

From the Editor:



Dear Reader,

What was the reason for last year's food price increase? Was it a temporary phenomenon, caused by droughts, or was it the result of long-term changes in supply and demand fundamentals? The article by von Braun in this volume argues that it is mainly the changes in demand and supply over the past few years that have led to price hikes. Troublingly, there are many factors that can lead to a permanent, or at least long-term, price rise on agricultural products. Examples include increased incomes, and hence increased food consumption, and furthermore changes in the structure of consumption itself in the fast-growing developing countries. Then there are the negative effects of global warming on food production and some distortionary policies in support of biofuels (though there are positive examples of biofuels production as Moreira's account of Brazil's experience shows).

To change the situation developed countries need to remove trade barriers, and developing countries need to increase their efforts to stimulate agricultural investments. In most developing and transition countries such efforts must also include the removal of distortions to agricultural incentives (Anderson and Swinnen). Land reform and privatization of land to small family farmers can help to increase productivity, as Moldova's experience has shown (Cimpoies and Lerman), however, even a rapid and intense land reform, such as in Albania, does not guarantee the speedy development of agricultural areas (Miluka et al.). The presence of transaction costs is one of the major determinants of agricultural production structure (Ciaian et al.), and measures aimed at reducing such costs and improving farmers' access to the markets (Shilpi and Umali-Deininger) should be part of any policy program aimed at promoting rural economic development.

Having such programs is particularly important for poor agriculture-based and transforming countries, where the majority of the population lives in rural areas and is distinctly poorer than the urban population (summary of the World Development Report), and, consequently, more vulnerable to various shocks, including health shocks (Yao). Moreover, economic growth in poor and transforming countries has led to a widening income gap between urban and rural dwellers (the World Development Report, and Gerry et al. on Russia). So special policies designed to promote rural development and address rural poverty issues, including policies fostering non-agricultural employment, need to be put in place (Serova et al.). Implementation of such policies should be put in the hands of municipal authorities. Thus, providing proper incentives to municipalities — via elections — is an important part of the rural development agenda.

A related question on the efficiency of government spending is addressed in the article by Gray et al. in the New Findings section of this issue. To be effective, a policy needs to receive fairly large support from the population; ways of strengthening such support is further studied in the article by Denisova et al. Specifically, the latter looks at the attitudes towards the revision of privatization in transition countries in Europe and Central Asia and discusses why such attitudes prevail.

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