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CHINA'S RURAL DEVELOPMENT MIRACLE

WITH INTERNATIONAL COMPARISONS

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RURAL DEVELOPMENT STRATEGIES: THEORY AND PRACTICE FROM THE VIEWPOINT OF CENTRAL-PLACE THEORY

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THE PROBLEM

For developing countries, one of the greatest challenges for the next decades will be to integrate the labour surplus of agriculture and the landless people in rural areas into a growing economy. Policy makers as well as research people are aware that 90% of the absolute poor are living in rural regions and that the absorption capacity of a labour intensive agriculture will be limited. Regarding the rapid expansion of the population in developing countries in the near future (IBRD, 1984), there will be a strong challenge for an effective strategy to offer working places in backward rural regions. This challenge must be met to avoid the acceleration of internal migration from rural areas to overpopulated urban agglomerations, which causes heavy social costs for the society as a whole and which can create political unrest.

In developed as well as in developing countries, there will be a *relative* decrease of agricultural workers. Nevertheless, due to the fact that the population in developing countries is increasing, the *absolute* number of agricultural workers will grow sharply.

No doubt, there is a great disillusion with regard to the effectiveness of 'the progress in the struggle against poverty and hunger' (DAC, 1985, p.272) after 'twenty-five years of development cooperation'. The catchword of international institutions is very well known: 'The eradication of absolute poverty in rural regions will remain a central area of development cooperation' and progress 'depends upon broadly based development success which in turn requires effective policies and incentive structures which lead to the productive use of all the human and natural resources of each developing country'. This sentence can be accepted, but we are missing a consistent strategy for the implementation of concrete measures to reach the goal mentioned above.

Rural poverty as well as the strategies to overcome it, are very complex. There are many different approaches to overcoming this problem. Only some of these theories can be mentioned. This paper is primarily concerned with the theory of central places in integrated rural development or, to put it another way, the paper

deals with the importance of fostering rural growth centres as a precondition for regional development. That can only be one element of an efficient strategy for rural development which has the main objective to absorb surplus labour in backward areas. This important element has to be integrated in the concept as a whole; rural growth centres are an *infrastructural* component which can create a 'favourable atmosphere' (Scitovsky, 1954) for agricultural and industrial development in rural areas.

THE MAIN ELEMENTS OF RURAL DEVELOPMENT

What are the main elements of integrated rural development (IRD) to which the establishment of rural growth centres has to make a contribution?

First of all, we have to consider the contribution of agriculture to the economic growth and income distribution inside the region and to the national output. Labour plays a specific role in relation to the different stages of economic development. Secondly, we should take into account the framework of rural integrated development which covers the various activities of the government. The FAO WCARRD Report (1979, 1984) represents a good approach to reflecting on the different instruments available to support rural development and to reflect on the necessity of establishing central places for an effective strategy. The decentralization of the decision-making process 'within the framework of national policies and coordination of the line departments' is closely linked with the effective contribution of central places towards rural development. Thirdly, the organization at grassroots level of rural people can be successful only if institutional aspects are reconsidered, e.g. the establishment of central service centres on the local level/area level which are regionally concentrated efforts to support rural movements in the sense of self-help groups. 'The problem of interdependence and linkages of several activities at the village level also seriously limits the project approach' (FAO, 1984b, p.89). Taking into account that a 'technocratically evolved package polarizes the village' and that the awareness of the people has to be considered, too, the promotion of self-help groups has to be implemented in the framework of area growth centres (Dams, 1982, p.79)—the middle level between the local and national level.

The complexity of rural poverty has been analyzed intensively. The concept of IRD was the response of development policy towards this challenge. The 'integrated package' of different measures should be reconsidered regarding the human as well as the administrative elements. The three main elements of IRD mentioned above have to be taken into account in avoiding an isolated strategy of the so-called 'central-places approach' in the rural development process.

THE THEORETICAL FOUNDATIONS OF THE 'CENTRAL-PLACES APPROACH'

First of all, rural development and central places are playing a very important role in regional policy in developing countries as well as in industrial countries, in spite of the enormous difference in the level of economic development.

Therefore, an exchange of our knowledge in a 'South-North-Dialogue' dealing with theories and with practical experiences might be useful. In developing countries, we should apply the spatial diffusion theory presented by western

economists and the critique of this approach elaborated by others (see, for example, Christaller, 1933; Perroux, 1955; Lösch, 1940). We should further consider the central place theory and growth pole theory as well as a combination of different theories presented by Misra, Rao and Sundaram in India, discussed by Sudhir Wanmali (1986).

There is a huge literature available covering theoretical reflections and empirical research towards the role of central places in regional development (Berry and Pred, 1961). Since the beginning of the 1930s, a great amount of empirical research has been undertaken in Europe in order to develop a theory of central places (Christaller, 1950). After World War II, Isenberg and others developed some theoretical approaches towards reaching a better distribution of the population and of employment opportunities for the FR Germany, due to the fact that 14 million refugees and displaced persons led to a situation of unbalance among the various regions.

It is impossible to present all the theories which have been developed dealing with central places in rural development. In summarizing the results of a preliminary evaluation, the following views are presented:

- 1) A great number of theories and investigations treat the optimal regional location of agricultural and industrial production and the spatial spread of the population living in settlements of different sizes and with varying degrees of interdependence between urban and rural areas. The one dimension model by von Thünen is very well known; the city is in the centre and the localization of agricultural production is influenced by the different costs of transporting agricultural products to the city. All these scientific works could be labeled 'location and space economy' (Isard, 1949, 1960, 1962; Lösch, 1940).
- 2) Other empirically orientated investigations analyze the functions of central places for the people living there and the enterprises producing there for the 'hinterland' (Christaller, 1933). The results: There exists a spatial order of settlements. Further, central places do have 'a surplus of importance/functions' for the geographical environment. Centrally offered goods and services are produced in a limited number of centres and they are consumed in scattered villages and hamlets. What kinds of goods and services are offered? The following enumeration is presented: commerce/marketing services, banks, handicraft (repairing shops), administration, higher education and cultural activities (church, school, theatre), professional organizations, health services, transport facilities etc. This list reflects the services more or less of the tertiary sector, which is immobile. However, these investigations are more than a description; they aim to explain the determinants which have influenced or 'produced' the vertical structure of settlements always connected with different functions. These models are needed for an efficient planning procedure in rural areas. Nevertheless, 'their hypothesis is top-heavy with urban characteristics' (the critical view of Wanmali, 1986).
- 3) The growth-pole-theory (Perroux, 1955) considers leading industries with centrifugal and centripetal forces. The backward and forward linkages are also covered by Hirschman's unbalanced growth theory.

- 4) Another type of investigation—which relates to the topic ‘central places’—deals with the geographical distribution of economic growth. The situation described below is very well known: on the one hand, a sufficiently high economic growth rate does not reach the target group of absolute poor (the absence of the trickle down effect). On the other hand, economic growth as a whole is not distributed efficiently in favour of the backward areas. This will strengthen the economic power of existing urban/industrial agglomerations, which are sometimes overpopulated and which produce social costs. Regarding the need for central places in rural development, it is necessary to analyze the regional spread of economic growth, to look for a delimitation of strongly developed industrialized/urban areas as well as for the economically disintegrated regions where small subsistence farms dominate the economy. Between the two extremes in regional development, middle income areas may exist. Furthermore, the geographical distribution of economic growth will influence simultaneously the internal migration of the population and the local allocation of productive resources.

CASE STUDY: THE FEDERAL REPUBLIC OF GERMANY

At this point, some research work dealing with the economic situation of the FR Germany ten years after World War II will be presented. This period has been chosen because during this period, as mentioned earlier, 14 million refugees and displaced persons were transferred to predominantly agricultural dominated areas and/or to economic weak regions. Therefore, during this period, there was a great need to develop a planning approach to supply these people with employment opportunities in these areas and not to move them to the heavily industrialized areas. But what has actually happened? The empirical material indicates that the ten mostly industrialized areas with the highest level of economic activity, which are fairly well spread in the regional sense and mostly located in areas with favorable production conditions for agriculture, have provided a very high proportion of the total new job opportunities. Internal migration has been influenced tremendously by these circumstances.

Empirical investigations analyzing the regional growth of the German national economy illustrate the following spatial interdependencies.

- a) The highest proportion of economic growth is distributed in favour of the very highly developed areas. Due to the presence of very good conditions, a regional concentration of agricultural production has taken place, too.
- b) The ‘hinterland’ to these agglomerations has been enlarged, covering a greater geographical area than before.
- c) In the case where there is a limited number of strongly developed agglomerations, quite evenly spread regionally, the geographical growth is very well defined. There are area linkages, with industry moving from one side to another and vice versa. The result: Geographically, there are well delimited linkages amongst the developed agglomerations.

- d) The agglomerations mentioned above, perform economically more efficiently in the 'delivery mechanism', with 'better coordination of bureaucratic procedures'. Small scale rural economic or social activity is guided mainly by considerations of 'minimizing resource utilization rather than maximizing the benefits' (FAO, 1984b, p.89). The result is an increase in regional disparities—rich regions became richer, poor areas declined.

The actual situation (1987) concerning rural development of 'problem regions'—taking into account the historical results mentioned above in (a) to (d) and the facts of unsolved Common Agricultural Policy questions—are the following:

- a) Agricultural surpluses have caused a decrease in real prices and will have a strong depressing effect on prices in the near future. Regions with favorable natural conditions and far away from central markets will be negatively influenced in agricultural income generation.
- b) To the extent that prices have not fallen sufficiently, government interventions have become necessary to introduce quotas for agricultural production (e.g. milk) and/or to transfer agricultural land use to other destinations (e.g. recreational purposes, biotop-network, reforestation).
- c) In terms of practical economic policy a combination of both (a) and (b) will be realized with the mix depending upon the political influences of farmers' unions.
- d) Financial transfers have been and will be introduced directly or indirectly to compensate for losses in agricultural income. The complexity of the policy instruments will be greater in the future than in the past.

This development of market forces and/or governmental interventions will speed up structural adjustments of agriculture—closely linked to transfers of agricultural working people to economic activities outside of agriculture. But, we have to investigate carefully the limits and possibilities to create non-agricultural working places in these relatively depressed areas. The opportunities available to combine agricultural and non-agricultural economic activities are weaker than in earlier times. The growth rates of the economy as a whole are lower than 10 or 20 years ago and the industrialization process (including services) no longer effectively reaches the rural regions. There has been a tendency to accentuate the concentration of industrial activities. This process will generally not be changed in future. Industries may tend to migrate from the centres of the cities to the periphery ('hinterland'), but they will not move to the relatively depressed regions. In principle, the new technological developments (new media, microelectronics and the combination of both, etc.) will not change the unfavourable preconditions to decentralizing non-agricultural working places. A decreasing population in the next few decades will also influence this regional adjustment process negatively. The suburban 'hinterland' will be the location of additional industrial working opportunities.

CENTRAL PLACES AS A TOOL FOR REGIONAL DEVELOPMENT

Promoting regional economic growth, establishing central places in rural areas, limiting the population growth in 'over'-developed agglomerations—these questions are closely connected with welfare economics. The basic theoretical work was published more than 60 years ago by Pigou who introduced the terms 'social costs' and 'social returns'. In the decades following Pigou's pioneering efforts, the theoretical concepts have become more sophisticated but there have not been many practical applications. In particular, the practical problems of the spatial element have been more or less overlooked. A series of questions remain unanswered. What are the possibilities of quantifying the social costs of over-agglomerated areas? On the other hand, there has been little progress in quantifying the need for creating positive external benefits in central places to attract industries and other economic activities? What is the efficiency of cost-benefit analysis regarding central places in rural areas (see FAO, 1984a)? Is there a possibility to include in this approach the environmental policy/ecology and what will be the result? What kind of measures are adequate to create a positive 'atmosphere' (Scitovsky, 1954) and do we have an idea how to use the two concepts of external economies (pecuniary as well as technical external economies)? What kind of regional input-output matrix do we have or should be developed to include the external economies/diseconomies (who is causing and who is bearing the external non-market effects or social costs-benefits)?

Creating a 'positive atmosphere' for a growing central place is closely linked with the 'production' of external benefits (mainly produced by the Government), which will be internalized by a change in the behaviour of the investors in favour of the central place.

To summarize: The application of welfare economics to the decision-making process is linked with more questions than possible answers. Nevertheless, there is a need to use this theoretical approach more than before. This means that market as well as non-market relations should be considered in the regional rural planning approach.

NEW THEORETICAL APPROACHES

Considering the critical remarks that 'theories and policies are mostly inadequate for prescribing solutions to rural problems because of the overwhelming urban bias' (Wanmali, 1986), and taking into account the missing point of regional concentration of public investment in a limited number of rural growth centres, we need an adequate theory, which should include the following elements (Isenberg, 1966):

What is the *carrying capacity* of an area with a rural growth centre (the potential for income generation in relation to available labour force)?

What could be the role of agriculture, and what will be the absorption capacity of more intensified agriculture?

What will or could be produced by agriculture in relation to internal demand (rural growth centre) or to external demand either for domestic markets outside the region or for international markets?

- What are or could be the secondary effects of a stronger demand by agricultural and rural households for enterprises producing agricultural inputs as well as non-agricultural goods and services?
- What is the degree of capital accumulation of a growing agriculture for agricultural/non-agricultural investments?
- What are the economic chances to absorb labour surplus coming from agriculture and the landless people by establishing rural industries in growth centres (combining production and service functions)?
- What is or will be the remaining labour surplus, which cannot be integrated by the agricultural-rural-industrial activities in rural central places in a long term perspective?
- What should be done for this labour surplus on the national level (a) to stimulate a transfer of labour to more strongly growing rural centres in other areas; and (b) to support migration towards the secondary cities and/or to the large agglomerations considering the hierarchical settlement structure and the economic structure as a whole?

Emphasizing the theoretical content of these challenges we have to be aware of the following: There is a strong need for an ex-ante selection of potential central places. In the case that the number of selected central places is too large, misuse of the available financial means for investments will result. We have had some experience of this problem in western industrialized countries. Due to political influences, we have failed to reach the objective of developing some of the backward areas, because the number of rural growth centres selected was too large and they were too poorly designed. The result: The regional concentration of capital investment was not strong enough to be a counterbalance to the developed areas! A careful selection of a limited number of rural growth centres is a crucial point for an efficient regional policy combining agricultural and non-agricultural economic activities.

CONCLUDING REMARKS

The strategy involving 'central places' is only one element of 'regional policy' and regional policy has to be integrated into national economic policy as a whole. It is a mistake to breakdown the entire national area into so-called program regions without regard to whether or not the resulting regions are economically weak or strong. Similarly, it is inappropriate to delimit only those areas, which are economically backward, leaving the 'rest' of the national territory 'untouched' by the regional policy. There is a great need for the wise ex-ante selection of rural growth centres to serve as dynamic poles for integrated development.

Last but not least the economic order and its interdependence with the political and social order play an important role in the concept of central places in rural development. Market economies will reflect a different orientation than centrally planned economies or so-called 'mixed economies'. A study treating comparative economic systems in relation to the economic, social and political order can be helpful in avoiding concepts which prove to be too ambitious with regard to rural growth centres.

This paper has been written with the objective of establishing a systematic framework of theoretical foundations upon which to build empirical investigations. Everyone has had certain experiences in his/her own country. Using these experiences and applying one's personal views within a theoretical framework will give us a chance to create a bridge between 'great theories' and 'practical experiences'.

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