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CONFLICTS BETWEEN LOCAL INTERESTS AND NATIONAL PLANS IN RELATION TO AGRICULTURAL DEVELOPMENT

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Introduction

I SHOULD like to consider this subject by taking examples from Japan. In so doing I would begin by identifying the problems involved. In my view, they are as follows :

First, what is the nature of national planning, in the general sense of the term, in relation to agricultural development, and how are the plans to be carried out?

Secondly, by what implications and in what way does planning give rise to conflicts with local interests?

Thirdly, what measures should be adopted in order to solve such conflicts or co-ordinate such interests?

General Character of the National Plan in relation to Agricultural Development

National plans drafted for the development of agriculture differ greatly according to the nature of the problems faced by each country at the time of drafting. However, apart from such cases where land reform is planned and carried out, when the object is to change the basic structure of land-ownership itself, it may be considered that the direction of national planning is generally affected by certain distinguishing characteristics inherent in agriculture. First, since there is a strong tendency for agriculture to be a competitive industry and for the increase in production brought about by technical advance to be passed on to the consumers in the form of lower prices instead of providing the producers with a greater profit, there is not much inducement for individual farmers to undertake large-scale and long-term investment in the technical improvement of agriculture. As a result, technical improvement of agriculture tends to lag behind. This accounts for the fact that many more resources are required for agricultural production, if other factors are to be disregarded, and

hence it works to this extent as an obstacle to economic development. Thus it becomes clear that while in most countries research and extension work in agricultural technology are undertaken by state or public bodies, the first problem to be tackled in national planning is to push forward technical research as much as possible on the one hand and, on the other, to diffuse advanced technology among farmers as rapidly as possible in order to raise the level of agricultural productivity.

The second distinguishing feature is a plan to stabilize the price of agricultural products, because these prices vary greatly owing to the technical instability of agricultural production and general weakness of demand elasticity of products. Also, great changes in demand caused by the business cycle are responsible for the utmost instability of the price of agricultural products. Furthermore, it is well known that there are cyclical variations in the supply of agricultural products—modelled in the so-called ‘cobweb theorem’—which also contribute to the instability of prices. It needs no emphasis that this instability would be an obstacle to the stable growth of a national economy.

The remedy is naturally stabilization of both supply and demand. Several attempts have already been made. But what is more frequently adopted is a plan to stabilize the prices of agricultural products within certain margins by such intervention as the purchasing or selling of the products by the government.

The third problem is related to the fact that as the demand elasticity of agricultural products is low, the raising of the technical level of agriculture will result in a relative lowering of the value productivity of resources in agriculture. Therefore the need arises of moving resources from agriculture to non-agricultural industries. In other words, the rise in the technical level of agriculture results in a general relative lowering of functional incomes in agriculture. From the viewpoint of effective utilization of resources of a country as a whole, it is not reasonable to let such a situation continue. Moreover, resources in agriculture do not always flow out smoothly in response to the relative lowering of functional incomes in agriculture. Thus it becomes the third theme of the national plan to move such ‘surplus’ resources in agriculture to the non-agricultural sector with higher productivity, as this step will open up a vista of economic growth of the country as a whole, with the expansion of the non-agricultural sector playing a central part.

In Japan national planning for agricultural development has been carried out along the lines mentioned above. As a result, during the

period between 1888-9 and 1959-60 the real net output of the primary industry, which is chiefly agriculture, increased by about four times and the ratio of agricultural population in the employed population decreased from 75 per cent. (in 1888) to 29 per cent. (in 1962). The functional income in agriculture was always lower than that in the non-agricultural sector. But it attained an absolute fourfold increase in the course of this development. That is to say, agricultural productivity increased remarkably as part of the national economy of Japan, and it is considered that national planning played no small role in producing such an increase. There is no denying, on the other hand, that the national plan gave, and is at present giving, rise to conflicts with local interests based on those of individual farmers.

Here I would like to examine the character of the conflicts between national and local interests and the process of co-ordinating them in connexion with the Land Reform, which is considered to have given rise to the largest and most severe conflicts in the modern history of Japan, and then to examine in a similar way these conflicts in relation to each of the aforementioned aspects of national planning. I want to do this because I think that land reform is rather difficult to carry out in the course of ordinary national planning and also because I am interested in the fact that the character of these conflicts produced by such reform has often certain factors in common with ordinary agricultural policy and displays these in an extreme form.

Conflicts in the Land Reform

The land reform in Japan which was carried out in the two years following 1946 was epoch-making in that it transferred the land ownership of two million Ha, or 80 per cent. of the rented land, to the tenant farmers at very low cost to them. With regard to the rest of the land it changed the rent paid hitherto in kind to a monetary payment and greatly reduced the level of rent. Actually a measure was taken by which all the land of the absentee landowners and all the rented land of resident landowners exceeding the national average holding of 1 Ha (3 ha in Hokkaido) was sold compulsorily to the government, with the prices of land capitalized on the basis of rice prices fixed by the government, and was then sold to the tenant farmers. This measure gave rise to conflicts because it worked for a great decrease in the property of the landowners who had to give up their land. As the land price which was fixed at the time of the reform was not changed in spite of the violent inflation that followed, the real value of the money which the landowners received by releasing their

land decreased and became almost equal to that of the annual rent paid before the last war. On the part of the tenant farmers, it became possible to buy land with the money which had about the same value as the annual rent of the pre-war days. This was very welcome for the tenant farmers as a kind of windfall gain, but it supplied the landowners with backing for their resistance to the reform.

Nevertheless, the reform was carried out peacefully. What, then, were the reasons? The first was that there was little possibility for land to have its free-market value as the opportunity for producing agricultural products freely was greatly limited by the strict commodity control continued from war-time and because there was little room for farmers to obtain free market prices for rice and other products. It was generally considered at that time that the strict control of production would continue for a long time to come, and the government itself declared that this was its intention. Also, there were not enough goods to be purchased and there was no alternative but to save income in the form of a deposit in banks or co-operatives. Such a situation was responsible for weakening the resistance by the landowners to the process of determining the price of land to be released on the basis of a rent which was artificially depressed.

The second reason was that the release of land was carried out in the form of a legal transaction through ordinary legal procedure. The transaction was a juristic act executed between the landowners and the state with the land price calculated according to a reasonable formula; and the same situation obtained between the state and the tenant farmers. No form of property confiscation was adopted. The only problem was the inflation which made the fixed land-price very low in its real value. It was said that blame was not due to the reform itself but to the inflation. This worked to mitigate the resistance against the reform to the extent that the dissatisfaction of the landowners was diverted partly, if not entirely, to the inflation.

Thirdly, the landowner's dissatisfaction was in part weakened by allowing the resident landowners to own their rented land to a certain extent. As has been mentioned before, almost 20 per cent. of the rented lands remained as they were. This means that some 68 per cent. of the old landowners owning rented lands could more or less keep them as such. As these landowners are at the same time small-scale farmers who tend, if necessary, to cease leasing their land in order to cultivate for themselves, they might have been placed in a position of the most tenacious resistance and rooted objection to the land reform. But the reform was made easier by creating a kind of 'buffer zone' for soothing the landowners.

Fourthly, and what is most important, the reform was backed by the memorandum and the recommendation of the occupation forces in Japan. In the memorandum concerning the Land Reform issued on 9 December 1945, the Headquarters of the occupation forces emphasized the importance of the land reform for the democratization of Japan and directed the Japanese Government to submit a concrete plan for the reform by 15 March 1946. Thereafter, until the enactment in October 1946 of a law for land reform, the Headquarters encouraged the government continuously by issuing recommendations and other methods. Even during the course of implementing the reform project, they sent itinerant inspection teams throughout Japan to push the reform forward. Needless to say, this attitude on the part of the occupation forces proved decisive in suppressing the group opposing the reform.

But what is to be noticed is that this reform was supported and pushed forward by those concerned in the conviction that it was in the national interest of Japan that landowners and tenant-farmers should not fight against each other concerning the redistribution of land. This would have endangered national unity and therefore was not the attitude to be taken by a nation under military occupation by foreign forces. The landowners were for this reason asked to sacrifice their own interests to a certain extent. On the one hand it was emphasized that the land reform was necessary as one of the most basic policies for overcoming the food shortage in those days. On the other hand it was pointed out that strong expressions of opinion and criticism of traditional rural conditions were being voiced in those foreign countries which regarded the rural areas of Japan as hot-beds of militarism, and hence called for their reorganization. Enlightenment and persuasion along these lines were made repeatedly through newspapers, radio broadcasting, and other mass media. In addition, to create a favourable climate for the reform, diplomas of honour and prizes were given to the landowners who released their land to the tenants. This was successful and there were even cases where landowners and tenants, whose interests should have been in conflict, got together at a ceremony for the transfer of land, the former congratulating the latter for obtaining new land of their own. The landowners themselves gained satisfaction for having contributed to the 'important policy for the reconstruction of the country' and expected their tenants to prosper as 'glorious independent farmers'. And the tenants pledged themselves to live up to such expectations.

In this way the land reform was carried out peacefully in Japan as a so-called 'revolution without bloodshed'. But with the gradual

fading out of the above-mentioned conditions, dissatisfaction of the landowners began to manifest itself in various ways. By the easing of the control on agricultural products and the abolition of the control on land prices, the forces for forming land prices recovered and there occurred many cases of so-called 'constitutional lawsuits' complaining that the price of land sold to the government under the land reform was unduly low. Although the reform itself was judged as constitutional by the Supreme Court in 1953, the movement for demanding compensation in some form or other to the landowners who released their land has persisted up to date, and is now one of the difficult political problems in Japan.

In sum, it may be pointed out that in carrying out a land reform care should be taken to see that the reform is closely related to the special background of the particular country, politically, socially, and economically.

Also, the Agricultural Land Law of 1952, which was enacted to establish the fundamental principles of land policy after the completion of the reform, prohibits absentee owners from owning land and resident owners from owning more than 1 Ha (in Hokkaido 4 Ha) of the rented land. It also prohibits small owners having less than 30 ares (in Hokkaido 1 Ha) of land and large owners having more than 3 Ha (12 Ha in Hokkaido) of land from acquiring new land. The controlled rent rate was revised only once, in 1955. This means that the freedom of landownership and leasing is greatly limited. The criticism is made that, under such a situation, on the one hand farming cannot develop on a large scale with more efficiency while on the other hand small and inefficient farming cannot disappear. At present the farming labour force in Japan is decreasing by about 3 per cent. each year, and the farm families only by 1 per cent. As a result the percentage of the farm families engaging in subsidiary jobs in the total number of farm families increased rapidly and reached 43 per cent. occupying 20 per cent. of the total arable land in 1962. The land system is considered to be largely responsible and this is giving rise to strong complaints that the system is, generally speaking, functioning toward discouraging productivity.

Conflicts in the Promotion of Agricultural Technology

Let me next explain about the conflicts arising in connexion with the improvement of agricultural technology. In this phase national planning was applied mainly in three ways. One was the creation and dissemination of improved seeds, the second was the promotion of

land improvement and the third was encouragement in the use of effective fertilizers. With regard to seed-improvement, the government took the policy of establishing early in 1893 the national experimental station for agriculture and of subsidizing the distribution by extension workers of the improved seeds. Inherent in this distribution is the problem that the pioneering farmers who are to introduce the improved seeds before other farmers might hesitate to do so for fear of running an economic risk resulting from such introduction. But once the economic superiority is proved and made known to the public, the distribution can be comparatively speedily done, as is usually observed in competitive industries. Thus, there is no problem serious enough to be called a conflict, and at present superior seeds of rice and wheat and barley bred at the experimental station of the Ministry of Agriculture are widely used by ordinary farmers in Japan.

The problem lies rather in the second method, i.e. land-improvement projects. These projects consist of such technical matters as flood control, irrigation, drainage, and reclassification of farm land. These projects have special implications in such a country as Japan where paddy fields occupy the major part of farm land. Small-scale projects were carried out by individual farmers and landowners or by their co-operatives early in the period preceding the Meiji Restoration of 1868 when Japan began to emerge from its feudalistic society by introducing western civilization. But with increasing scale, such projects can no longer be done by voluntary co-operatives of individuals. Speaking from the point of view of efficiency, it is natural that the larger the project, the greater becomes the productivity. But it is not easy to obtain consent to the project from all the people concerned in the area to be covered by it. And because of the technical nature of the project, the work has to cover the whole area.

Thus the Japanese Government adopted two measures to promote such projects. The first was to provide a legal basis for the organization aimed at the whole area concerned. This was established in the Arable Land Replotment Law of 1899 and has become the traditional principle in legislation of this kind. This measure enabled the implementation of large-scale projects covering thousands of Ha. Such an enforcement may be regarded as inevitable and peculiar to agriculture as a measure for solving conflicts which arise when the national benefits of large-scale economy diverge from the vested interest of individual landowners. Whether the project is for irrigation or for drainage, though it will bring forth an improvement of soil conditions

in the area as a whole, it does not follow that the individual land-owners will receive the same amount of benefit, since the locations and other conditions of their land differ. This will, in most projects, give rise to anxiety or opposition from the landowners.

The second measure adopted for the promotion of land-improvement included such steps as giving technical advice, or giving economic assistance by implementing the basic part of the project directly by the state or prefecture and by giving subsidies and low-interest loans. Needless to say, if such works as the construction of dams and canals are done with public funds, the land-improvement expenses per unit of farmland become cheaper on the part of the landowners. Also the subsidy was of a very high rate, reaching one-half or even three-quarters of the expenses, and the interest on the loan was about one-half or less of the ordinary bank rate. This measure contributed much to the promotion of land-improvement, and even at present about 30 per cent. of the total budget of the Ministry of Agriculture is made up of the expenses of this kind of land-improvement project. Also, it is estimated that the percentage of the investment in such projects in the annual formation of gross agricultural fixed capital of the whole country reached as high as 20 per cent. in 1957. This is by no means a low percentage.

Because of this high rate, inter-regional competition arises for securing the subsidy, which is limited in its total amount. The result is an all-round policy, giving equal amounts of subsidy at the same time to all the applying districts. Thus the new farm construction programme (1956-61), by which the state gave assistance to municipal projects, each requiring ten million yen of subsidy and loans for land-improvement and other co-operative works, had to cover all the municipalities of the country. The same applies to the agricultural structure reform programme, initiated in 1962 and still in operation, though the amount of the assistance has in this programme been raised more than tenfold, reaching 120 million yen. From the beginning of the programme it was planned to cover all the towns and villages of the country and on this condition the budget for the programme passed the Diet. Due to such an all-round policy, each municipality is obliged to grant the subsidy indiscriminately, so that its project cannot be done on the most efficient scale and priority. Also the criticism arises that projects which should be implemented voluntarily by the municipality are not begun until the subsidy comes from the state and good opportunities tend to be missed.

The severest criticism of the shortcoming arising out of the fact that it is hard to give priority in selecting projects is that they cannot

be completed in a short period. There are cases of irrigation projects, carried out directly by the state, which cannot be completed even after twenty years have passed since their beginning, though technically they could have been completed in a few years. This is because the national budget is scattered over many similar projects and hence individual investments without concentration cannot bear fruit. Water cannot flow in the canals until they are completed entirely and the investment made in the canals is kept idle for that period. This is not only inefficient but is also not in accordance with the original aim, as it often happens that the economic environment, including demand and supply of agricultural products, has changed by the time the project is completed. This may be regarded, in a certain sense, as a shortcoming derived from the competitive structure of agriculture.

One measure for eliminating this shortcoming is to introduce from outside a criterion for deciding priority among projects. An example is the Aichi Irrigation Project. This is a large-scale undertaking carried out by the Aichi Irrigation Public Corporation to benefit farmland of 30,000 Ha. What is noticeable in this project is that it was completed in a very short period of five years beginning in 1958. The total construction cost was 42,300 million yen, of which 7,700 million came from the state treasury, the remainder being a long-term loan. A promise of a loan of 11,900 million yen in return for selling American surplus farm products enabled the Project to start. But the factor which made it complete in five years was that the condition for the loan from the World Bank stipulated five years, though the amount of the loan was only 1,500 million yen. The Bank also asked the Japanese Government to finance the Project in conformity with its conditions. Thus the government gave a long-term and low-interest loan of 20,500 million yen and the Project was completed in a short period. This is a very interesting example in our consideration of what is a major factor in deciding the priority of public investment in agriculture.

An irrigation project carried out in such a way gives rise to another problem in relation to its co-ordination with the size of individual farming. From the viewpoint of effective use of water, it may be desirable for a project to cover as wide an area as possible, as far as water is available. Also an appropriate size of farmland per plot in the project area may be decided according to such technical considerations as utilization of machines and distribution of water. Actually, however, the size is governed by the area of land owned by individual farm families. When the area of uniform irrigation is too great, all the

land of individual farmers is included in the area and the type of the farming also, including the selection of crops, has to be governed by the distribution of water. In the areas where the water is distributed for the purpose of growing rice, farming has to be confined to rice-growing. This is a major source of resistance from the farmers who have been engaged in the cultivation of upland crops other than rice. Thus, if we try to have specialized farming allocated to districts with different types of water-distribution, the natural consequence is that the size of land per plot is limited. Moreover, if each farmer is to have a set of plots with various types of water distribution, the unit area covered by the uniform irrigation will have to be limited. Thus, in the irrigation projects the usual situation is that the area per plot is 10 to 30 ares, the area of an irrigation unit is 3 to 5 Ha and districts with different irrigation standards adjoin each other.

This may be considered as a conflict between national planning aiming at large-scale irrigation and the small-scale farming of individual farm families. But even such a small-scale reclassification of farm land faces many troubles in the course of its implementation, as there is a great variety in the areas of land farmed by the individual farmers and in their wealth. As the economic assistance by the government is intended to ease this situation, the assistance must be planned so as to enable even the farmers with the smallest capital to take part in the project. Because of this necessity the ratio of governmental assistance in the project is naturally very high, exceeding perhaps the expenditure for covering the risk of introducing the innovation. There are often cases where there is no clear insight into the future economic balance of the results of the innovation, including the question of how much of the expenditure will have to be paid by the individual farmers. Here the entrepreneur is the government itself whose subsidy policy is functioning as an effective measure for easing the conflict with local interests. The same can be seen in the introduction of agricultural machines. But the most typical phenomena in Japan are to be seen in land-improvement, as the irrigation of paddy fields has a special importance in this country.

Conflict in relation to the Price-policy for Agricultural Products

I have already mentioned that the purpose of national planning in relation to the prices of agricultural products is to control their unstable variation. It may therefore be considered that planning aims originally at stabilizing prices at the level that should result from the natural balance of demand and supply in the long run. However,

during and after the last war when there was an acute shortage of food, the target of national planning was to cut down artificially the price level so as to stabilize the food situation for the urban and non-agricultural population and to hamper their flow back into agriculture. This was due to the consideration that such a policy would contribute to economic rehabilitation as a whole, chiefly by industrialization. For this purpose producers' prices and consumers' prices of agricultural products were officially fixed in Japan and at the same time quantitative regulation (in the form of compulsory delivery by producers and distribution quotas for consumers) was enforced with a view to regulating consumption by both parties.

But today the situation is reversed and the farmers are strongly requesting that prices should be supported by the authorities, artificially and politically. Various steps are being taken for this purpose and it is estimated that products equivalent to about 70 per cent. of the total value of farm products are covered by the government's price-support policy. That is, with regard to rice and wheat and barley, prices are supported by the government by means of purchasing unlimited quantities at certain prices officially fixed, while with regard to soya-beans and rape-seed, though their selling is free, the balance between support prices and free prices is paid by the government to the farmers as a deficiency payment. Due to the existence of such a policy, the farmers are requesting the government to widen the application of the policy to cover vegetables, milk, and other agricultural and dairy products and are organizing a strong political campaign annually to raise the support prices when they are axed by the government. Behind all this, we can point out two factors. One is the existence of the Agricultural Basic Law enacted in 1961 and the other is the political situation in which the force representing agricultural interests at the Diet is strong.

In spite of the fact that what is required of agriculture from the viewpoint of national economy has changed greatly owing to the change in the economic situation during the years since the war, the agricultural policy and system are by their nature stabilized and have become rigid. In order to remedy this, it is necessary to point out the direction towards which agriculture should develop as part of the national economy and the directions in which the state as well as the farmers should make efforts. The Basic Law was enacted from this consideration. To make it clear, the preamble of the Law emphasizes that agriculture and those engaged in it have in the past played an important role in the economy and society of the country, that they are expected to do so in the future, too, and that none the less, as

agriculture has natural, economic and social handicaps as compared with other industries, there is a need to make up for this disadvantage, if agriculture is to fulfil such a role. Thus, Article I, Chapter I provides as follows :

. . . the objectives of the state's agricultural policies shall be to ensure agricultural development and raise the position of those engaged in agriculture in line with the growth and development of the national economy and the progress and elevation of social life while offsetting the disadvantages of agriculture arising from natural and socio-economic handicaps with the aim of ensuring that agricultural productivity may increase in such a way as narrows the gap in productivity between agriculture and other industries and that those engaged in agriculture may earn greater incomes which enable them to make a living comparable to those engaged in other industries.

Judging from such provisions of the Law, its original aim is, it is considered, to make the system and policy flexible so as to prevent the prices of products from becoming rigid due to the price-support system. Actually, however, the Law can now be said to be utilized as a ground for the farmers' request that was not intended in the legislation. They put more emphasis on the fact that the Law intends a balance between their standard of living and that of those engaged in other industries. This emphasis is due to the fact that the average standard of living of the former is still lower than that of the latter. Thus it is a natural consequence that the price-support policy is advocated as the most handy remedy. There is therefore a criticism that the Basic Law, whose original purpose was to promote the modernization of agriculture, is on the contrary utilized as a weapon for supporting the prices of agricultural products.

However, we have to notice that the reason for the strong emphasis on this policy could be sought in the fact that the ratio of agricultural interest is high in the Diet. That is, among the 467 members of the Diet the number of the so-called 'agriculture members' representing agricultural interests is considered to exceed 200. The agricultural force at the Diet is disproportionately great if we notice that in 1962 agricultural income amounted to only 10 per cent. of the national income, that among the 17 million personal income-tax payers those who derive their main income from agriculture were 250,000 or only 1.5 per cent., and that the amount of the tax paid by them was only 0.6 per cent. of the total. The reason for this disproportion is that in spite of the decrease of rural population due to their move into urban areas, the number of the Diet members in the constituencies has not been changed for the past eighteen years and the result is that the

voices of the rural people are loud in the Diet. There is also the fact that among the taxpayers other than farmers there are people who are connected with agriculture through their wives or other relatives. It must be admitted that the agricultural interest has a strong and persistent voice in the political field. With regard to rice, which is the staple food of the Japanese, as the consumers' price is artificially fixed lower than the producers' price, the annual burden on the state treasury reached as much as 100,000 million yen in 1963. So the request for raising the producers' price is especially strongly criticized. But even if such a burden is added to the total budget of the Ministry of Agriculture, it is believed by some people that its ratio to the total agricultural output is considerably lower than that in some of the European countries. The strong request for raising the producers' price and the adoption of a policy in line with such a request in spite of the smaller proportion of agricultural population may be interpreted as a phenomenon common to highly industrialized countries. But it is a problem that requires further study.

There is not much to say about the fourth conflict regarding the promotion of the transfer of agricultural resources to the non-agricultural sector. Except for the special cases of the war-time and post-war periods, the problem is solved automatically by the movement of population according to the conditions resulting from the difference of functional income between agriculture and non-agriculture. I have already mentioned that the conflicts during the abnormal years of the war-time and post-war periods were tackled by means of food control.

To sum up, it is considered to be the orthodox attitude that in national planning in relation to agricultural development a policy of pushing forward technical innovation should be adopted, while letting the transfer of resources from agriculture to the non-agricultural sector take its own course. But the problem is that new conflicts are arising with regard to the request for raising producers' prices.

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The condition of agriculture and the way it is organized in Japan and in my country seem to be rather different although the basic problems are the same.

The English philosopher Bertrand Russell in his book, *The State and the Individual*, says that in all countries, independent of the way they are organized, there will always exist a basis for numerous conflicts between the general interest of society on the one hand and the

interests of the various subgroups of society on the other. To a certain extent it can be stated that the conflict between local and national interests is basically of the same character as the relation between developed and under-developed countries. If we turn our attention to Western Europe, we notice that since World War II the gap between urban and rural development has increased more or less rapidly in nearly all countries.

One explanation of this phenomenon has been the difference in the development of productivity in urban and rural areas. However, this explains only a small part of the problem. The basic problem is probably hidden in the fact that agriculture is both a form of business and a way of life. Thus, the efficient industrial line entails a matter of conflict for agriculture. Many local rural districts offer too small a milieu for modern economic activities. In addition, the farms are too small, and the farm industry suffers from over-production, inefficiency, and under-employment. Another factor that seems to emphasize the difference between urban and rural districts is the absence of concrete national and regional plans and insufficient economic aid from the central government to increase the economic activity of rural areas.

It seems obvious that what up to the present we have called national planning, regional planning, or community planning has been orientated to a great extent towards diffuse and general goals without the practical form that is necessary for carrying out the plans. Other plans have had the character of one-sided technical plans that do not take into consideration the economic and social problems with which the various regions already are faced, or will be, in the long run. In general, it can be stated that insufficient efforts have been made to co-ordinate the national and local plans. This has often resulted in national plans that neglect local interests, for example, national plans in which a one-sided search for effectiveness overlooks the potentialities of local areas. In other instances, the opposite has happened. Local plans have been worked out without taking the national interest sufficiently into account. Finally, isolated plans have often been worked out for various industries in a community without thinking of the mutual influence that exists between them. National planning should be based on the idea that the main purpose is to strive towards increased welfare for all individuals in society. An attempt to make someone better off should not necessarily make someone else worse off.

Professor Kawano's paper is mainly concerned with the problems in Japan. I shall turn my attention to the concrete problems with

which we are faced in my country owing to the conflicts that may appear between national plans and local interests. I do this because I regard the problems in Norway to be representative at least in part of those in other countries in Western Europe.

Since 1947 national accounts have been worked out annually. The aim of these has been to evaluate the possibilities of improving or attaining (1) full employment, (2) increased productivity, and (3) a reasonable and equitable distribution of income between various industries, social groups, and regions.

The main principle has been to offer opportunity of employment to all individuals. This should be to the benefit of the local regions as well as of the whole nation. In order to attain this goal, society must organize effective and stable industries with possibilities for expansion. The position of agriculture within the general development of the nation has been determined mainly according to economic laws, as for other industries. The main principle followed has been that labour, capital, and land should be reserved for the industry in which their marginal returns yield the highest revenue. Thus, the objective has been to attain optimum allocation of the available resources of the nation.

The natural conditions for agriculture in Norway are not among the best in Western Europe. In addition, they vary considerably across the country. Besides forestry, it is livestock production and especially the production of milk, meat, and wool based on hay, silage, and pasture, that are best fitted to the conditions. Only the most fertile land can be used for barley and oats. During the last ten years the farmers have dropped further and further behind other groups in their standard of living. They have tried to compensate for decreasing income by improving productivity, but the smallness of the holdings, and the fact that the alternative value of unskilled labour is low outside agriculture, put limitations to the progress towards better resource allocation. The result is that agriculture is not able to offer as great a reward to resources as can be attained in other industries. Anyway, during the last twenty years more than one-third of the labour force in agriculture has been transferred to other employment.

The decreasing agricultural population and the increasing non-agricultural population have led to a new political constellation. The general claim for cheaper farm products has become more and more significant to the majority of the people. In order to fulfil this claim, the public subvention of agriculture has mainly taken the form of various kinds of price supports. Only a relatively small amount of the

total aid to agriculture has been available for reforming the physical and business structure of the farming industry. The extensive use of price support will have the effect of conserving the inadequately small farms, especially in the low-income areas. In other words, the consequence of the short-sighted support policy is that the rural areas which are already at a disadvantage in farming, tend to drop even further behind those with adequate farm structure and productivity.

One may now ask: Why not assist even further the mobility of labour out of agriculture? The answer is that an exaggerated improvement of productivity in agriculture by means of reducing the labour force, will reduce the population in many areas to such an extent that the local communities may become disorganized and the areas deserted. This is one of the most difficult and severe conflicts that may occur between local and national interests, the general desire of society to improve the productivity of agriculture on one hand, and the desire of local authorities to keep sufficiently large populations on the other. Let me show you a concrete example. Norway imports much grain, while the livestock enterprises are producing more than is needed for the domestic market. During the last decade, therefore, the public price policy has been to maintain relatively high prices for grain in order to transform some of the resources used for livestock production to the production of grain. Thus, the local areas which cannot produce grain—and they are in the majority—are not able to take advantage of the price support. The conflict between local and national interest is a crucial fact.

Social problems will always exist in a society. However, in a sparsely populated country the social problems seem to appear at an earlier stage than in countries with more dense and evenly distributed populations. Among characteristics of my country are the scattered settlements and the intense concentration of industry. Therefore, a comprehensive reduction of the labour force in agriculture in areas which already are sparsely populated may easily lead to disorganization of the social activities in the area. In turn, the milieu becomes too narrow and small, and the prospect of prosperity for the future disappears.

How can society avoid a conflict between national and local interests? In my opinion it can be done mainly along three principal lines: (1) integrated and constructive planning at the local and national level, (2) powerful efforts to improve the physical structure of agriculture, and (3) purposeful investment in the human factor.

Regarding point 1, I would say that the best way to improve

economic activity in rural areas would probably be to establish local growth centres, with industry based on the natural resources in the surrounding districts. In many instances it would be natural to start new industries based on refining raw products from existing local activities such as agriculture, forestry, and fishery. Of course, all communities cannot get new industries. Quite often we see that various communities are competing for new industries at the same time as they are competing for public aid to expand their agriculture. A main problem in the future will be the location of agriculture, industry, and other economic activities in order to take care of both the local and national interest at the same time. A task for the agricultural economists must be to determine the regions and types of farms that are marginal, in the sense that further investments in them must give way to more profitable uses of the resources. Together with experts from other professions we must determine which districts ought to get new industries either because they have natural conditions suited to the new industries in question, or because the new industries are necessary in order to avoid depopulation of the area. Establishment of part-time farming might be a solution in some areas so as to maintain adequate settlements, at least as a temporary solution.

Regarding my second point I stress the need for an urgent reform of the physical and business structure of agriculture. Agricultural economists have been aware of this need for a long time, but only a few countries in Western Europe have set up real concrete plans for such reforms. I am not thinking only of the size of the farms, but also what can be done to equip them with modern buildings, roads, water, and other amenities which can make them complete and comfortable homes and pleasant and beneficent working places.

Regarding point 3, investments in the human factor should be the most important measure for eliminating or reducing the conflict between national and local interests. This view corresponds with what is accepted throughout the world today, namely that education and professional skill are the keys to increased economic development. The youth from rural districts must be given far greater opportunities for vocational training aimed at service both in agriculture and industry.

Probably it is no exaggeration to say that increased development in agriculture is completely dependent on development in other industries. The labour force that is moved out of agriculture must be given alternative employment in other industries, if the reduction of labour in agriculture is to be profitable for society as a whole. For

those who already have their work in agriculture and want to seek employment outside farming, it is necessary to organize retraining programmes. In this manner it will be easier for them to obtain alternative employment, and there would be greater chances of keeping them in the local areas.

Lastly I would stress that the question of localizing industry and settlement must not be regarded from a narrow national point of view. Gradually we must seek a harmonious division of economic activity between all regions and all countries. This might be an important means towards a further increase in the physical prosperity of the world. Our task must be to lessen conflicts locally, nationally, and internationally.

T. WATANABE, *Hokkaido University, Sapporo, Japan*

The land reform of 1946 in Japan was successful in giving land to former tenants and in making them improve their land. It restrained the development of big farms. The high prices paid by the government for almost all rice made the farmers produce more though their costs were also raised. It reminds us of what Arthur Young wrote about the peasantry in France turning sand into gold.

On the other hand, the growing industries in the cities are withdrawing labour from the rural areas, while farm machinery is enlarging the farms; Arthur Young wrote about British farms on this point, too. Quesney valued the *tenancier* more than the *metayer*. They have labour, handle big machines, and rent the land. Dr. Yates's historical analysis was very instructive. Probably the French Revolution made the big transition, but their farming had already made technical progress before those days.

We always talk of the differences between developed and developing countries. But I see that the so-called developed countries continue to make several big developments. In the U.S.A., for example, soya beans are becoming an important crop for exporting to Japan. There, soya-beans are used a great deal for making cheese-like curd, so-called Tofu. People now demand more cheese, which is imported from Australia, New Zealand, and even from Denmark. The differences are only in the speed of development. The milk processors tend to use imports, but our own consumption of good fresh quality milk and its products calls for an increased domestic supply. I am rather optimistic about this. Farmers in developed countries are, of course, often aided by government. For example, the Japanese government buys rice at high prices and sells it to the consumers at cheap prices.

The losses by the government on this account amount to 30,000,000 yen (about ten million dollars), but they are quite small compared with the U.S.A. payments for income equalization, and the British Government aid which amounts to 70 per cent. of farm incomes. I do not know the sums spent in France or Germany. In the U.S.A. subsidies are aimed at diminishing the growing of corn and increasing the soya-bean production. I am not certain whether the political powers are tending to be agrarian, but our scholars sometimes regret that they are not able to press their policies more strongly. For example, Dr. Okawa was lately chairman of the committee for determining rice prices, but he resigned because the theoretical price was not acknowledged. Scholars should defend their reasons more strongly.

J. C. STRYDOM, *Ministry of Agriculture, Pretoria, South Africa*

Professor Kawano has shown us some very interesting examples of conflict between local interests and national interests. As I see it, all these conflicts have one reason in common: while everyone will gladly agree to some kind of general improvement, nobody is prepared to foot the bill. It is only natural that each one will strive to secure what he believes to be his due share. Thus, any general plan will meet a certain amount of resistance. Whereas conflicts between the interests of certain groups and national interests cannot be altogether avoided, they can certainly be minimized by adequate strategy. After all, Mr. President, not all of us are in the fortunate position of being able to call on the United States Army to assist us in enforcing our national plans!

The measures to be taken depend, of course on the prevailing conditions in space and time. Referring to the example of land reform in Japan, it seems clear that a few years later, the government would have had to adopt a somewhat different approach to give effect to land reform. Though certainly interesting, the specific experiences in Japan will, therefore, be of only limited use to policy makers in general. Methods of resolving conflicts should surely be through less extreme means. Groups with conflicting interests should have the time, and be able, to make use of bargaining in order to understand each other's point of view and to arrive at a decision which is more or less mutually acceptable. Processes which allow sudden or violent breaks with policy that has become accepted can lead only to greater conflict. It appears that conflict arises not so much in the objectives of a particular policy, but more in the means through

which the objectives are to be attained. In other words, there is some agreement on objectives and, from this common basis, some level of agreement on the means for attaining them should be sought.

H. A. OLUWASANMI, *University of Ibadan, Nigeria*

Professor Kawano's paper is important because of the lessons which Japanese experience in agricultural planning and development has for many under-developed countries. My only criticism of this and the other *theme* papers which we heard yesterday is that their relation to the main theme of the conference appears to be somewhat remote. I would like to know, for instance, the extent to which the solution of the conflicts between local interests and national planning has succeeded in narrowing the gap in incomes and social amenities between farmers and urban workers in Japan. There is no concrete evidence about this in the paper although I have no doubt that plenty of evidence exists. Output per acre on Japanese farms is one of the highest in the world owing to the vigorous promotion of agricultural technology. In spite of this, I have often wondered whether a consolidation of farms into larger units would not afford farming families in Japan still higher incomes, and further narrow the income disparities between town and country. Secondly, we need to re-examine the third proposition on which Professor Kawano based his analysis, namely, the assumption that the demand elasticity for agricultural produce is low. In the early stages of development it may be necessary to allocate more resources to agriculture so as to be able to meet the increasing demand for food arising from increasing incomes and increasing population. Finally, the heavy intervention of government in resolving the conflicts between the private and social interests which arise in the process of economic development in Japan is worth underlining in this conference. In the examples quoted by Professor Kawano we see the undisguised hands of government and of the occupation forces visibly resolving these conflicts always in favour of the national interests. At the international level the Japanese experience may provide an answer to Professor Karl Brandt's comments on what pressures by international organizations can achieve in reducing the ever-widening gap between rich and poor countries.

A. ANTONIETTI, *Università di Bologna, Italy*

The diffusion of culture, the modern way of life, the new criteria of farm management, and the growing importance that labour is

assuming in the individual income formation should make adjustments in agriculture easier than in the past, but at the same time more varied, numerous, and frequent. This proliferation of conflicts makes it more and more necessary to look for their solution to methods and instruments which can reduce their number and intensity as much as possible. This involves a gradual transition from a position of class conflicts and interests to one of collaboration. At the same time, people who depend on local interests must be convinced that the public authority is acting with the firm intent to do them as little damage as possible. In many cases the reaction of local interests to a national plan for agricultural development has been influenced more by the manner in which some of the aims have been realized than by the aims themselves.

In countries where compulsory land collectivization is not accepted the process of the enlargement of farm size can give rise to the most serious hindrances to the attainment of higher productivity in the agricultural sector. Among these let me point out the conflicts over the rights of ownership and the structure of the laws of inheritance. In this connexion, I must mention that some planning aims can give favourable results in the short term even from a political point of view. By contrast, some others can give, in a short-term, politically unfavourable results even though they may be the best, in the long term, for the agricultural sector. In these cases conflicts arise between the political and the agricultural interests. Professor Kawano did not mention the possibility of such conflicts. Nevertheless the problem remains.

L. LIAKATAS, *The Agricultural Bank of Greece, Athens, Greece*

Professor Kawano has described a serious venture in rural reform in Japan and has indicated the conflicts which have arisen as a result. On the surface it seems that a politico-social problem has been solved; but if examined more deeply, it proves to be from many aspects only a solution of a purely economic problem and constitutes only the first step towards a complete solution. In all countries agricultural enterprises have to cope with many difficulties—even a state of crisis—a crisis which can only be resolved by governmental intervention and subsidies. Fundamentally it is the human factor which influences the whole affair. So, if an economic policy in the free enterprise system improves the situation of the human factor and promotes initiative, it undoubtedly contributes handsomely to the development of the productive system. But we should have in mind

that the crisis goes deeper. If government farm policies are to complete their important task, they must proceed further mainly in the sphere of the structure of farm enterprises because, as is everywhere agreed, the existing forms of land tenure cannot bear the burden of the rural development programmes. As competitive farm enterprises they function inadequately in an industrial age. Forty years ago there took place in Greece a land reform which was rather similar to the Japanese land reform, and although our farm policy has been justified in general, we are trying to find a way to aggregate these small farm units so as to form bigger ones. This should make a more rational economic basis for their successful and efficient functioning.

MAHMOOD HASAN KHAN, *Wageningen, Netherlands*

As a student of the economic development of Asia, I was very pleased that someone took up the case of Japan to demonstrate some vital problems which usually arise from conflicts between national and local interests in agricultural development. However, when I read through Professor Kawano's paper I was disappointed. I wish, therefore, to offer a short comment on a specific point and hope that he will make some observations on it. Regarding the three objects of planning listed by him, the last is that, since resources do not always flow out smoothly from the agricultural sector, it becomes imperative in a national plan to force deliberately the movement of agricultural resources to the non-agricultural sector. One would, therefore, have expected him to deal with this subject at some length for at least two reasons. First, to show the importance of the contribution of agriculture in a developing economy. Secondly, from the viewpoint of policy making, to illustrate what general and/or specific conflicts are likely to arise and how they could be resolved.

In fact, in Japan during the early period of economic development, the government participated quite actively in the transfer of resources from the agricultural to the non-agricultural sectors. Surprisingly enough, Professor Kawano dismisses this aspect quite summarily by saying that there is not much to say regarding the subject of conflicts in promoting the transfer of surplus agricultural resources for industrialization. I wonder how one can dismiss this vital issue so easily, because in most developing countries this is one of the more crucial problems from both theoretical and practical points of view. The argument as to how this transfer could take place and what conflicts do arise within a given economy from time to time is all the more relevant today when most Asian nations

are confronted with this problem in an acute form. Hence, I would like to hear Professor Kawano illustrating those conflicts in Japan, especially in the initial stages of economic development.

A. B. LEWIS, *Agricultural Development Council, Inc. New York, U.S.A.*

Since 1956 I have been visiting Japan at least once a year, sometimes twice, spending several weeks at a time there, and always visiting some Japanese farms, and I should like to pass on to you the impressions which I have received as a stranger and as one who has visited many other countries apart from Japan. As one goes from one part of Japan to another you will find the farmers living in good, strong, large houses. Generally speaking, their houses are larger and more substantial than those which are inhabited by a very large proportion of the city population of Japan. You will find the farmers well clothed and well fed. You will also find them well educated. My friend, Mr. Kunio Kagayama, who is in charge of the agricultural extension service, has pointed out to me that one of his principal problems at the present time is the re-education of the members of the extension service. These are mainly graduates of special agricultural high schools but, nowadays, when they visit the farms they often find that the farmer is a college graduate. So where does that put them? You will seldom find a Japanese farmer who has not had eight grades of schooling. The farmer's wife will have had as much schooling, and the same will have been true of his mother and father. By 1900 the farm people of Japan were 95 per cent. literate. When the farmers speak of fertilizers they talk of N, P, K, and the other elements which they use. They use all the latest insecticides and fungicides and all the other *cides*. They know what they are for and they know why they use them.

When I visit Japanese farmers I ask two standard questions. First: What was the yield of your principal crop—whatever it may be, whether rice or apples—ten years ago, and what is the yield now? Usually the answer is to the effect that the present yield per tan, that is, per quarter-acre, is about a third higher than it was before. Then I ask why. There are generally seven or eight things that have been done to improve the yield. Fertilizer has been changed and has been increased in quantity. The plant itself has been improved, the drainage has been improved, the tillage has been improved—with the use of the motor tiller and in other ways—and chemical weed killers have been put to use, and so on. The second question is: How many days of man labour were required per tan to produce this crop ten years

ago and how many are required now? The answer generally indicates that the labour requirement for a given acreage of a certain crop is now from one-third to 50 per cent. less than it was ten years ago. This measures the accomplishment of the Japanese farmer. He has succeeded simultaneously in increasing his yield per unit and in reducing his labour requirements, thereby increasing greatly his annual income. He has not as yet greatly increased the area of land that he operates. The average farm would be about two acres or possibly up to a hectare, but there is an increase in size of what you may call the commercial-sized farms. There is a very intimate relationship between industry and agriculture in Japan, so the fact that a farmer has a smaller farm than is usual elsewhere does not mean that his family income is necessarily smaller. You may stand in the midst of the rice fields and see, crossing over your head, the power lines to the factory which you can see in the distance where rural people are employed, or you may visit a village and find that factory machines are being operated by members of the farmer's family in his house. This is the situation which exists. I do not believe that there is any country where farmers themselves have made progress faster—or are making progress faster; and the end is not yet. The technical revolution which has been proceeding in Japan all these years steps up each year by a percentage of last year's level, so that really revolutionary changes—if things are not interfered with from outside and from above—can be expected, I should say, very soon.

One more point. Who is responsible for this? Is it the government who is primarily responsible? I will tell you a story which suggests the conclusion that I have come to on this point. I was visiting an orange farmer in Kagoshima Prefecture. He was doing extremely well. I asked him, 'Where do you get the new ideas that you use in your production?' In answer, first he opened a drawer of the desk in his office in the new house which he had, commanding a beautiful view of the bay, and pulled out three periodicals. They were fruit growers' publications and, while I could not read Japanese, I could see that they were serious, technical publications, with charts and graphs and figures—not nearly such *fun* publications as our American farm publications are. These were one source of his ideas. Then he said, 'In this village, on a holiday, we sometimes organize ourselves, hire a 'bus and go to the nearest fruit experiment station. We look at the experiments and we ask questions.' This the Japanese farmers do in swarms; this is not an isolated case. Then he said: 'If I hear of a farmer at some distance who is making progress in a way that I am not familiar with, I go and see him, and see what he is doing.' Then,

he continued 'We keep accounts, and we have our local farmers' study group'. I said, 'That's interesting. Who organized it? Was it organized by the local school teacher or by the local extension agent? Or did somebody from the Kagoshima University come and help you?' He said, 'We organized it'.

It is my conclusion, so far, from my visits to Japan and to Japanese farmers, that they are the heroes not only of the agricultural development in Japan but also of the industrial development, and continue to be so. It is from *within them* that comes the urge for improvement, and I never saw a group of farmers, including those from my own country, who exercised more ingenuity in drawing from the government services whatever technical advice and information might be available.

If you want to find poor people in Japan—people poorly clothed and poorly fed—you will have to search for them; there are not very many such people. It is no good looking for them on the farms. No matter where you go you won't find them there. Look for them in the great cities; *there* you will find a few.

A. S. KAHLON, *Punjab Agricultural University, Ludhiana, Punjab, India*

I shall confine my remarks to a few refined types of conflict which are emerging in less-developed countries which are moving from a lower to a higher stage of economic development. For example, faced with food shortage in India, we put top priority on increasing food production. We needed more food immediately, so with a view to minimizing risk we were compelled to select the areas which had the highest production potential, assured supplies of water, and timely and adequate supplies of production elements such as improved seeds, fertilizers, and insecticides. Other areas faced with greater risks did not like this type of national planning. I ask Professor Kawano if he would consider this a conflict between national planning and local interests. Did Japan face such a situation and how did they solve it?

I have in mind also another kind of conflict. In India, the policy makers wanted farmers to produce more food. Experience has shown that in all those areas which are relatively more highly developed, the farmers are much more concerned with increasing their farm incomes than with physical productivity in terms of yield per acre of food grains. They like to grow the crops which pay them more. I have known several farmers in the Punjab who would say, 'Maybe the nation needs more food, but we need more income'. Close to the

urban areas these farmers grow more vegetables and fodder crops because there is a ready and remunerative market for these products. They sell them and buy food grains, and thus achieve higher incomes. These situations are developing increasingly as our agricultural economy becomes more and more commercialized and a more specialized type of farming emerges. Here, I am not sure that the individual farmer's interest is really in harmony with the national interest. I am not sure if this would be considered a conflict between national goals and local interests.

SHIGETO KAWANO (*in reply*)

I thank the many speakers for the kind and very thought-provoking opinions they have expressed about my paper.

There have been many diverse criticisms and, at the same time, many questions that have been raised which I should answer, but I am afraid that I have missed an important point in the discussion and may have misunderstood at one or two other points. Therefore, I will confine my replies to the statements presented by Dr. Eskeland and Professor Watanabe. Dr. Eskeland has kindly reviewed the various aspects of our subject today and given examples of national and local conflicts, I am very interested to know that in working out national accounts in Norway since 1947 three aims have been in mind—full employment, increased productivity, and a reasonable and equitable distribution of income between various industries, social groups, and regions. These are the same as the principles adopted in the establishment of basic agricultural law in our country, but there remains the problem of co-ordination between the principle of optimum utilization of available resources and a reasonable distribution of income among different groups or regions. For instance, as Dr. Eskeland himself remarked, the system of extensive use of price support has the effect of conserving the existence of small farmers, especially in the low-income areas. This I think, is against the principle of optimum utilization of resources, but at the same time he tries to show the principles on which this kind of problem should be solved. They are, first, integrated and constructive planning at a local and national level; second, a powerful effort to improve the physical structure of agriculture; third, a heavy investment in the human factors. If I understand him rightly his emphasis is that physical and business structural development in agriculture is an urgent task to be tackled by governments; I am glad to hear this view expressed. My attention has been directed to the importance of increasing the investment in the

human factor in rural areas. He stressed the question of the grave social aspect of rural depopulation for heavy depopulation means the destruction of the social fabric in rural areas. I see this clearly, but the question remains: is counter action consistent with the principle of reasonable utilization of resources or should this be considered as an expenditure for the purpose of social stability or security? I have no intention of insisting that only the principle of optimum utilization of resources be used in the selection of agricultural policy, but it is certainly important to make clear the character of costs incurred in this field.

Dr. Watanabe has maintained that there is no need to distinguish the developed from the under-developed countries in the context of agricultural development. It is true that agriculture is making progress in both categories of countries but I think that the consequences of developing agriculture might differ between the two because, as you know, the demand elasticity for food products is quite low in the advanced countries compared with the less developed. This would result in various differences affecting the national economies.

I am sorry that I must leave many questions unanswered.