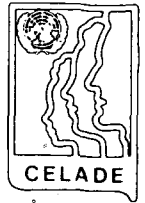


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Documentos para Seminarios

SPATIAL POPULATION DISTRIBUTION: URBAN
AND RURAL DEVELOPMENT

Louis Lefebvre

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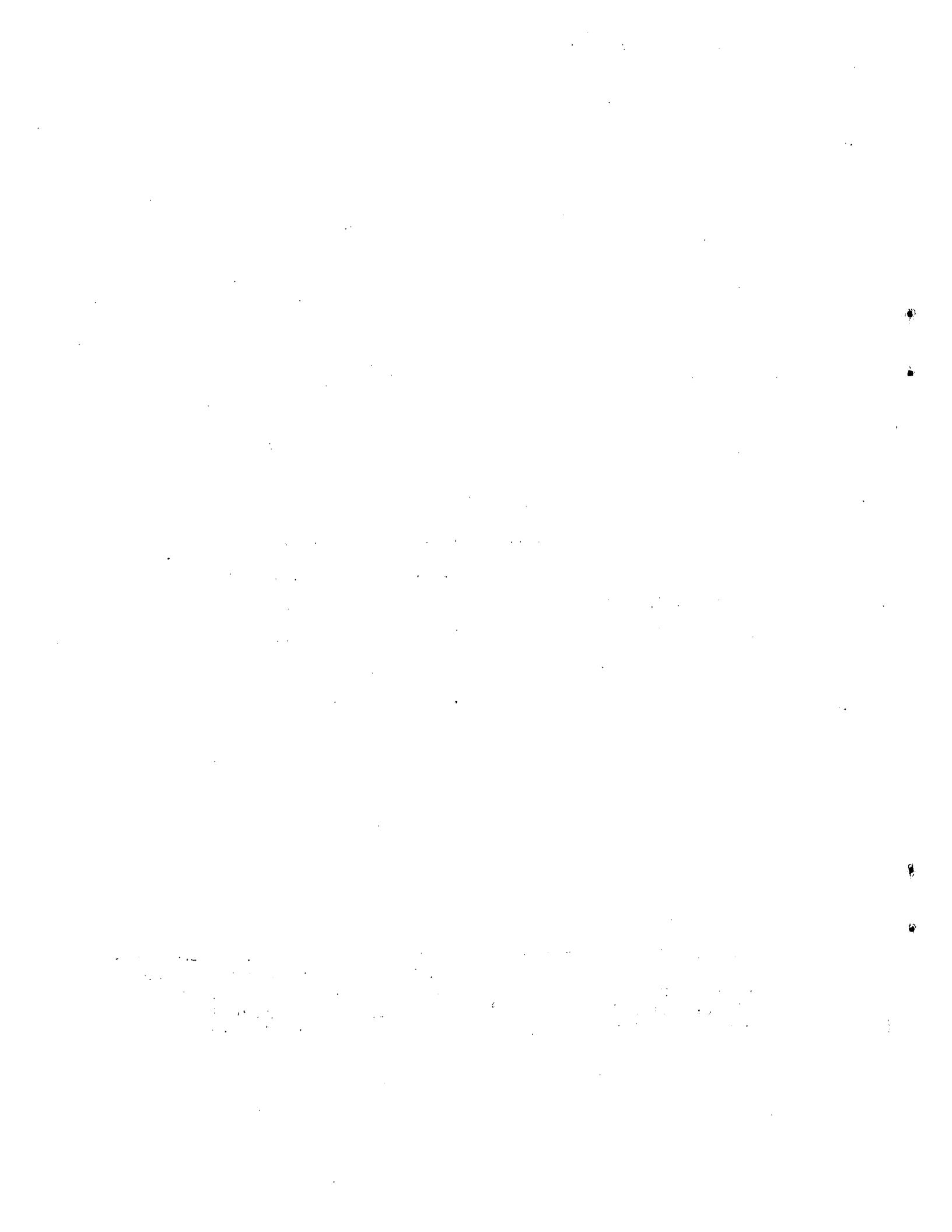
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I N D E X

| | <u>Pages</u> |
|--|--------------|
| INTRODUCTION..... | 1 |
| I. HISTORICAL BACKGROUND | 3 |
| II. STRUCTURAL DISTORTIONS AND CONSEQUENCES | 7 |
| III. REORIENTATION OF THE DEVELOPMENT EFFORT | 11 |
| IV. POLICY OBSTACLES | 15 |
| V. CONCLUSION | 19 |

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INTRODUCTION

A theory of spatial population distribution must satisfy two requirements. First, it must throw light on, or give a coherent explanation of, the causal or historical processes which have led to the prevailing population distribution. Second, it must provide a set of structural relationships between social, economic and political variables and population distribution, so as to provide a basis for policy formulation. Accordingly, a theory with a claim for relevance must account for complex interactions which cannot be analyzed with the tools of just one discipline. The purpose of this paper is to sketch out the elements of such a theory. First, it explains the prevailing population distribution in Latin America (and in other developing regions) in terms of import substitution policies carried to an excess, because of the misapplication of an historical paradigm for development, and a failure to take into account the role of income distribution in development. Second, the theory provides a corresponding set of structural relationships between variables potentially subject to policy control, such as prices, wages, subsidies, employment and income distribution, and population distribution. Finally, it suggests a development policy which would combine economic growth with equity, and outlines the political obstacles to its pursuit.

It goes without saying that the complete elaboration of such a theory will require much additional work before it can be called complete.^{1/} But, even though it is not combined with empirical analysis, it is based on well known and generally observed phenomena which would not be disputed either on ideological or empirical grounds.^{2/} Hence, the issue is one of interpretation and analytical consistency. Furthermore, whereas the conclusion of the argument is that the development effort has to be reoriented toward rural and agricultural advancement, the goal is not rural development, for its own sake, but the attainment of both urban and rural development, such that it should be possible to combine economic growth with equitable income distribution. In fact, my argument shares many of the elements discussed under "Thesis 2" of the very useful preparatory document prepared by Guillermo Geisse and the designation Modelo Rural under "Thesis 5" may be misleading.^{3/}

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- 1/ Elements of the analysis presented here are elaborated in my papers "On the Paradigm for Economic Development", World Development, January 1974, pp. 1-8; and "Critique of Development Planning in Private Enterprise Economies", Indian Economic Review, October 1974, pp. 133-148.
- 2/ Such typical phenomena are, among others, the protection accorded to industry but not to agriculture, distortion of the domestic terms of trade between industry and agriculture to favour the former, increased dependence on food imports and industrial maintenance imports, the prevalence of industrial excess capacity, etc.
- 3/ Ocho Tesis sobre Planificación, Desarrollo y Distribución Espacial de la Población, DS/28-3, CELADE, Santiago, Chile, January, 1978.

I. HISTORICAL BACKGROUND

With few exceptions, efforts in recent decades to motivate, or to bring about national economic development have failed to recognize the fundamental importance of improving the lot of the rural populations in situ, i.e., with in the rural sectors themselves. Even where land reform was enacted or implemented, the beneficiaries did not receive adequate technical and financial support, and those who did not benefit from the reform were left to fend for themselves. The emphasis has been on urban industrialization bringing about a net outmigration of the populations from rural to urban areas.

Policy makers have assumed that the agrarian problem -rural poverty and unemployment- would be resolved in time by a gradual transfer of the rural populations to urban industrial and commercial occupations. This assumption has been based on the misinterpretation of the relevance of the historical experience of the currently industrialized world with the result that even now development theorists insist on using the proportion of labour in non agricultural occupations as an important indicator of relative economic advancement. It has been ignored or neglected that a vigorously growing or well established rural-agricultural sector had been the pre-requisite of the development of the currently industrialized nations, and that the economic interaction of the urban and rural sectors has been fundamental to sustained urban industrialization. As recognized by Cuba and China, nothing could be more detrimental to the design of development than such a neglect. And it is because of the same neglect that industrial excess capacity is so prevalent in the developing market economies.

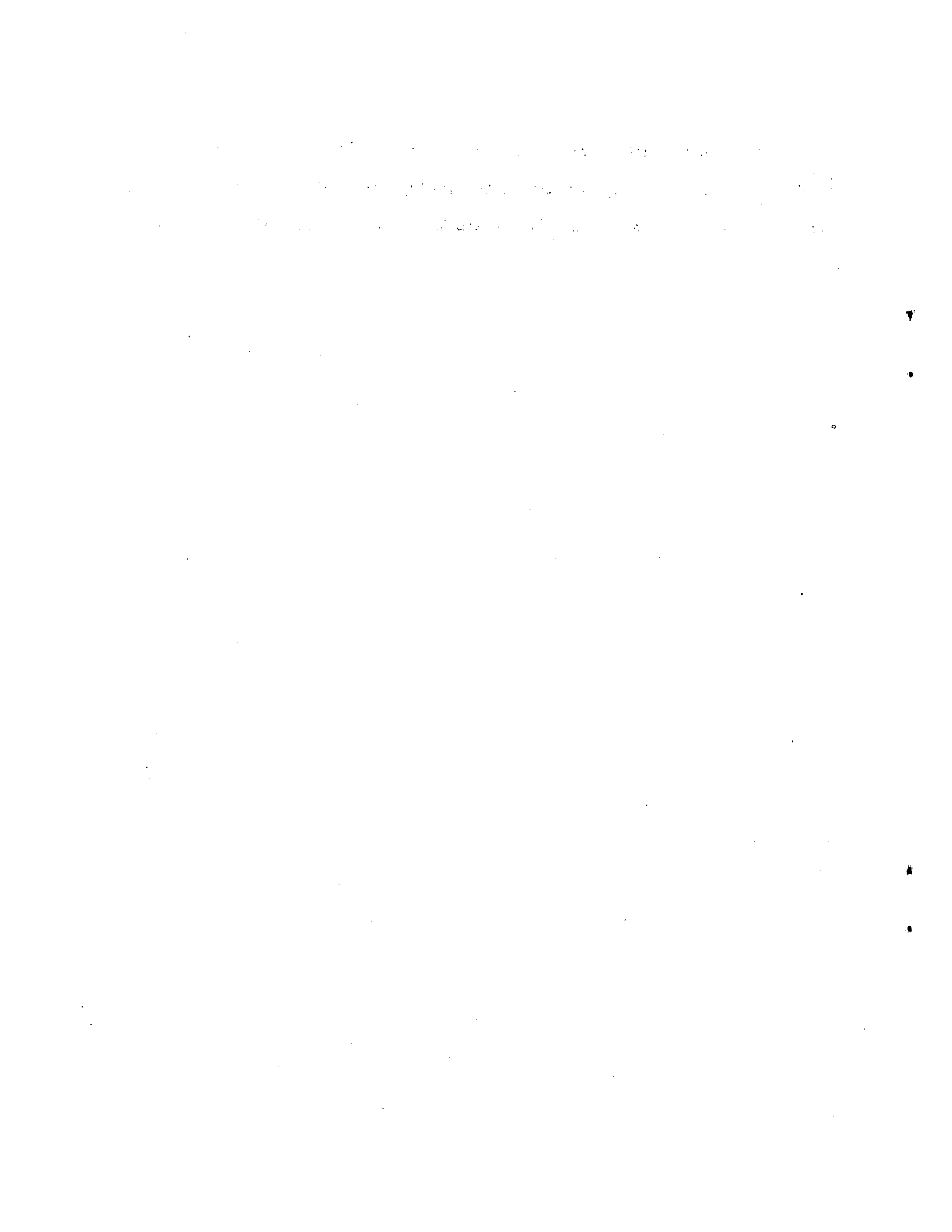
Be that as it may, conditions for development are different today from what they used to be in the 19th century. Neither the abundance of resource rich, underpopulated areas which were open for settlement (or forcible appropriation) by European populations, nor the favourable conditions for capital movements which prevailed in the 19th century are available for the benefit of the currently developing nations. Hence, those relationships between migration, new earning opportunities for the lowest income groups, and supply and demand, which first motivated investment and led to the development of the currently industrialized nations -including Soviet Russia and Japan- are not present either. Other approaches are called for.^{4/}

In Latin America the tendency to emulate the historical experience of the already industrialized countries has been reinforced by the Prebisch doctrine. As is well known, industrialization has been promoted, and the development of the agricultural sector has been discouraged by conscious intervention -through protection and other means- because of the fear that the terms of trade in international exchange would favour the producers of industrial goods. The argument -which rests on the assumed low average income elasticity of demand for raw materials and staples- ignores the demand effects of income redistribution in favour of, or rapid income growth, in the lowest income groups.

Ironically, it has been the pursuit of the above policies which has led to an increasing dependence on trade and the balance of payments. The regional food grain export surpluses have gradually diminished, and in 1976, for the first time, Latin America has become a net food grain importer. Had the policy makers of Latin America turned to their interior regions, and

^{4/} See Lefebvre, "On the Paradigm for....", op. cit.

encouraged food production as the logical means for the development of their rural sectors and the improvement of the living standards of their own low income populations, the strength of external dependence would now be significantly lower.



II. STRUCTURAL DISTORTIONS AND CONSEQUENCES

Whatever the original causes for an urban industrialization policy and the neglect of the rural sector, it has had certain irreversible consequences. First and foremost has been the growth of urban concentrations fed by the flow of cheap labour from rural to urban areas at rates higher than could be absorbed by industrial and commercial growth. Hence, there has been unemployment. Second, the process of industrialization has required the maintenance of low wage good prices, which, in turn, was brought about by artificially distorting the domestic terms of trade between staples and industrial goods to favour the latter. In countries with a relatively abundant foreign exchange supply, such as Chile and Venezuela, this could be readily accomplished by protection accorded to industry but no to agriculture, so that these countries, formerly net foods exporters, became net foods importers. Elsewhere, such as Brazil, commercial imports combined with large contributions of food aid were used to keep grain prices at low levels. As a consequence, the profitability of agricultural production for domestic consumption was adversely affected with corresponding implications for investment and development in the rural sectors.

The effect on profitability has not, however, been uniform. Large farmers could take advantage of modern methods of production even when small farmers could not.^{5/} The explanation is not that large farm units

^{5/} See e.g., R.A. Berry, "Special Problems of Policy Making in a Technologically Heterogeneous Agriculture: Colombia", in L.G. Reynolds (ed.), *Agriculture in Development Theory*, New Haven, Yale University Press, 1975.

necessarily enjoy some inherent technological advantage or scale economies. Differential credit conditions, and direct and indirect subsidies for the use of capital (special foreign exchange rates and exchange allocations for the import of capital goods and manufactured inputs), i.e., measures designed to promote urban industrial investment, could also be exploited by large commercial farm operators to mechanize and thereby displace labour. Thus, in countries where larger farms have not been broken up, agricultural prosperity has been confined to them with the help of these subsidies, while the small farmer, who could have attained a measure of profitability only with an undistorted price structure and terms of trade, has suffered. And herein lies the explanation of an otherwise puzzling phenomenon, i.e., the political support given by larger land owners and farm operators to policies which, in over all terms, seem to discriminate against agriculture.

The distortion of the terms of trade has had disastrous consequences. First, it has been the primary cause of rural unemployment and subsequent migration to urban industrial concentrations, because a) it has encouraged the substitution of capital for farm labour and b) it has inhibited the prosperity of small farms where capitalization was not possible. Second, it has promoted the use of imported capital equipment and manufactured inputs beyond what is economically warranted by the relative availability of labour and, hence, it has placed a burden on the balance of trade. Third, it has inhibited the broad based development of agricultural production for domestic consumption, thereby shifting a significant part of the food supply for domestic consumption to the import sector. This, in turn, has also increased the burden on the trade balance and led to increased dependence on external resources.

But there are further implications which relate to the development of the urban industrial sectors. As already indicated, the growth of this sector has been helped along -in fact, subsidized- by discriminatory policies against agriculture so as to maintain a cheap supply of labour and wage goods. But by doing so, urban industry has also been denied one of the most important stable outlets for its manufactured products, i.e., a vigorously growing agricultural sector. Hence, the complementary inter-relationship between the rural and urban sectors has also been destroyed.

The complementary between rural development and urban industrialization calls attention to the importance of demand or absorptive capacity needed for sustained capital investment. What is true for urban industrialization is also true for agriculture. Investment and effort depend on the growth of markets which permit the sale of outputs at prices which are high enough to warrant production. Plantation agriculture typically relies on export opportunities and hence, it is dependent on the vicissitudes of international markets. Stable and internally controlled markets can be assured only for products which are primarily for domestic consumption. Furthermore, domestic markets which provide potential for broad based agricultural development are those which cater to the needs of broad segments of the population; these are primarily staples (grains and fibers) for consumption by the lower income groups. But, in order to create these markets, the purchasing power of the lower income groups must be increased.

The discussion of economic policies for improving the distribution of income and increasing the consumption capacity of the lower income groups cannot be taken up here. It is sufficient to indicate that, in addition to land reform, increasing the demand for labour in productive employment and

self employment at minimum acceptable earning rates is a fundamental part of the strategy.^{6/} And since in most Latin American countries rural labour is both in abundant supply and -given appropriate policies- can be directly channelled into activities which increase the production of goods for low income consumption, such as staples and other rural products, development strategy must focus on the problem of how to bring about a corresponding rural transformation.

^{6/} See Lefebvre, "Critique of Development Planning in Private Enterprise Economies", op. cit., and "On the Paradigm for Economic Development", op. cit.

III. REORIENTATION OF THE DEVELOPMENT EFFORT

If these arguments are correct, the urban industrial import substituting policy would have to be restructured so as not to conflict with rural development, but to contribute to it. Import substituting agricultural production has to be encouraged, so as to develop the high staple growing potential of the Latin American countries, thereby liberating them from the increasing dependence on imported food. If such a move were to be coupled with income redistribution in favour of, or policies for rapid income growth in the lower income groups, a primary goal of development would be served, and the adverse terms of trade effects assumed by the Prebisch thesis need not materialize. This is because the consequent increase in the low income demand for staples, i.e., of persons whose desire for additional staple consumption is not yet saturated, would offset the tendency for a relatively slower growth rate of such demand when income distribution remains constant.

If the development strategy would be reoriented toward the building up of the rural, agricultural sectors, at least some, and possibly considerable resources would have to be reallocated from the urban industrial to the rural sectors. Either the discriminatory system of protection and other preferential treatment accorded to industry would have to be scrapped, or agriculture -particularly staple production- would have to be directly subsidized. In the first case, industrial producers would directly lose the advantage of the domestic terms of trade artificially distorted

in their favour, and indirectly in the second case, because the subsidy would have to be extracted primarily from the urban industrial sector. In either case, the advantage of agriculture and staples production would increase relative to industrial activities. As a consequence, with increasing agricultural profitability and production, the rate of urban development, and the no longer subsidized industrial investment and production would at least transitionally slow down. Furthermore, the advantage of large farm operators over small holders would diminish, or be totally eliminated, because they could no longer benefit from subsidies originally provided to support industrialization.

Without subsidies favouring the use of capital, its cost to producers relative to labour would increase, and urban industrial and service employers would find it in their interest to seek relatively less capital intensive techniques and by investing in relatively more labour intensive lines of activities and technologies. At the same time, large farmers would also find it less profitable to use highly capital intensive techniques in which subsidized machinery is used to displace unsubsidized labour. Hence, in the long run, the demand for labour would also increase. Small farmers, on the other hand, who typically rely on more labour intensive methods of production, would not be at a disadvantage: their relative increase in domestic staple prices, combined with a more efficient use of labour motivated by the elimination of capital subsidies, would make them competitive with larger producers.^{7/} Because of improved rural earning

^{7/} For references concerning the choice of techniques, labour motivation, and related matters see e.g., A.K. Sen, Employment, Technology and Development, Clarendon Press, Oxford, 1975.

opportunities and standards of living, migration toward urban industrial regions would slow down, halt, or even reverse itself.

In the long run, however, the reorientation of the development effort toward the rural sector need "not imply the abandonment of urban industrial sectors or even a necessary slowing down of the rate of industrial investment. But priority must be given to that type of industrialization which is conducive to, and consistent with, a strategy of rural transformation. This, incidentally, may also include heavy industrial investments in significant measure, partly because the new farm technology does require heavy industrial inputs (e.g., steel, cement and petrochemicals) and because cottage industries ancillary to agro-industrial growth must also be supplied with inputs. The point is that in contrast to the Western paradigm, where agriculture played a supporting role to urban industrialization, industrialization must now serve the needs of rural transformation. And international trade must also be correspondingly reoriented."^{8/}

^{8/} Lefebvre, "On the Paradigm for Economic Development", op. cit.

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry should be supported by a valid receipt or invoice. This ensures transparency and allows for easy verification of the data.

In the second section, the author outlines the various methods used to collect and analyze the data. This includes both manual data entry and the use of specialized software tools. The goal is to ensure that the data is both accurate and easy to interpret.

The third part of the document provides a detailed breakdown of the results. It shows that there is a clear trend in the data, which is consistent with the initial hypothesis. This finding is significant as it provides strong evidence for the proposed model.

Finally, the document concludes with a summary of the key findings and a list of recommendations for future research. It suggests that further studies should be conducted to explore the underlying causes of the observed trends and to test the model under different conditions.

The data was collected from various sources and analyzed using the following methods:

IV. POLICY OBSTACLES

The real question is how to effect the reorientation of the effort. Changes with respect to protection, foreign exchange rates, price relationships and subsidies, i.e., policies vitally affecting the viability of the urban sector, are required. Such policy changes cannot be undertaken, or even conceived of, without extraordinary political control which would have to be combined with carefully prepared measures to minimize transitional shocks. These could be considerable, because the elimination of direct and indirect subsidies accorded to industry at the expense of the rural sector would have major repercussions for the entire urban economy.

With the change of the terms of trade in favour of agriculture and the transfer of resources from the urban to the rural sector, the money cost of industrial production would increase, profitability would diminish, and the rate of urban industrial and other investment would slow down or come temporarily to a halt. Industries without a proper economic base, brought into existence and maintained with the help of subsidies, would go bankrupt. During the transition from the prevailing sectoral structure to another, in the process of resource reallocation to attain a different urban-rural balance, the demand for urban labour would fall and an increase in the urban unemployment could be expected to take place.

Such changes in a private enterprise market economy would strongly and adversely affect the interests of all urban classes, those of capitalist owners and associated middle classes--managers, administrators and professionals- and of urban labour. In addition, owners and managers of large farm operations who -as discussed above- now benefit from the prevailing subsidies to capital, would also feel that their interests are adversely affected. Hence, a triple alliance of powerful interest groups fighting against the rationalization of the development strategy would emerge which -being composed of urban capital, organized urban labour and large farmers- would cut across more narrowly defined class lines or interests. Such an alliance does not negate the existence of conflict between urban employer and urban labour when it comes to the division of the pie generated in the urban economy subsidized by the rural sector. But urban labour naturally and understandably wants to defend its at best not very high living standard, particularly since it is conscious of the lack of adequate social insurance and other means of protection against unemployment and abject poverty. As a consequence, it would have a strong motivation to ally itself -if not as deliberate policy, but de facto- with urban capital and large farm interests so as to maintain its income position. In the face of such an alliance against the reorientation of the effort toward rural development, it is doubtful that it can be brought about without the exercise of strong political control.

What can be done to resolve the problem of the distorted relationship between the rural and urban sectors? Economic analysis can only identify the structural distortions and suggest the direction of the necessary changes. The implementation of corrective measures, i.e., the elimination

of the distortions caused by discriminatory protection and price policies, the reallocation of resources to permit a more equitable distribution of the benefits from development -whether by the use of the price mechanism in a private enterprise market economy or by any other means in any alternative social system- is a matter of politics and social political organization.

The first part of the report deals with the general situation of the country and the position of the various groups. It is followed by a detailed account of the work done during the year. The report concludes with a summary of the results and a list of the members of the committee.

V. CONCLUSION

The recent history of Latin America show that discrimination against the rural sector has been a general phenomenon, in spite of the fact that the overwhelming part of the low income populations continue to be rural.^{9/} Though in recent years the importance of rural development has been increasingly recognized, there is evidence that the rationalization of the relationship between the urban and rural sectors would be resisted by dominant sectoral interests, including urban labour. Efforts by governments with inadequate political control to lower or to eliminate subsidies to urban production and services, imports of gasoline and consumer goods -in many instances activities or goods of interest primarily to middle class consumers- have been resisted by middle class students, urban housewives, and also urban labour. Yet, the elimination of such subsidies is required for rationalization of the structure of production and for more equitable income and resource allocation between income groups and urban and rural populations.

It is not surprising that urban labour should be less than interested in reorienting the development effort, even though long run prospects

^{9/} See e.g., Furtado, Celso, Economic Development of Latin America, Cambridge University Press, Cambridge, 1976; R.C. Webb, Government Policy and the Distribution of Income in Peru, 1963-1973, Harvard University Press, Cambridge, Massachusetts, 1977; Liisa North, "Political Conjunctions and Agrarian Reform in Peru", The Latin American Research Workshops, I.C.I., (Mimeographed edition): Ottawa, 1977, and others.

for development and the welfare of rural labour and marginal migrant classes are at issue. After all, in Mexico, Brazil, and more recently in Chile, where the real wages of urban labour have been depressed, the resulting income distributional changes were not between the urban and rural sectors and low income groups, but between urban labour and owners of capital. And every time the gold standard medicine, or its latter day equivalent has been applied to satisfy IMF requirements for balance of payments assistance, or to improve the balance of payments -which keeps deteriorating not in the least because of excessive industrial import substitution made possible through discrimination against the rural sector- its burden falls on labour and the lowest income groups in the form of unemployment. In the light of this history, it is doubtful that without social insurance and the integration of labour into the decision making process the restructuring of urban-rural relationships can be possible, at least without coercion.

The cases of China and Cuba are instructive and relevant. They have, after abortive efforts at forced industrialization, reverted to a development strategy which emphasizes the importance of rural transformation. Undoubtedly, the reorientation of their respective efforts was not without political difficulties. They have done it, however, in a post revolutionary context where the congruent urban interests could be overcome through the exercise of political control. Furthermore, their need to rely on the market mechanism is minimal. In countries where allocational decisions are implemented at least partially through the markets -and here the issue is not capitalism vs. other forms of political-economic organization, but the way in which centrally agreed upon principles are

implemented- political control must include the capacity to make effective use of the price mechanism. Paradoxically, when it comes to restructuring urban-rural economic relationships, the politically radical policy prescriptions have -in the first round- several elements in common with the IMF-World Bank of Chicago recommendations. The difference is in the attitudes and policies with respect to the distribution of the burdens of the transition from one set of structural relationships to another and of the benefits from the subsequent enhanced development opportunities.

One final point. It may be tempting to blame for the retardation of the rural sectors, and for the concomitant growth of marginal rural and urban populations, the dependent state of the Latin American republics, or the multinational corporations, who may have a stake in maintaining capital and import intensive production in industry and farming in the economically less developed nations. And there can be no doubt about it, they do attempt to exercise their influence to maintain the status quo. So do the U.S. State Department, and the governments of the grain exporting countries. But they have mixed motives. The U.S. government, along with powerful international institutions, including the World Bank, are increasingly aware of the need to develop the domestic food production capacity in the developing nations. Given that some, or considerable urban capital and middle class interests would have to be sacrificed, it would be interesting and useful to investigate the circumstances in which the U.S. government would not oppose a reorientation of the effort toward rural development.

But when all is said and done, the conduct of their domestic policies in matters such as resource allocation between urban and rural sectors lies ultimately with the polity of the Latin American republics. Whether through markets or other forms of economic organization, the required policies are known. The problem is to break through the deadlock caused by the dominance of congruent urban class interests.

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