. On the other hand, fertilizer subsidies are expansionary in nature but still more strong political will exist to continue their implementation.

Literature Summary

This study will model the endogenous nature of decision making in Malawi and how it is affected by changes in political and macro economic variables. Such knowledge would enable prediction of future direction of policy and assist researchers to come up with policy options that have a high chance of adoption within the political cycles.

The traditional view of political economy, emanating from Pigou (1932), relies on an autonomous government being fully exogenous to the economic system. Like an omniscient, benevolent dictator, the government tries to maximize "social welfare" by correcting market failure and ensuring allocative efficiency in the economy. If the occurrence of less than optimal policy outcomes is detected, this can be explained by a lack of

specific knowledge or poor management (Swinnen and van der Zee, 1993).

One line of research, focusing on the interaction between politicians and voters, emanates from Downs (1957). Recent research in this tradition in the field of agricultural economics has been done by de Gorter and Tsur (1991), de Gorter and Swinnen (1993) and Swinnen (1994). Politicians seeking support provide policy interventions to meet the demands of voters supplying support. The support which politicians receive depends solely on how their actions affect the economic welfare of individuals in the favoured group.

A different approach, based on Olson (1965) and Becker (1983), focusses on the behavior of and interaction between interest groups and government. Important contributions focusing on agricultural applications have been made by Rausser and Freebairn (1974), and Gardner (1983). According to Bhagwati (1989), one can identify two analytical viewpoints within this approach: the s*elf-willed government* formulation which assumes that the government chooses policy instruments in order to maximize its own political support (Bullock, 1994a); and the *clearinghouse government approach* which assumes the government reacts to intervention of interest groups in a way that maximizes the expected value of its re-election prospects (Bullock, 1992, 1994b)

Study Description

The study will use net mapping as a qualitative tool that uncovers the various power and influence relationships that exist among stakeholders in the policy process. This approach has been used by Whitfield (2006) in analysis of urban water policy reforms in Ghana and Birol (undated) in the analysis of information flow on groundnut aflotoxins in Mali. This analysis will center on the policy crafting process that takes place before political adoption process. We intend to uncover the main players in this process, the level of information flow and seek ways of improving flow of research based information to these players.

The Producer Subsidy Equivalent (PSE) and Consumer Subsidy Equivalent (CSE) will be calculated to determine the levels of protection for producers and consumers, respectively. The PSE is an indicator of the value of the transfers from the domestic consumers and taxpayers to producers resulting from a given set of agricultural policies, at a point in time. Thus, the PSEs are aggregate measures of total monetary measures of the

assistance to output and inputs on a commodity-by-commodity basis, associated with agricultural policies.

Based on the calculated CSE and PSE the influence of interest groups will be calculated in terms of policy preference function (PPF) weights. This approach to modeling influence of interest groups on agricultural policy has been applied by Atici and Kennedy (2005) and Atici (2008).

Acknowlegement

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