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AGRICULTURE IN A TURBULENT WORLD ECONOMY

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Edited by
Allen Maunder, Institute of Agricultural Economics, University of
Oxford, England
and
Ulf Renborg, Department of Economics and Statistics,
Swedish University of Agricultural Sciences, Uppsala

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1986

Gower

HIROYUKI NISHIMURA

The Rural-Urban Balance in Rural Development

INTRODUCTION

This paper is primarily concerned with a critical examination of the nature, extent, and causes of rural poverty as well as the consequent impact on urban society in several developing Asian countries.¹ To clarify a number of points, a relative comparison is made between the experience of Japan and the developing countries included here. Since the Industrial Revolution the world has witnessed two centuries of urban growth, but over the last three or four decades, this growth has taken a different form. Formerly, the city was a dense complex which grew out from its centre. However, there has been a much greater and irregular use of land, and a considerable increase in the population within and surrounding the cities. These changes have created serious problems for these countries.

Regarding the development of the rural areas, many Asian countries have maintained a considerable urban bias in their development plans. One result of such a bias has been an increasing imbalance in the planned changes between rural and urban areas. Although the majority of the population in the developing countries live in rural areas, these areas have not received their proportionate share of development resources. In some cases, they have even experienced a net outflow of resources, resulting in their gradual impoverishment. In many developing countries, the rural areas suffer from poverty, mal- and under-nutrition, poor medical, health and educational facilities and a lack of proper infrastructure facilities. Farming, which is the main occupation of the rural people, remains poorly developed with a low level of technology without proper linkages with the growing urban sector except as suppliers of food and raw materials. Furthermore, other farm and non-farm facilities, such as credit, extension, marketing, transportation and storage remain undeveloped, and the opportunities for the development of technology, knowledge and training in the rural areas remain severely limited.

In contrast, the urban areas in many countries have grown at a high rate. Both income and the modern amenities of life have increased similarly. While such facilities are still inadequate compared to the standards of developed countries, they show relatively considerable

advances compared with those in the rural areas. Poverty and deprivation in rural areas are still causing a continuous exodus of rural people to urban areas. Unfortunately the urban sector cannot create enough job opportunities for these people. These migrants usually get petty jobs and they cannot hold down steady employment. Their inflow only tends to increase poverty and the numbers of squatters in urban areas. These trends often lead to serious socio-economic and political problems. Unlike the historical experience of the developed countries where the process was slow and transformation gradual, the change in the developing countries is occurring very rapidly.

CHARACTERISTICS AND NATURE OF THE RURAL-URBAN DIFFERENTIAL

There are many countries with an income per caput below US\$ 300. These countries are predominantly rural with a moderately high growth rate of population (see Table 1). Agriculture is the main sector contributing to their national income and working opportunities (see Table 2). The relative level of poverty varies among developing countries (see Table 3) and it is estimated, for example, that in the Philippines about a third of its population live below the poverty line. Moreover, in both Bangladesh and the Philippines, the extent of poverty has increased over the last two decades.

Various indicators of the socio-economic imbalances between rural and urban areas may be considered. Practically, the following indicators are adopted:

- (a) Economic indicators: (i) per caput income differential, (ii) its intrasectoral distribution and the extent of poverty in the rural and the urban sectors (percentage population below poverty line), (iii) level and nature of employment and employment opportunity, and
- (b) Social indicators: (i) literacy, (ii) health (infant mortality rate), (iii) medical, health, education, infrastructure facilities etc.

The per caput income differential (measured by urban income as a percentage of rural income) is within the range of 228 (Nepal) and 126 (India). The percentage of people below the poverty line varies between the rural and urban areas. In Bangladesh, the incidence of poverty is considerably higher in the rural areas than in the urban areas. In addition, the degree of poverty has increased in both rural and urban areas in some countries.

In many developing countries, the majority of the labour force is engaged in agriculture. In the rural area the predominant occupation is farming, but some portion of the labour force are landless labourers (partly non-agricultural). In the urban area, the predominant occupations are petty trading, industrial and construction. The average wage per worker in urban areas is higher than in rural areas. There is a considerable amount of disguised unemployment in the rural areas, especially in Bangladesh, India, and Pakistan. Productivity is also relatively low in the

TABLE 1 *Area and national product*

Country	Area (1,000 km ²)	GNP per caput		GDP			
		US\$ 1980	Average annual growth (%) 1960-80	Average annual growth (%) 1970-80	Distribution (%) 1980		
					Agr.	Ind.	Ser.
1. Low-income economies:							
Bangladesh	144	130	(.)	3.9	54	13	33
Nepal	141	140	0.2	2.5	57	13	30
India	3,288	240	1.4	3.6	37	26	37
Sri Lanka	66	270	2.4	4.1	28	30	42
Pakistan	804	300	2.8	4.7	31	25	44
2. Middle-income economies:							
Indonesia	1,919	430	4	7.6	26	42	32
Thailand	514	670	4.7	7.2	25	29	46
Philippines	300	690	2.8	6.3	23	37	40
Malaysia	330	1,620	4.3	7.8	24	37	39
3. Industrial market economies:							
Japan	372	9,890	7.1	5 ^a	4	41	55
United States	9,363	11,360	2.3	3	3	34	63
France	547	11,730	3.9	3.5	4	36	60
Germany, Fed., Rep.	249	13,590	3.3	2.6	2	44	54
United Kingdom	245	7,920	2.2	1.9	2	35	63

Notes: ^a Figures are for 1970-79, not 1970-80.

.. Not available.

(.) Less than half the unit shown.

Source: *World Development Report 1982*, World Bank.

TABLE 2 *Population, distribution and growth rate (urban and rural)*

Country	Population		Percentage of labour force in agriculture 1980	Distribution of total population (%)		Average annual growth rate of urban population (%) 1970-80
	Number mid-1980 (millions)	Average annual growth rate (%) 1970-80		Urban 1980	Rural 1980	
1. Low-income economies:						
Bangladesh	88.5	2.6	74	11	89	6.5
Nepal	14.6	2.5	93	5	95	4.9
India	673.2	2.1	69	22	78	3.3
Sri Lanka	14.7	1.6	54	27	73	3.6
Pakistan	82.2	3.1	57	28	72	4.3
2. Middle-income economies:						
Indonesia	146.6	2.3	58	20	80	4
Thailand	47	2.5	76	14	86	3.4
Philippines	44	2.7	46	36	64	3.6
Malaysia	13.9	2.4	50	29	71	3.3
3. Industrial market economies:						
Japan	116.8	1.1	12	78	22	2.1
United States	227.7	1	2	77	23	1.5
France	53.5	0.5	8	78	22	1.4
Germany, Fed., Rep.	60.9	(.)	4	85	15	0.4
United Kingdom	55.9	0.1	2	91	9	0.3

Note: (.) Less than half the unit shown.

Source: *World Development Report 1982*, World Bank.

TABLE 3. *Percentages: share of income, income differential and poverty (urban and rural)*

Country	Percentage share of household income by percentile group of households (%)				Urban income as percentage of rural income		Percentage of the population below poverty line ^c			
	Year	Lowest 20 %	Second quintile	Highest 20 %	Year	%	Urban		Rural	
							Year	%	Year	%
1. Low-income economies:										
Bangladesh	1973/74	6.9	11.3	42.4	1976/77	178.4 ^a	1976/77	70	1976/77	81
Nepal	1976/77	4.6	8	59.2	1978	228.3 ^a	..	..	1977	37.2
India	1975/76	7	9.2	49.4	1967/68	126.3 ^a	1968/69	50	1977/78	43.5
Sri Lanka	1969/70	7.5	11.7	43.4	..	..	..	..	..	..
Pakistan	..	..	..	..	1971/72	153.8 ^a	1975	23.3	1975	35.1
2. Middle-income economies:										
Indonesia	1976	6.6	7.8	49.4	..	..	..	..	..	..
Thailand	..	..	..	..	..	..	..	..	..	..
Philippines	1970/71	5.2	9	54	1971	208.2 ^a	1971	51.6	1971	76.1
Malaysia	1973	3.5	7.7	56.1	1979	190.1 ^a	1976	15.1	1976	42.8
3. Industrial market economies:										
Japan	1969	7.9	13.1	41	1983	175.9 ^b				
United States	1972	4.5	10.7	42.8						
France	1975	5.3	11.1	45.8						
Germany, Fed. Rep.	1974	6.9	11	44.8						
United Kingdom	1979	7.3	12.4	39.2						

Notes: .. Not available.

^a Household income

^b Farm income in the rural area compared to non-farm income in the urban area. Concerning comparison of per caput living expense the percentage is 90.1 in 1982.

^c The definition of poverty line varies from country to country and hence strict comparison cannot be made across countries.

Source: 1. *Rural-Urban Balance Study*, CIRDAP, Bangladesh, 1982, p. 16.

2. *World Development Report 1982*, World Bank.

Original: 1. *Country Papers*, CIRDAP Study Series no. 1 through 7.

Source: 2. *Socio-Economic Indicators of Bangladesh*, Bangladesh Bureau of Statistics, September 1981.

rural areas and despite various public works programmes in the rural areas, especially in Bangladesh, Pakistan and India, the conditions of landless agricultural workers have deteriorated. This is because the high growth rate of population and increasing number of small farmers have created less favourable conditions for the rural labour force. There are no opportunities for new employment and under- and unemployment are common features of the local economy.

TABLE 4 *Literacy rate (urban and rural)*

Country	Literacy rate (%) Age of 15 and over (Year)	Percentage of literate population (%)		
		Year	Urban	Rural
Bangladesh	25.8 (1974)	1974	37.7	18.5
Nepal	19.8 (1975)	1974/75	14.2 ^b	5.1 ^c
India	36.2 (1981)	1971	59.7	27
Pakistan	20.7 (1972)	1972	41.5	14.3
Philippines	82.6 (1970)	1970	86.6	71.5
Malaysia	58.5 ^a (1970)	1980	69	56

Notes: ^a Figure is for West Malaysia, not including Sabah and Sarawak.

^b The literacy rate of the Central region.

^c The literacy rate of the Far Western region.

Source: 1. *Country papers*, CIRDAP Study Series no. 1 through 6.

2. Shrestha, B. P. and Jain, S. C., *Regional Development in Nepal*, 1978.

3. *World Development Report 1982*, World Bank.

Literacy rates may be used as an indicator to illustrate substantial rural-urban differentials. In general, literacy rates of the rural population are way below that of the urban areas. In Pakistan the urban literacy rate was 42 per cent compared to only 14 per cent in the rural areas in 1972 (see Table 4). The distribution of educational facilities also shows a marked imbalance. The rural educational institutions lack facilities compared to their urban counterparts, and the quality of both teachers and teaching is poor in the rural areas. There is also a higher drop-out rate in rural educational institutions. In India, however, the rural sector has a favourable ratio of primary schools. In 1976/77, the number of primary schools per ten thousand population was 8.4 in the rural areas and only 3.2 in the urban areas.

The differentials between the rural and the urban areas in terms of medical facilities, sanitation, health are also noteworthy. In Bangladesh, at present there is approximately one doctor per 65,000 rural population compared to one doctor for 900 urban population. Similarly, there is one

bed for 28,000 rural people and only 600 urban people. The quality of service in the urban areas is also much better than in the rural areas. In terms of infrastructural facilities, consumption of energy and consumer goods, basic-need items, potable drinking water, etc., one can also observe substantial differences in favour of the urban areas.

IDENTIFICATION OF THE CAUSES OF IMBALANCE

The rural-urban imbalance may be classified into two categories, relating to economic imbalances and social imbalances.

The general causes of the economic imbalance seem to be (a) resource endowment, (b) growth-biased development policies, (c) ineffective implementation of the development plans and programmes, (d) lack of proper and adequate institutions to plan and execute development policies and programmes of the governments, and (e) lack of political stability.

Most of the countries are characterised by severe resource constraints. This is due to the fact that a large portion of the natural and human resources remain untapped and underutilised. Insufficient land use planning by the government is mainly responsible for this. Moreover, the distribution of land which is the most productive asset for the great majority of population and other productive assets are disproportionately allocated. This has caused an increase in the number of landless workers in the rural areas through time, accentuating the process of migration to urban areas. The migration flows which drift into the informal urban area have ensured that very low levels of income have been maintained. It has continued to add to the number of the urban poor, with its consequent effects on the productive and social service sectors.

In the past, countries have tended to adopt growth-biased development strategies but there has been little consideration of the social consequences of distribution. The financial allocation made in the various plans for rural development has not increased through time. Indeed, in some countries it has even declined. Even in the case of rural development, various government policies such as irrigation, credit etc. have favoured the large farmers. The benefits accruing from the various development plans of the government have not been equitably distributed. These have made the rich richer and the poor poorer.

In the event of the failure to mobilise enough resources (locally and through external resources), the rural sector of the economy has to bear the main burden in resource use for development purposes. There is a lack of proper and adequate institutions both at the national, regional and village level needed to carry out the various development policies and programmes. Planning has been carried out from top to bottom by officers who may not be very interested in or are unaware of the development needs in the rural sector. Although some institutions at the lower levels, such as local government and co-operatives exist, these are

under the control of rural élites and, therefore, are unable to work in the interest of the rural people. It is also observed that local officials are not always sufficiently motivated. Most of these Asian countries have established village governments or committees in the recent past, but many of these bodies are controlled by the richer peasantry and do not serve the needs of the common villagers.

It is crucial to have political stability to ensure the success of prevailing policies and programmes. However, most countries are characterised by an absence of political stability which is the *sine qua non* for rural development.

The social imbalances between the rural and urban areas have been reduced in various fields. In the case of the Philippines, Nepal and Pakistan, the declining trend of differentials (between the rural and urban areas) in health and education appears to be due to the increased spread of facilities in the rural areas as compared to the urban areas. Existing rural-urban differentials in education are due to several factors: (a) better motivation and the needs for literacy in urban areas, (b) absence of active literacy programmes in rural areas, (c) poor quality of teachers, teaching materials etc., and (d) high rates of drop-out (caused by the need to supplement family income).

In the case of health, the factors responsible for the widening rural-urban differentials in India and Bangladesh seem to be the result of: (a) limited facilities of the primary health centres and absence of proper transportation facilities for access to the centre, (b) absence of facilities for the supply of safe potable water, and (c) lack of proper pre-natal and post-natal care.

It is argued that urbanisation and the rural-urban imbalance is a necessary adjunct in the process of development. In many developing countries which had a colonial past, urban centres have gradually developed their predominantly agrarian economies in response to the efforts of the colonial rulers to integrate the export sector of these economies with the needs of industrial development in the ruling countries. In order to facilitate centralised administration and transportation of exportable surpluses, small towns and other facilities were created. Unfortunately, however, the rest of the economy was left behind without much effort being devoted towards its development. After the independence of these countries urbanisation has accelerated along with industrialisation policies and urban facilities such as industries, commerce and business have developed. Nevertheless, it is true that the concentration of economic activities at urban centres has been established by economic and social motivations.

BIASED POLICY IN DEVELOPMENT PLANNING

It is undeniable that a certain urban bias does exist in the formulation of policy and development planning in the developing countries and that such a bias has been maintained through various direct and indirect policy

measures which favour the urban sector. The urban bias in development planning is revealed in the allocation of development expenditure between the urban and the rural sector. Experience of development planning shows that agriculture receives only a small share of development expenditure. In Bangladesh, successive Five Year Plan documents allocated about 35–42 per cent of total development expenditure to the rural areas (defined to include expenditure on agriculture and parts of expenditure on the other sectors which have some impact on rural areas). However, in terms of actual expenditure, the agricultural (rural) sector received about 35 per cent of total development expenditure in 1972 and it gradually declined to about 27.5 per cent in 1978.²

While the government can control and guide public sector investment, their control on private sector investment is not very effective. The private sector largely invests in industry, commerce, business and the transportation sector in urban areas. The various indirect policies which favour the urban (industrial) sectors and the urban population more than the rural (agricultural) sector and the rural population include these: (1) pricing policy and intersectoral terms of trade; (2) intersectoral resource flows; (3) food rationing and various subsidy programmes; and (4) government credit and loan policies.

In most developing countries, the intersectoral terms of trade remain against the rural (agricultural) sector. Although, in some cases they show some improvement, the benefits of this improvement usually accrue to those limited farmers having strong links with the urban centres. Improvement in the agricultural terms of trade is usually the exception rather than the rule, and the terms of trade, price and banking policies cause a net outflow of resources from the rural to the urban sectors. Indirect policies like food rationing and credit distribution require subsidies, and the benefits of such programmes are usually enjoyed by urban residents.

The institutions established for local level planning and development through local resource mobilisation become rather ineffective in the developing countries mainly because of (1) favourable grants to the urban municipalities; and (2) the controlling power of the rural élites. Thus, through time the local bodies fail to reduce the rural-urban disparity.

CONSEQUENCES OF THE RURAL-URBAN IMBALANCE

The existence of excessive rural-urban imbalances may result in various undesirable social, political and economic consequences. Poverty and deprivation in the rural areas, lack of education and technical skills and the paucity of other services gradually prevent the potential of the rural sector to increase its productivity and employment. The continuous exodus of the rural destitute to urban areas causes a severe strain on urban life and living conditions. The slow growth and even decline of the marketable surplus necessary to sustain an increment in the urban labour force and the growth of the industrial sector may ultimately be a severe

constraint on the overall growth rate of the economy through various adverse linkage effects. The urban sector may expand at a rapid rate in the initial stages of development, but it may face increasing problems to sustain the growth rate through time. In most developing countries, the urban (industrial) sector becomes dependent on foreign aid and imported technology. But this does not always contribute the vital economic linkages necessary for harmonious and complementary rural-urban growth.

One of the socio-economic implications of the persistence of excessive rural-urban differentials is the exodus of people from the rural to the urban area in response to various pull and push factors. Recently, it has been argued that three predominant migration flows exist: rural to urban, rural to rural, and urban to metropolitan areas. In the Philippines rural to rural migration is the most prominent stream, but rural to urban flows, especially to Manila and its suburbs are becoming bigger. The rural-urban differential is undoubtedly one of the main causes of migration but the composition and characteristics of migrants depend on whether push or pull factors operate. If the urban pulling factor is the major determinant of migration, then it is the more enterprising, skilled, and educated persons who migrate to the urban areas. In this case, the rural-urban differentials tend to be aggravated with time. If the push factors operate due to poverty in the rural areas, then it is usually the rural destitute who are forced to leave the countryside. They are absorbed into the informal urban sector leading to an increase in urban poverty, squalor and slums. In reality, such migration only tends to accentuate rural-urban differentials. Even if the push factor becomes the predominant force in causing rural-urban migration, the pull factor arising out of the existing imbalance continues to operate.

Two points can be noted about the slowing down of rural-urban migration in recent years in some countries.

(a) The lower rate of migration may be due to the high differential between the rural and urban sectors. The technological advances in the urban centres make it difficult for new entrants in urban areas to find employment. Besides, the severe strain on urban facilities pushes the new entrants to live in urban slums. Some may get absorbed in informal sectors, but such migration does not promise immediate employment, income nor minimum living standards.

(b) Various development policies, especially new settlement schemes may have diverted the rural-urban migrants to become rural-rural migrants, for example, in Malaysia, the Philippines and Indonesia. Settlement schemes like those in these countries promise to be an effective policy in the short run to weaken the rural-urban migration movement. In the case of countries where land scarcity still remains a problem, like Bangladesh where there is hardly any scope for new settlement, the obvious answer would be to reduce both the push and pull factors through improving the conditions of the rural people in the rural areas themselves.

EFFORTS TOWARDS REDUCING THE RURAL-URBAN IMBALANCE

Planners and policy-makers are usually aware of the existence of rural-urban imbalances, and their awareness is often reflected in planning, such as Five Year Plans. However, there is a gap between intention and concrete policy actions. Various policies and programmes which are relevant to the rural-urban imbalance can be grouped into four categories: (a) policies on urbanisation or de-urbanisation, (b) regional development policies with special emphasis on the development of less developed areas, (c) local level planning, and (d) rural development policies – both growth and poverty-oriented approaches.

Policies for regulating the growth of urban centres through the development of peripheral areas of towns and cities have been undertaken, but such policies have had only limited success. The policies developed to promote balanced regional development have some relevance for moderating the rural-urban imbalance. This is mainly because it is usually the more developed regions which have the largest concentration of urban centres. In the Philippines and Indonesia, rural settlement schemes were put into action and settlers were encouraged to move in. Despite a number of policies and programmes in all the countries to achieve a better regional and spatial balance in their development, the effectiveness of such policies to attain their objectives and the indirect objective of reducing rural-urban differentials is subject to serious question. The resettlement programme seems to have contributed very little to rectifying disparities between the urban and rural areas. The failure of the resettlement programme may be attributed in part to paternalism and the lack of infrastructure support.

Other policies which may help reduce the rural-urban imbalance include the decentralisation of administration; planning through developing local bodies; and resource mobilisation. These policies have been undertaken in response to the belief that the centralised administration often lessens local initiatives and hence the development potential. The proper implementation of locally developed schemes and programmes, which in many countries are at an early stage, may lead to a reduction in the rural-urban disparity, but the effectiveness of the management will depend on the socio-economic and political structures of each country. It will take a long time to improve such imbalances.

In most countries the rural development policies which benefited the rich in the 1950s and 1960s were primarily growth-oriented. Although some of the programmes did have a significant impact on the condition of the rural sector in a specific area, attempts to replicate such programmes on a nation-wide scale have not met with success. Policies and programmes for overall rural development, therefore, continue to be changed, modified and revised. The real constraint, as before, was the inadequate provision of financial resources to deal with such massive and challenging problems. The growth-oriented policies, which included

some welfare-oriented objectives, have led to growth where such policies have been pursued dynamically but the benefits of such growth have been confined to particular areas and to a particular section of the population.

In response to the rather modified policies and programmes in the 1960s in South Asian countries and their rather limited success in terms of generating growth along with equity, the integrated rural development approaches were encouraged in the early 1970s. The integrated rural development approach has been introduced as a multi-faceted programme which includes a variety of development activities and seeks to provide a packaged solution to problems covering technology, institutions, poverty alleviation, and so forth. In this integrated approach to rural development, various new programmes are being devised and service organisations are being developed. It is rather difficult to ensure that various rural development policies are effective in lessening the rural-urban differentials. One of the main reasons is that the policies are being continually introduced, modified and changed. Some programmes have been successful in reducing the rural-urban imbalance but they are generally too expensive to replicate on a nation-wide scale.

RELEVANCE OF JAPANESE EXPERIENCE

The Japanese economy after the Second World War, at its early stages of development, was like many developing countries in Asia today with a high density of population, small-scale farming, and so forth. Yet, in a rather short time span (compared to the Western developed countries), Japan attained a high level of development in its rural sector which enabled it to achieve a balance between the rural and urban areas in terms of such indicators as income, level of living, and consumption of consumer durable goods. The most significant developments in Japanese agriculture can be attributed to the impacts of the Land Reform, activities of modern agricultural co-operatives, establishment of agricultural extension systems, the farm land consolidation programme, introduction of farm mechanisation and other advanced technologies, farmers' motivation and efforts, and various subsidy programmes offered by the government. The prices of many agricultural commodities were stabilised at a high level and the average income of farmers in comparison to that of urban labourers increased from 83 per cent in 1965 to 132 per cent in 1983. In terms of consumption of consumer durable goods like televisions and refrigerators, the rural areas perform well in comparison with urban areas and sometimes even surpass them.

Compared with the rapid expansion in the industrial sector, agriculture was not far behind. The latter was supported by complementary industrial growth and the two sectors supported each other. During the 1950s and the early 1960s, the rapid growth in the industrial sector exacerbated the rural-urban imbalance. However, since 1972 this position has been transformed by the farmers taking advantage of increasing non-farm sources of income and by taking non-farm job opportunities.

The imbalance between the rural and urban sectors could be partially solved by the rural population taking non-farm job opportunities in the nearby urban areas and by accepting the extraordinarily high selling price of farm lands induced by the rapid urbanisation. Japanese agriculture still has difficult problems of overproduction and inefficiencies in resource uses. Many farm products, at present, have lost their competitiveness with foreign farm products.

The crucial points in the Japanese experience are as follows: The complementarity and mutually supporting growth of both the rural and urban sectors were essential. Indigenous techniques were developed, refined and used to raise agricultural production. In this context the industrial sector provided valuable support in terms of necessary equipment, technology and know-how. Further, the backward linkages of industrial growth resulted in an increase in non-farm sources of income to farmers.

CONCLUSIONS

In order to examine the nature and degree of imbalance between the rural and the urban sectors among the developing Asian countries, reference was made to Japan's rural development which attained fairly balanced performances. Within a quarter of a century Japan had realised a high level of development in its rural sector which enabled it to achieve a balance between the rural and urban areas. The problems of imbalance there between the rural and the urban sectors arose from the dynamics of growth rather than stagnation. Both sectors grew rapidly and the process of adjustment was reached by the farmers' efforts and sympathetic government policies. The imbalance could also be partially solved by the rural population taking non-farm job opportunities. Meanwhile, farm income could not increase similarly with the income for non-farm jobs, although productivity in farming had certainly progressed, and there has been little success in controlling land prices and preventing the contamination and deterioration of human environments. This paper signifies that in order to overcome these drawbacks it is crucial to have a comprehensive area development policy aimed at achieving an integrated and effective use of space for both the rural and the urban sectors.

NOTES

¹The contents of this paper are based on the results of the Workshop on The Rural-Urban Balance which was held by The Centre on Integrated Rural Development for Asia and the Pacific. I designed this research project, presented an overview paper, presided over the workshop, and compiled the final report. Although this paper is based on the results of the workshop I have revised the approach and materials for this paper. I have also added my own personal views and extended the discussions to include other regions. I owe special thanks to Dr Atqur Rahman, Programme Officer of the Research, CIRDAP, for editing the original workshop report.

²*Rural-Urban Balance Study*, CIRDAP, Bangladesh, 1982, p. 24 and notes.

DISCUSSION OPENING I – EARL. R. SWANSON

These two papers deal with the important problem of the welfare of people in rural societies. Mr Hunek provides a useful classification of the sources of uncertainty for farmers in terms of three markets – economic, ideological and policy. He correctly points out that agricultural economists are apt to neglect the ideology and policy markets in their analysis of agricultural development. His ranking of the relative importance of these three markets as a source of uncertainty (first, policy, second, ideology and third, economic) does not appear to me to be universally applicable. It would seem that in countries where (1) the prevailing ideology has been fairly stable over long periods, (2) government intervention in the agricultural sector is minimal or moderate and (3) the economy is reasonably open to international trade, the economic market might well rank first as a source of uncertainty for farmer decisions. Further, in the absence of price and other controls, at least a portion of the neutral (biological) uncertainty, which Mr Hunek dismisses as a minor contributor, would be reflected in the economic market. Thus, although Mr Hunek's classification provides an important perspective, the relative importance of the sources of uncertainty may vary from country to country.

Mr Hunek introduces an interesting 'turning points' doctrine for agricultural development. Among other things, he indicates that one of the consequences of the introduction of technology which substitutes for land is the emergence of a land market. It seems to me that the land market (or some other institution) is a prerequisite, rather than a consequence for making the necessary calculations (under either a centralised or decentralised system of decision-making) regarding the adoption of technology which substitutes for land.

What is the primary method by which farmers react to uncertainty? Mr Hunek points out that this takes the form of group activity in the policy market. Although outside the scope of Mr Hunek's paper, an analysis of how the various interest groups (farmers' unions, agricultural lobbies, etc.) interact in the policy market would have been of substantial interest. There are several hypotheses about which of several groups' interests will prevail in the political market. As a logical extension of Mr Hunek's view of this process as a market, one might assume that the formation and support of the various organisations depends on expected benefits and costs for the individual members. For the reallocation of a fixed amount of benefits, one would expect benefits per caput to decline with group size and also that the total cost of organising and articulating group interests would increase faster than group size because one can gain without joining the group (the free rider problem). Thus one hypothesis which needs empirical testing is that small groups will be more effectively organised than large groups. In any event this might be considered as a topic for the Twentieth International Conference of Agricultural Economists.

Mr Hunek, in good pedagogical style, concludes his paper with eight yes-no questions. My responses are 'no' to Questions 1, 2, and 5 and 'yes' to questions 3, 4, 6, 7 and 8.

Mr Nishimura's paper shifts our attention to the equity question in the form of the nature, extent, and causes of rural poverty. He asserts that it is necessary to meet the basic needs of the disadvantaged with certainty. Clearly such a goal has its base in the ideological and policy markets referred to by Mr Hunek.

Mr Nishimura has provided an excellent summary of both the economic and social indicators of rural-urban differentials. It is of interest to note that Japan has now reversed the usual rural-urban income differential and has exceeded the parity goal in that rural incomes now exceed urban incomes (Table 3).

Mr Nishimura cites severe resource constraints as one of the primary causes of economic imbalance. I am puzzled by the apparent inconsistency of listing natural and human resource constraints as a cause of imbalance and at the same time noting that a large portion of these resources remain untapped and underutilised. This apparent anomaly implies that there is a more fundamental cause of the rural-urban imbalance than the physical supply of resources. I suggest that a major part of the cause lies in the structure of incentives generated by the existing institutions. I hasten to add that Mr Nishimura's list of causes also includes the importance of institutions but in their restricted role of policy formation and programme implementation.

We should especially note that Mr Nishimura appears to be far from optimistic regarding the success of even the more comprehensive or integrated rural development approaches. He indicates that the successful ones are too costly for widespread use.

In a session titled 'People in Rural Societies' I must express a mild disappointment that we have not had papers that disaggregated to the household and sub-household level. This is not a criticism of the two excellent papers that we have heard. The authors have been faithful to the titles of their individual papers. An example of what I expected is in the book by Ronald P. Dore, *Shinohata: A Portrait of a Japanese Village* (Pantheon Books, New York, 1978). Shinohata is a village with a fictitious name that Dore visited over a period of 20 years. It has 49 households and is located about 100 miles from Tokyo. Dore's description based on detailed interviews illustrates at a micro-level the transformation in rural Japan that Mr Nishimura has presented in macro terms.

DISCUSSION OPENING II – E. SEVILLA GUZMAN

The two papers on which I am commenting to set up a framework for discussion in this session differ strongly. In spite of this they both have in common something which I wish to emphasise since I regard it as a very positive point, not only for this session, but in general for this

International Conference, namely the interdisciplinary nature of these presentations. The fact that people like myself and Professor Howard Newby (both strongly labelled as rural sociologists) have been invited to participate in a conference of agricultural economists is something very worthwhile and atypical of this sort of meeting.

Given the differences between the two papers I shall make some comments on them separately, but mainly on that of Professor Tadeusz Hunek.

This is a very attractive work in which an interesting presentation of agriculture in the process of economic development introduces uncertainty as the independent variable. However, although I believe such a presentation is quite valid in general terms, it does not analyse the differential character of uncertainty in terms of the character of the small- or large-scale production of agricultural enterprises. I believe that to put this theme forward for discussion can be of great interest, given that since Kauski and Lenin characterised in their classic and parallel works, the development of agriculture, predicting the disappearance of the small-holding, the theme constitutes an important problem still not yet solved.

Another point which I think is of interest to debate is as follows: Professor Hunek has developed a brief theoretical outline of the impact of uncertainty in the step from traditional to modern agriculture. This has been done by considering the global tendencies of change both in a free market economy and a planned economy. I think it would be very positive to lower his level of abstraction to bring out the differences themselves produced during the processes of change in one or the other type of economic system.

The last point I wish to comment on in this paper is about the interesting differentiation he establishes between economic, ideological and political markets as being three aspects which introduce uncertainty for farmers in rural societies. I think such a concept is a very fertile analytic tool and it would be useful to cross this with a typology of political systems according to the way in which the farmers organise themselves in syndicates and also with the power of negotiation these have in each type of political regime. I will dare put the following question in the context of the current economic crisis in developing countries: if we consider the three dimensions of market which Professor Hunek defines, is the present policy of corporate pacts between syndicates of owners and workers and government administration really a solution for the present crisis, or would it not be on the contrary a solution exclusively of the market ideology so that the least favoured sectors of the population bear the brunt of the crisis? I will not dare attempt an answer to this question, but I think that the conceptual framework which Professor Hunek puts forward enables us to get into the problem.

The presentation of Professor Nishimura sets out to characterise the rural-urban inequalities in different countries with distinct standards of living in the context of the capitalist world, and proposes programmes of rural development as a means of mitigating these differences.

I will limit myself to making a general comment on his paper. Social theory, from whatever disciplinary focus (economic, sociological, anthropological etc.) has for a long time been questioning the rural-urban concepts as a means of theoretical approximation to explain reality. In spite of this the empirical characterisation of urban-rural differences made here is of great interest. However many radical social scientists maintain that the very nature of capitalism has as part of its internal intrinsic logic the need to generate inequalities – inequalities between national economies, inequalities between regions within a nation and inequalities between social classes. I ask myself if it is possible that rural development can break into this dynamic function without first altering the existing model of world development.

GENERAL DISCUSSION – RAPPORTEUR: D. A. G. GREEN

Topics raised in discussion are grouped into those addressed to (1) Hunek's paper, (2) Nishimura's paper, and (3) general observations on both papers.

1. It was felt that the first paper was very useful in assessing the socio-economic issues of uncertainty in the subdivision between 'realpolitik' and 'apparent' situations since the professed intentions of political leaders frequently differ from real intentions in order to retain a position of power. Funds can be diverted from rural development despite a leader's nominal support.

2. Regarding the second paper it was pointed out that some two to three decades have elapsed in seeking to understand the role of agriculture in economic development which suggests that not all imbalances between the rural and urban sectors are undesirable. Perhaps the analysis could be sharpened by a classification of imbalances into healthy/desirable and unhealthy/undesirable to facilitate structural change in the economy. Second, in the Japanese experience, how crucial and therefore how desirable for replication are: (a) population homogeneity, (b) the post Second World War land reform (c) a strong rural lobby, and (d) modest urban welfare expectations?

The reduction of rural-urban disparity may not be the most relevant question but rather to focus on the most relevant of the Japanese experience to other countries today. By the mid 1950s, income per caput in Japan already exceeded that of most developing Asian countries. More relevant comparisons would be with Japan's experience in the late nineteenth century to the mid 1930s, when rural-urban disparity was widening, which is similar to developing countries today.

3. The 'rural-urban balance' has various interpretations since this must be a dynamic phenomenon according to the nature and pace of development, i.e. a world perspective. Are there criteria to determine when the relationship is balanced or imbalanced, or when rural-urban migration should either be stopped, or reversed?

The rural-urban balance must be judged according to individual welfare criteria which differ according to rural and urban values. Rural values appear to be determined on the basis of a man v. nature relationship, in contrast to urban values determined by man v. machine. Indeed, with increasing access to individual information, society may well be moving toward a value system determined by individuals v. individual relationships. Is it possible to diversify value generation more favourably for rural people?

In their response to the discussion, Professor Swanson's suggestion that planned economies were ideologically oriented was accepted but a useful debate could well ensue from the proposition that market economies were also ideologically based. Professor Sevilla Guzman's criticism that the approach to uncertainty was essentially small-scale was also accepted although the approach also had application to the large-scale situation, because it was essentially a general approach. The emphasis of the analysis was primarily a general one to be adapted through differentiation. It appeared doubtful that either co-operation or collective organisation were adequate for handling uncertainty; other means of analysis must be sought. The generation of different value systems was important but incorporating this into the analysis was very difficult. Finally, there was a world market perspective but all could not be included in ten pages.

Professor Nishimura replied that Japan's economy, in which current technology was good, was now developing problems. The relatively favourable position for the rural sector resulted from the fact that many farmers could not expand their sizes of farming operation, due to the restriction of land and its ownership structure, and they had to seek the off-farm jobs which were easily accessible to them. The reference to the Japanese experience was only relevant to explain the dynamic adjustment process between rural and urban sectors after the war. The suggestion of looking at the conditions which led to take-off, when the rural and urban sectors were in balance, rather than at the 1960s and 1970s, was helpful. The paper underlined the importance of considering the two sectors together; their separation created much difficulty.

Participants in the discussion included Richard L. Meyer, Yujiro Hayami, Petri Ollila, A. D. Indraratna, and K. M. Azam.