

# Summaries of the Selected Articles

**Werner Baer and Michel E.A. Herve**, "Employment and Industrialization in Developing Countries", *Quarterly Journal of Economics*, Vol. LXXX, No. 1 February 1966.

The purpose of this essay is to show that the lack of labour absorption in the manufacturing sector of developing countries is not necessarily due to conscious or wrong policy choices, but has several partial explanations which should be combined with the more general explanation of effective factor endowment.

Consider the extent of the employment lag in the manufacturing industries which manifested itself in a number of Latin American countries, Egypt, and India all of which relied on industrialization to generate their economic growth in the post-War period. By a comparison of the rate of growth of output in various industries with the rate of growth of employment it is found that in most countries the rate of growth of employment in the total manufacturing sector was substantially less than half the growth rate of output. In Argentina there was actually a fall in employment and in Mexico it was practically static. It is also observed that not only did labour absorption substantially lag behind output, but in some cases, such as in that of textiles in Argentina, Brazil, and Chile, the total of labour employed actually declined. This is attributed both to the expansion of capacity by the adoption of relatively capital-intensive techniques and also to the modernization of old capacity in a more capital-intensive way. A part of the explanation of this low labour absorption rate lies in a substantial natural increase in labour efficiency. It seems, however, that most of the explanation lies in the adoption of more capital-intensive techniques of production.

Given capital as the scarce factor in developing economies, the problem is not to save the use of it in the production process, but rather to maximize the output which can be gotten from it. In theory, if labour is a free factor, the production process chosen would correspond to a point on the ridge line of a production function. But there are deviations from this expected pattern the explanations for which lie in the typical factor endowment of most developing countries. On the one hand, these countries seem to have an abundant unskilled labour supply and on the other the fact that older, more labour-intensive techniques of production are inefficient *i.e.*, producing a low return on capital invested in them.

The reasons for the use of capital-intensive techniques by developing countries in face of their apparent factor endowment, is that the effective supply of labour is in fact much smaller than the absolute supply of labour. Although new industries were employing more capital-intensive techniques and older industries were modernizing in a more capital-intensive direction, there was no evidence of the very latest labour-saving technology of the advanced industrial countries being installed.

Granted the necessity for continued development of industries along fairly capital-intensive lines, with the result that labour is not absorbed in sufficient quantities relative to the general population growth and especially the growth of urban areas, the absorption of the growing labour force in developing countries requires a substantially expanded service sector. Such a requirement would eventually provide a major source for coping up with the employment problem.

(ZAHURUL ISLAM ALMAZI)

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**P.T. Bauer, "Price Control in Underdeveloped Countries", *Journal of Development Studies*, Volume 2, Number 1, October 1965.**

The author is mainly concerned with price controls in underdeveloped countries under conditions where these are more effective at one stage of distribution than at others.

Successive stages in the distributive process are mainly merchants who are importers, intermediaries who get supplies from merchants and final consumers who are customers of intermediaries. Final consumer usually pays the open market price. Price control is not generally imposed beyond wholesale or semi-whole stage and even if price control extends beyond the wholesale stage it rarely affects the prices paid by the majority of small-scale intermediaries or the bulk of the final consumers.

Unlike the pre-1939 behaviour of the supply of and demand for import, there have been frequent, rapid and marked changes in the supply of and demand for imports after 1939. Mostly there was either a sharp contraction of supply or an expansion of demand bringing about sharp and discontinuous increases in the local open market prices of imported goods. Abnormal profits for merchants were generally associated with such increases.

The abnormal profits have their roots in the system of licensing or allocation of supplies among merchants. This allocation has been regulating the import trade as the merchants obtain their supplies at a cost which is below the local open market price.

The declared aim of price control is generally to cut down the windfall profits inherent in any system of licensing, and to reduce margins to a level yielding no more than normal profits. But it is hardly possible to achieve this.

In general, price control is likely to be more effective over merchants than over intermediaries (where often its effectiveness is negligible). To the extent that price control is effective over merchants it will secure for the intermediaries a part of the windfall profits inherent in the situation. Hence the intermediaries will vigorously press for its imposition. Also they will demand allocation of supplies by merchants at controlled prices.

Because of the possibility of a cash gain, the demand from the intermediaries for supplies is far in excess of available supplies. A large part of such demand is not met giving rise to a situation conducive to political tension. Merchants are accused of evasion and favouritism.

Price control does not generally improve the lot of the ultimate consumer. When the supplies of imports are completely inelastic open market price is not reduced due to price control, indeed it may even be increased slightly. When additional supplies are obtainable at higher prices the open market price will certainly be raised.

The author has enumerated the advantages and disadvantages of licensing system with reference to underdeveloped countries. To counter some of the disadvantages of the licensing system with a view to bridging the gap between open market prices and supply prices, indirect taxes and taxation of merchants profits may be imposed and/or government purchase of supplies for resale may be used. However, measures affecting specific activities or commodities may not always be desirable or practicable. Thus it is important to carefully weigh the merits and demerits of price control, of taxation and of government purchase and sale of imports before the package of measures is chosen. The choice of different measures requires delicate assessment of political conditions and economic effects. Other things being equal, better results may be attained if these measures are used in conjunction with more general measures to deflate aggregate money demand.

(QAZI KHOLIQUZZAMAN AHMAD)

E. Costa, "Manpower Mobilisation for Economic Development in Tunisia", *International Labour Review*, Vol. 93, No. 1, January 1966.

Independent Tunisia inherited a predominantly primary-producing economy suffering from low yields of production and with structural imbalance leading to serious income inequalities among the different regions of the country. To make things worse, the population increased at a very rapid rate (the annual rate was 2.2 per cent between 1950 and 1965) increasing the already existing unemployment and underemployment. It is estimated that in 1956, the number of job seekers was 0.3 million.

In these circumstances, the development works scheme was launched in October 1954. This was an experiment in voluntary manpower mobilisation to achieve economic development by providing full employment. This paper examines various aspects of this scheme as well as its achievements and shortcomings. This scheme went through the following three stages:

- a) from October 1954 to March 1958 unemployment relief works were carried out;
- b) from April 1958 to 1962, the governors of the provinces carried out various works projects to eliminate underemployment;
- c) since 1963, the projects of national importance are being entrusted to the various technical state secretariats, leaving the projects of regional importance to the governors.

The first unemployment relief works were started with the registration of all job-seekers by the local authorities. From the very beginning, the response was large and exceeded requirements. Selection for employment was based on a number of criteria; the most important being the family responsibilities. The workers, thus employed, were free to quit the work to take jobs elsewhere.

The number of workers employed on the projects carried out under this scheme increased rapidly, from 120,000 in 1958 to 275,000 in 1961. In terms of man-days (on the basis of 200 man-days to a year) the increase was from 6.7 million in 1958 to over 50 million in 1961.

As regards *administration and general organisation*, the scheme for a long time was left with governors, signifying considerable decentralisation which was claimed to be primarily responsible for the success of the scheme. On 24th August 1962 a budget, covering all expenditures on development projects carried out by the scheme was drawn up to keep a check on its utilisation and also to provide a basis for evaluation of real costs. On 8th February, the principles were

laid down for this budgeting. The projects of national interest dealing with reafforestation, water supplies, rural development and agriculture were included in the budget and were entrusted to central government departments. The projects of local or regional interests were to be executed by the governors but with the help of central government departments, thus limiting decentralisation.

The workers employed by the scheme on the development projects do not benefit from the laws and regulations governing conditions of work and social security except as regards compensation for employment injury. However, it is aimed to bring the status of these workers in line with other Tunisian workers.

With the increasing importance and scope of the scheme, monetary allocations also expanded; from 590,000 dinars in 1958 it was raised to 12.5 million in 1961. Though the payment in kind (wheat and semolina) is met by the United States aid, the burden of the scheme is heavy, amounting to one-sixth of the budget.

To wind up with the general assessment of the scheme, it was observed that even though the scheme was a voluntary employment scheme, it was responsible for employing one-third of the total active male Muslim population in 1961. A great deal of the large-scale unemployment which existed before was mopped up by the scheme, at least to the extent of providing an average of 200 day's work a year. Besides generating employment opportunities, the other major advantages emerging from this scheme are briefly as follows : *i*) 80,000 hectares of land was treated to stem erosion in 1961 and if this rate is kept up for 30 years, all the areas threatened will be saved ; *ii*) the annual planting rate of olives and fruit trees has been increased from 20,000 hectares in 1955 to 60,000 hectares at present; *iii*) more irrigation water has been made available with the construction of large number of small dams; *iv*) the rate of capital formation has been increasing with the expansion of the country's economic and social infrastructure and on top of all these, the scheme has helped to foster the worker's self respect.

However, the scheme is not without shortcomings. First, some projects were undertaken which yielded no economic returns. Secondly, a number of structural or basic defects have also been observed such as negligence of vocational training and the employment of smallholders, who if grouped, could have developed their own lands.

As a whole, the Tunisian experiment seems to be a success. However, validity of the scheme will depend on the number of permanent jobs it creates for unemployed or underemployed workers.

**Tom E. Davis, "Changing Conceptions of the Development Problem: The Chilean Example", *Economic Development and Cultural Change*, Vol. XIV, No. 1, October 1956.**

The concept of economic development manifests itself in the problems of accelerating the growth of output per capita. The theory and strategy of growth is such that one helps in identifying the variables determining the rate of growth and the other proposing the means and mechanism through which the variables can be altered. This article is an exhaustive attempt at discussing the interrelationship between these two in the context of the Chilean circumstances.

The theory of growth, so defined, should lay greater stress on investment in human resource. This changed concept has been also realized by every economic system of the world.

The capital-oriented theory of growth has great relevance to the Chilean circumstances. Chile is encountering a very hard time with intense inflationary pressures, over-valued peso, controlled public utility prices and excessive social security benefits.

The growth strategy should be such as would modify the existing government institutional framework in accordance with a theoretical model. The empirical finding shows that a relatively low rate of return of capital, abortive devaluations occurring in the absence of restrictive policy measures, irresponsive character of public utility price to general rise in price and a higher wage-cost differential are the major obstacles in the way of accelerating capital formation activities in the country. The shortage of capital would further aggravate the problem if old theoretical approaches to growth were allowed to persist. In the new set up, *i.e.* capital-oriented growth model, present conditions in Chile are best to be explained. The dire need for capital can easily be avoided through raising the quality of available manpower in the country. But a careful political influence is needed to guide policy measure in checking inflation and encouraging a flow of savings from 'middle class' of the country to the desired channels of production synchronised with increasing exports and public utility sector investments.

A greater emphasis needs to be laid on the utilization of reserve army of unemployed and disguised unemployed persons, thereby enforcing best policy alternative left for Chile to attract external assistance and massive development expenditures in human sector in an attempt to outweigh the shortage of capital in the country.

(ZAHEERUDDIN BUTT)

**R.P. Dore, "Land Reform and Japan's Economic Development", *Developing Economies*, Vol. III, No. 4, December 1965.**

In this article the author has made an attempt to show how land reform has influenced Japan's economic development. Agriculture provided export earnings and import substitutes which helped in importing the necessary machinery and raw materials from abroad. It also helped to provide cheap staple food for the growing town population, and contributed a substantial amount of funds through land tax which provided the needed infrastructure.

The question now arises whether or not the increase in agricultural productivity was due partly to the existing land tenure system and whether it could be more productive under a different land tenure system.

The author, to solve the problem, takes the help of a typology, by which he means a kind of distinction between two types of land reforms based on the kind of landlord whose power and prosperity are affected. The first is one who acquires control over a piece of territory by either military conquest or in-feudation in exchange for his allegiance to a warrior chief. He exercises full control over his territory and draws produce from the cultivator by virtue of his monopoly in the matter. When by virtue of some land reform their lands are expropriated and their political power reduced, it is called Stage I reform. The second type is one who achieves his position by economic means within the framework of a system of established political order; when their lands are expropriated and political power weakened, it has been called Stage II redistribution. As for Japan the Meiji Restoration and the creation of a centralized system of government dispossessed Japan's Type I landlords, the *daimyo*. Their removal left a clear field for the Type II landlords who, within a decade extended their power, specially due to the operation of the new tax system, and increased their land holdings from 30 to 45 per cent of the total. They exercised economic and political control in the countryside until Japan's State II land reform which deprived them of their power in 1946-1949.

Though, it is not possible to reach any definite conclusion; yet, had the stages I and II reforms been telescoped into one, the increase in agricultural productivity could not have been faster for reasons listed below.

These landlords, themselves farmers, had personal motives for improving their tenants' standards of husbandry; they were better placed to keep in touch with the national centres of technical innovation, which required the creation of new organizations which could be created much more easily in an authoritarian manner by use of the landlord's traditional power.

The landlord's role as links in a communication system joining the villages to the centre of government was important for more than just the diffusion of agricultural improvements; they were practically important as interpreters of the governments' educational policy. Moreover, these landlords commanded the "agricultural surplus" and it was more effectively taxable.

By 1920 the situation had undergone a change. Most of the farmers were literate and more capable of informing themselves individually about new agricultural methods. A Stage II reform at any time after 1920 would probably have hastened economic development, and proved conducive to a more satisfactory internal political structure. Above all, the political revolution of the twentieth century—the new assumption that all governments ought to derive their power from electoral consent—together with the development of mass media in even poor countries has created a political demand for land reform even in economies which are characterized by an almost wholly subsistence agriculture. This means that the traditional acceptance of landlord authority—a necessary condition for landlords to play the kind of useful role they played in Meiji Japan—has already been destroyed.

(N. H. NIZAMI)

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**G. S. Dorrance, "The Instruments of Monetary Policy in Countries without Highly Developed Capital Markets", *I.M.F. Staff Papers*, Vol. XII, No. 2, July 1965.**

This paper attempts to analyse the instruments of control available to the Central Bank or other monetary authority in a developing country. The instruments of control which need detailed explanation are:—

- Direct regulation of deposit;
- Open market operations;
- Variation of deposit (money bank reserve requirements);
- Manipulation of government accounts; and
- Control of Central Bank credit to deposits money bank.

As for the direct regulation of deposit it stands in direct conflict with one of the attributes of monetary policy *i.e.*, its generality. Given the overall restraint



on economic activities deriving from monetary policy each economic unit is free to adjust its own asset and liability position so as to satisfy its own desires. Generalized monetary policy does not impede inter-unit competition and adjustments. Direct regulations will involve specific controls over the actions of individual institutions. It is likely to encourage rigidity rather than flexibility.

In certain cases, where government policy is based on well thought-out development plans designed to foster growth in specific directions, prohibitions on limits in lending for some purposes or encouragement to lending for other purposes may be appropriate. However, while these instruments have their place and may well be used, too much reliance should not be placed on them.

In all countries except those with highly developed capital market, open market operations are likely to be a most ineffective tool for implementing monetary policy.

Open market operations are transactions conducted on organized market. A market will not be satisfactory if significant transaction by Central Bank lead to a considerable alteration in the prices of securities. Therefore, for open market operations to be effective, there must be a well-developed capital market in which the activities of the Central Bank play only a relatively minor role.

Before such adequate capital markets can develop following conditions must be met: a) the flow of funds for investment must be constant and of considerable volume; b) the volume of business in existing securities must be large; c) to ensure stability there must be a considerable volume of short-term lending and borrowing; d) a satisfactory capital market must be based on domestic sources of funds.

The variation of reserve requirement is most effective instrument of monetary control. It is an effective instrument for controlling deposit banks. Increases in required reserve would act as a restraint on bank lending; decreases will serve to encourage an expansion of bank credit. It is desirable that the result of Central Bank action be reasonably predictable. If banks attempt to maintain reserve balance in excess of those required by the regulations, this would not have the required effect. It is most useful instrument in dealing with crisis or near crisis-situation.

The manipulation of government accounts can have a direct effect on the cash resources of deposit-money banks. A payment by the government to a non-banking economic unit, or a transfer to a government account with a deposit money bank, will lead to an increase in the cash reserves of banks with consequent expansionary influence. On the other hand, accumulation of government deposits with the Central Bank (other than one matched by borrowing from the Central Bank) will result in a drain on the cash reserves of banks, with a consequent contractionary influence.

A Central Bank can always increase the cash reserves of the deposit money banks by lending to them. Traditionally, the Central Bank has been viewed as exercising control over the value of its credit by controlling the price at which it lends (the bank rate). In fact, in most developing countries, where financial markets are in an early stage of evaluation, desires of the community to borrow are likely to be almost instiable at any reasonable level of interest rate. Given such a strong eventual demand for credit and with the deposit money banks likely to expand their loans to the maximum dictated by business prudence, it is probable that Central Bank can influence the banks by quantitative controls over credit to them.

It is an instrument that is consistent with the institutional situation in most developing countries. It need not lead to a countervailing speculative reactions by the community.

(IRFAN OMAR MALIK)

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**Eva Hirsch, "A Method of Estimating the Distribution of Farm Incomes in Turkey",**  
*Journal of Development Studies*, January 1966.

The paper provides a methodology for indirectly estimating the distribution of farm incomes, when the data on direct estimates are either lacking or inaccurate. Four sets of data were available for the study: distribution of land operated; costs and incomes of farmers, covering rent, wages, degree of mechanization; economic and social effects of farm mechanization; estimates of income from crops and animals for all the provinces in Turkey.

The distribution of farm income depends upon the distribution of the land operated. However, per hectare income can vary, depending upon the variations in the crop yields and the types of crops grown which differ from province to province due to soil and climatic variations, and within province as a result of farm size; other factors being tenancy conditions, income from animals grazed on common land. Information regarding these conditions is scanty; hence the distribution of farm incomes is calculated by successive approximations.

In the first approximation the distribution of gross crop income is estimated separately for all the sixty provinces. This enables the study to incorporate the provincial differences in soil and climatic conditions. A new distribution is obtained for Turkey as a whole showing the size of the gross farm income and the corresponding number of families.

In the second approximation the author incorporates the fact that within each province the crop incomes are not directly proportional to the size of the farm. The combined effects of mechanization, improved methods of production other than mechanization, and the differences in the types of crops grown increase the per hectare income of large farms by 164 per cent over the incomes from small farms.

Costs are considered in the third approximation. It is estimated that the costs of large farms formed 48 per cent of the gross income as compared with 35 per cent in the case of small farms. The costs were incorporated in the second approximation to derive the distribution of net income from crops.

In the fourth and fifth approximations estimates of animal grazing incomes were made analogous to the first and the second approximations, respectively. It is shown that animal incomes are distributed more equally than the distribution of operated land. The small farmers obtained 280 per cent higher gross income per hectare of the land operated from animal grazing than the income from large farms.

In the sixth approximation the results of the third and the fifth approximations are combined by calculating their respective weighted averages.

The empirical findings of the study show that the inequality in the distribution of net income from crops and animals is nearly identical to that of the distribution of land operated. Net incomes from crops are, however, distributed more unequally than the distribution of the land. Further, the relatively more unequal distribution of crop incomes is offset to some extent by the more equal distribution of incomes from livestock.

(M. TARIQ DURRANI)

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Ohkawa Kazushi, "Agriculture and the Turning-Points in Economic Growth", *Developing Economies*, December 1965.

This paper describes the changes in agriculture during Japan's economic growth. For this purpose, the thesis of turning-points is used. In using this concept, the central problem is that of finding consistency between "historical" turning-points and "theoretical" turning-points. A turning-point is the point at which the economy turns from the first stage of development with an unlimited supply of labour towards the second stage of development with a

limited supply of labour. Agriculture is the source of an unlimited supply of labour during the first stage of economic development and the turning-point just defined with respect to agriculture is of a historical nature. The theoretical turning point is at the stage when agriculture ceases to be the source of an unlimited supply of labour.

Japan presents an Asian example of developed "traditional" country with a long pre-modern history before attaining the present economic growth rate. The operational hypothesis is that an interplay between the modern and the traditional elements brought forth basic changes in the growth pattern and economic structure of such a country. When these changes form identifiable and relatively unified periods, these periods are defined as growth phases. The possibility of defining a turning-point in agriculture is explored in some detail in the light of the historical facts of Japanese agriculture. Developments in the non-agricultural sector are described in a simplified manner and the relation between the possible turning-point in general economic growth and that of agriculture is discussed.

In the light of Japan's record of modern economic growth, the changing place of agriculture can basically be grasped by the thesis of the turning-point, if the theoretical notion can be interpreted consistently with the historical turning-points. Several historical turning-points can actually be identified with regard to growth phases. Gerschen-kron's point, identified at around 1905-1906, points to a genuine inauguration of the modern sector but has nothing to do with the inner structural changes in agriculture. The turning-point in agriculture defined as the point at which the numbers of the agricultural labour force begin a sustained decrease is identified at around 1952-53, which coincides with what is called the first Lewis turning-point. Until the Japanese economy reached that turning-point, agriculture had maintained its traditional elements almost in toto and after that began, for the first time, the process of modernization. The process is expected to continue during the coming long phase of a semi-limited supply of labour, until the economy is able to reach what is called the second Lewis turning-point.

The implication for the economies of other Asian countries with surplus labour in agriculture is that the formation of a differential structure is unavoidable if the modern sector grows "successfully", and that it is highly desirable to make a sharp distinction between Gerschen-kron's turning-point and first Lewis turning point. It is suggested that the social implications of what a differential structure would bring forth in these countries might deserve much more attention than has usually been paid.

(ZAHURUL ISLAM AL-MAZI)

**Yem Kim, "Some Demographic Measurements for Korea Based on the Quasi-Stable Population Theory", *Demography*, Vol. 2, 1965.**

The continuity of population growth in Korea was greatly disturbed after World War II by the repatriation of Koreans from Japan and Manchuria, the division of North and South Korea, and the outbreak of the Korean War in 1950. Population development in Korea prior to 1945 and an analysis of the effects of the Korean War on the South Korean population are presented in this paper.

The main assumption is that the fertility and mortality patterns would have been the same before and after the World War II if there had been no Korean War.

During the pre-World War II years the Korean population living in Korea, Japan and Manchuria was quasi-stable *i.e.*, with relatively constant fertility and some changes in mortality.

In Korea the expected population, estimated by following the quasi-stable population theory, exceeds the enumerated population in all age groups except those of 45-49 and 60-64 for males and 55-59 and 65-69 for females. The total expected population of Korea was 23.3 million in 1955 but the enumerated population was 21.5 million. This shows that at least 1.8 million men and women lost their lives during the war of 1950.

Among the males nearly half of the population lost was between 20-29 years—the military service years. Also population in age groups 0-4 suffered, heavy casualties and this group counts more girls than boys. Male children it seems were better looked after during the war than female children.

Males between 15-19 showed smaller loss—mainly due to in-migration, from North Korea during and just after the war, and, age misreporting.

In sum, the population lost during the 1950-53 war may have been far larger than is usually thought. The reduction in actual births was also substantial, though the level of fertility of the Korea women who survived changed very little during and after the war years.

(IMTIAZUDDIN HUSAIN)

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**Karol J. Krotki, "Estimating Population Size and Growth from Inadequate Data", *International Social Science Journal*, Vol. XVII, No. 2, 1965.**

This article discusses the uncertainty and the inadequacy of population data in most of the countries, specially the underdeveloped. The author at-

tempts to come up with some devices which help reduce this uncertainty and unreliability of the data. Three important biases, one should guard against when analysing any such data, are:

- 1) Population size is not useful as compared to growth rate. The size is not, an operational finding whereas growth rate can be used for comparison with the rate of growth of economy.
- 2) Population dynamics should be remembered. A high birth rate may prevail over the recent decade in population, but at a point of time there may be decline in the birth rate due to events a few decades earlier.
- 3) The reliability of figures should always be doubted. The data need not show the true demographic picture. According to some analysis, the 1950 US Census underenumerated the population by 5 million persons and while India's 1951 Population Census left out almost 8 million people.

The post-enumeration surveys are indispensable checks, and can give raising factors to change age and sex groups as necessary. Experience has shown considerable response variance in surveys conducted by the best enumerators under identical situations. There is also an increasing tendency for checking and reporting on post-enumeration results to users of data.

The age distribution can also be used as a tool for analysis. Concave and convex wiggles are caused by war, catastrophe or by immigration. The age distribution proportionately is much more affected by changes in births than changes in death rates. A drop in birth rate would change the base of the pyramid, whereas a reduction in death rate would affect all the age groups. The use of stable population theory has increased with the findings that mortality does not change (much relatively) age distribution. The pyramid indicates trend in fertility. A sharp pyramid means low fertility whereas a wide base shows high fertility. Only rarely could the birth rates estimated from an age distribution be different from the actual birth rate and that also by a narrow margin. In an inadequately reported age distribution investigation of mortality would not be much fruitful. Some analysts on their experience of using births as a measure of success or failure of family planning campaign consider birth as poor indicator.

An example of collecting vital events on the basis of surveys is the Population Growth Estimation experiment in Pakistan. This is discussed at length.

In Sudan's First Population Census no question about age was asked. However, useful conclusions have been drawn by giving age values to age at male puberty, female puberty and menopause from the age distribution.

The denominator (population total) for vital events occurring throughout the year can be reached by a device combining in one investigation the total population and events occurring in the same population.

(DANIAL M. FAROOQ)

**M. Tachi and Y. Okazaki, "Economic Development and Population Growth—with special reference to Southeast Asia", *Developing Economies*, Volume III, No. 4, December 1965.**

Demographic factors played the most important role in modernising Japan. The population growth of Japan from its middle ages to the present time has been quite slow. The transition of population in Japan from 1870 onwards can be compared with England and the following steps are quite evident: take-off; drive to maturity; maturity; mass consumption. The slow rate of population growth in Japan was helpful for its modernisation. In various countries of Southeast Asia today the rate of population increase varies from 2 to 3 per cent per year as against Japan's maximum 1.3 per cent.

The situation of Japan's population in the early part of the modern period and the initial conditions of its modernisation can be classified as follows:

- i) Population density: In spite of the extremely high density, Japan's modernisation was not stopped. This is contrary to the general pattern.
- ii) Population Growth rate: In many countries of Southeast Asia population grows more rapidly than the resources. In this sense Japan was lucky because of its low growth rate.
- iii) Dependency ratio: The dependency ratio in Japan has been the lowest in Asia which encouraged its modernisation.
- iv) Quality of population: Japan initially had high literacy rate as well as "a unified system of national economy" as against a variety of economic systems found in some Asian countries today.

Relationships between population increase and economic development are now analysed. As an economy grows the social structure and the rate of growth of population also change. West European countries and Japan experienced this process; but Southeast Asia appears to be in imbalance with population, showing rapid increases before socio-economic development has taken place.

Japan could use its feudal labour and capital into a rich blend which helped in modernising the country. Low wage rates in Japan helped her to boost up her

exports in the international market. The rate of Japan's population increase was low even compared to West European countries and this played an important role in the development of Japan's economy. Though high savings rate and an efficient utilisation of capital helped, it would have been difficult for Japan to have achieved modernisation, if the rate of her population growth had been as high as found in Southeast Asia today.

(ABDUL RAZZAQUE RUKANUDDIN)

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**M.V. Raman, "Attitudes Toward Family Size and Fertility Control in India", *Development Digest*, Vol. III, No. 4, January 1966.**

The current rate of population growth in India is 2 per cent per annum. This rate will become larger since death rates are declining with the birth rates remaining constant. The government feels that the population growth rate should be checked to get full advantage of economic development at all levels.

Information on attitudes towards fertility is deficient in India. Hindus form 84 per cent of the total population of India. In theory the Hindu religion is not against family size regulation but in practice Hindu religion actually endorses the idea of large families. Most couples say they like smaller families but their motivation is not strong enough to result in controlled fertility and reduced family size.

Also, differentials in fertility, if any, are hard to discover because of lack of precise information. What information there is either points towards no differentials by class or shows contrasting results : one area showing positive correlation and the other showing negative correlation, with income and family size.

A large majority of couples is in favour of learning about family planning. But the mere approval of the idea of family planning, or even accepting supplies, is not tantamount to practice—as was indicated from a number of surveys.

Any substantial reduction in the birth rate in India could be achieved only by involving the vast rural masses. The agriculturists as a class seem to be more indifferent to family planning. This is discouraging as 70 per cent of the workers in India are agriculturists.

Even after more than ten years of exposure to family planning programmes, the results of some surveys are disconcerting and they call for a re-examination of the assumptions made concerning the psychological and cultural environment.



In the face of apparent contradiction in expressed attitudes it is difficult to come to any firm conclusions. Further, these attitudes are not always translated into action. It is the removal of these problems and not the mere availability of cheap, effective contraceptives that will ultimately lead to adoption of birth control. A revolution in mental and cultural attitudes is what is badly needed.

(IMTIAZUDDIN HUSAIN).

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**K.R. Ranadive**, "The Equality of Incomes in India", *Bulletin of Oxford University Institute of Economics and Statistics*, Vol. III, No. 4, December 1965.

This article reviews the Reserve Bank of India (RBI) study made by Messers Ojha and Bhatt on income distribution in India.

The first part of the RBI study shows the average income distribution during the period 1953-54 to 1956-57 and a change in income distribution during 1955-56 to 1956-57 over 1953-54 to 1954-55. Income groups are classified into three households: *i*) with yearly income upto Rs. 3,000; *ii*) with income between Rs. 3,000 and Rs. 25,000; and *iii*) with yearly income over Rs. 25,000. The second part of the study examines the relative income size distribution and compares the Indian findings with some developed and underdeveloped countries in terms of the concentration ratio. On the basis of this measure of inequality it was found that the degree of inequality in income distribution in India is not only less than underdeveloped countries but, surprisingly enough, even less than the developed countries like Netherlands, Denmark and Sweden, where the scope of inequality in disposable income is less than personal income due to better system of direct taxes. The other measures of inequality, apart from the concentration ratio, give the same result.

The RBI results are contrary to the other empirical findings made by Prof: Kuzent, Prof. Morgan, and Kravis who showed inequality to be higher in underdeveloped countries than the developed countries. In underdeveloped countries due to social immobility, lack of access to educational opportunities for all and due to a variety of other reasons, the wealth of the society is concentrated in the hands of a privileged few. The mean income being very low there is little dispersion of income in the lowest income group. The inequality in such countries takes the form of higher income groups getting more share than their counterparts in the developed countries. Surprisingly in India even this group gets lower share than it does in the developed countries. This is probably due to

In the face of apparent contradiction in expressed attitudes it is difficult to come to any firm conclusions. Further, these attitudes are not always translated into action. It is the removal of these problems and not the mere availability of cheap, effective contraceptives that will ultimately lead to adoption of birth control. A revolution in mental and cultural attitudes is what is badly needed.

(IMTIAZUDDIN HUSAIN).

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**K.R. Ranadive**, "The Equality of Incomes in India", *Bulletin of Oxford University Institute of Economics and Statistics*, Vol. III, No. 4, December 1965.

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underestimation of income and overestimation of households in this high income group.

Methodological errors marred the validity of the study to a great extent. The way the NSS data have been converted to find out size distribution of household incomes is faulty. The concept of personal income has not received proper attention. Because of the limitations of the methodology and the concept of income used there is an overestimation of households in the high income group. The actual overestimation cannot be quantified correctly but can be hinted from the fact that overestimation in households in the non-salary earner's group, an important component of the high income group, was six times higher than that recorded in the tax data. This overestimation has brought a corresponding overestimation in the income accrued to the group but it is not certain that the errors cancel out.

The concept of income needs to be more inclusive in income distribution studies than it is used in national income total. The use of the latter for deriving disposable income and personal income has led to the underestimation of income accruing to the high income group. This underestimation might explain the reason behind the negative marginal propensity to consume in this group.

The procedure followed to convert the NSS data from per capita expenditure brackets to per household brackets is open to objection as it created a classification of households different from the actual classification shown in the NSS. The original NSS data should have been directly used in place of households to measure the size distribution of household incomes.

(M. RAKIBUZZAMAN)

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**Jakob Saper and Timothy Sweeney, "The Fiscal Problems of Less Developed Countries", *Finance and Development*, December 1965.**

Two of the most serious problems faced by the underdeveloped countries in the development process are inflation and balance of payments deficit. These are usually caused by the budget deficits.

In the underdeveloped countries the share of public sector has been increasing with the development process primarily because of their belief that in order to achieve significant growth the government ought to take the initiative. To a certain extent the increased public expenditure is financed by domestic and foreign borrowings. However, dependence on foreign borrowings is limited when future

payments are considered. Also the domestic borrowings are constrained by the limited domestic capital market.

Keeping in view these shortcomings, the author suggests that the major share of the development expenditure should be generated internally through improved revenue system. However, the state revenue does not expand at the rate at which the development expenditure expands.

The main causes for the stagnation in the government revenues are : a) stagnation of import duties due to the import restrictions imposed to solve the balance of payments deficits, b) the out-dated land revenue assessments, the indirect tax rates, and the inadequate pricing of the services provided by public enterprises.

The anxiety of the governments to raise revenues, in spite of inelastic revenue systems, has resulted in ad hoc measures to raise revenues. This results in complex revenue systems and discourages production and investment. At the same time it creates administrative difficulties. Due to the lack of experienced and efficient tax administrators, tax evasion is a common feature and voluntary compliance diminishes.

On the expenditure side the situation is equally critical and the weaknesses are: imbalance in the development and non-development expenditure budgets, and non-establishment of priorities. Generally, the budgets are compilations of requests by the various government departments. Most of the underdeveloped countries have development plans over a number of years but often the yearly budgets are not integrated.

The International Monetary Fund is conscious of such fiscal problems and is interested in aiding the member countries with technical assistance and for this purpose the Fund has opened a Fiscal Affairs Department. This has been established to assist the member countries in their short and long-term fiscal objectives. Many fiscal problems are of specialised nature for which the Fund does not maintain full time staff, but, has instead, established a panel of experts, provided by the member countries. The Fund receives requests for technical assistance from member countries in Asia, Africa and Latin America. In most of the cases the Fund provides them with experts.

(M. TARIQ DURRANI)

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R. P. Sinha, "An Analysis of Food Expenditure in India", *Journal of Farm Economics*, Vol. 48, No. 1, February 1966.

The author, in this article, presents estimates of relationship of total expenditure per person to expenditure on various items of food in India. In order to measure the effect of income on consumption, an estimate of the consumption function on the basis of cross-sectional data was made. For lack of published information, total expenditure per person and not the total income was used as the principle explanatory variable in all cases. Money expenditure on an item of food, rather than quantity, was used as the dependent variable.

The author uses various regression forms for his analysis. In the case of rural areas, the log-log-inverse form gave the highest values of  $R^2$  for total food, foodgrains, milk products, meat, fish, and eggs, sugar, and other foods. In the case of urban samples, it gave the highest values of  $R^2$  for total food, milk products, edible oil, meat, fish, eggs, and sugar only. In most cases, however, the values of  $R^2$  not only very high but also very close between log-log-inverse form, the double-log form, the semi-log form, and the log-inverse form. The Durbin-Watson test for autocorrelation also indicated that log-log-inverse form was slightly better than the others. In fact, the tests for both closeness of fit and absence of autocorrelation showed that no single regression form was suitable for all items of food.

The final choice of log-log-inverse form was largely based on more or less subjective reasoning. The linear form is not suitable for the analysis of food consumption because it assumes that the coefficient of elasticity tends towards unity as income increases indefinitely. The double-log form assumes a constant elasticity and is therefore realistic only for a sufficiently narrow range of incomes. So in case of foods for which the elasticity declines as the income rises, the choice lies with the other four forms: the semi-log form, the log-inverse form, the log-log-inverse form, and the hyperbolic form. The rate of decline in the coefficient of elasticity was the most rapid in the case of the hyperbolic form and the lowest in the log-log-inverse form.

The elasticities computed on the basis of cross-sectional data cannot in general be used to estimate the effects of a spontaneous change in the income distribution; for such a change means a change in the income distribution, which is likely to change the consumption function itself. It is natural that, in the absence of alternative sources of information, cross-sectional elasticities should form the basis of policy decisions.

The estimates of elasticities for the various rounds of the NSS showed considerable variation even after the allowance was made for the correspond-

ing standard errors. Many factors responsible for such variations, *e.g.*, sampling fluctuations, changes in income in different seasons, the seasonal variation in relative prices, and the availability of the different items of food in different seasons are more prominent in rural areas. So the variation in estimated elasticities are more marked in rural than in urban areas.

For India as a whole, the general trend of expenditure elasticities is that the rural elasticities are higher for foodgrains, oil, sugar, and salt, and in some cases for milk products; urban elasticities are higher for meat, fish, and eggs, for the miscellaneous group, and for overall food expenditure in most of the regions. This is due to two reasons: *a*) average income per person is higher in urban areas, and *b*) with growing urbanization there is a normal tendency towards diversification in the composition of food and towards an increase in expenditures on food taken outside the home.

In conclusion, it may be said that any study of the pattern of food consumption in India on the basis of the published reports of the National Sample Survey, would present only a very rough picture of the existing situation. The results for milk products, meat, fish, and eggs, and the individual items of the miscellaneous groups are far less satisfactory than for foodgrains or total food.

( N. H. NIZAMI)

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