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ABSTRACT

Most of the nations of the world have expressed concern for rural revitalization by providing a greater range of economic opportunities, social amenities, and cultural advantages. This report discussed rural development in the highly industrialized nations of the Federal Republic of Germany, Italy, Belgium, the Netherlands, France, Norway, Finland, Denmark, Sweden, the United Kingdom, Japan, Canada, and Israel. The nations have emphasized the following major elements: improving community facilities and services; increasing economic and investment opportunities; giving attention to institutional and social factors; and establishing a satisfactory system for planning and guiding rural development. The report's emphasis is on policies and programs pertaining to nonagricultural rural development, such as the creation of nonfarm employment opportunities, provision of water and sewer facilities, and construction of houses, schools, clinics, and hospitals. Development activities in the international organizations of the European Community, the European Free Trade Association, and the Organization for Economic Cooperation and Development are briefly discussed. (NQ)

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RURAL DEVELOPMENT: THE INDUSTRIALIZED FREE-ENTERPRISE NATIONS

PREPARED ON REQUEST OF

COMMITTEE ON AGRICULTURE AND FORESTRY
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BY

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CONTENTS

FOREWORD

Concern for rural development—the revitalization of rural areas by providing a greater range of economic opportunities, social amenities, and cultural advantages—has been expressed by most of the nations of the world. However, it is only the highly industrialized, highly developed nations that can outline specific programs *consciously* aimed at rural development. Nations that are in the process of creating a modern economy "develop" their rural areas.

Conscious rural development occurs in nations that have achieved a comfortable level of personal income for their citizens through a highly industrialized, automated, and developed free-enterprise economy. In addition to the United States, nations in this group include Canada, many countries in Western Europe, and Japan.

These other countries—similar to the United States in economic philosophy, industrial tradition, and, in part, cultural heritage—have rural development programs that might easily be transferred to the American scene. Thus, their rural development experience deserves consideration, to enable us to determine the types of programs that seem most useful and productive. Israel is another country whose rural development efforts can be examined for relevance to our own needs, even though Israel does not share quite so uniformly the similarities of the other nations discussed.

Wherever rural development is undertaken, it is complex work. In the industrialized, free-enterprise nations, rural development programs are based on a common desire to improve the lot of people in rural areas. The programs vary in form and application, because of differences in national traditions, legal institutions, geography, and the level of economic, technological, and social development. Nevertheless, certain common features and trends may be discerned.

First, most of the highly industrialized nations do not sharply divide development into two parts—urban and rural. Rather, rural development is considered as part of a broader problem—regional development. Although a region may have a large rural or agricultural component, the problem of rural development is considered in conjunction with the problems of urban and suburban areas—the *emphasis is on the whole* and its proper functioning, *rather than on separate parts.* Regional development and regional policy are inclusive terms, used by the other industrialized countries in describing what is usually referred to in the United States as rural development.

Second, the framework of regional (and rural) development has shifted from a designation of development areas (similar to the Appalachian region in the United States) to emphasis on growth centers. Early programs provided for extensive efforts to improve general living and economic conditions within a large geographic area. Current programs are intensive efforts focused on selected growth

iv blank

points that, hopefully, will respond to infusions of economic aid by creating more growth conditions that in turn will affect the surrounding area.

Third, the industrialized nations have growing environmental problems, many of which are created by urban congestion. This urban congestion can be related in part to an influx of people who have left declining rural areas to seek jobs in large cities and towns.

Fourth, partly as a result of urban congestion, the industrialized nations are consciously seeking to achieve balanced growth. In so doing, they seek to extend to all their citizens equal opportunities for employment and access to cultural facilities and social services, such as schools, hospitals, water and sewer systems, and recreational opportunities.

Specific programs relating to rural development in 13 highly industrialized nations are described in the following pages. Emphasis has been placed on the major elements of rural development listed in an earlier Committee Print.[1] These include improving community facilities and services, increasing economic and investment opportunities, giving attention to institutional and social factors, and establishing a satisfactory system for planning and guiding rural development. We publish this material because the Committee seeks knowledge of activities directed toward development that creates good living conditions and the opportunity to make a good living in rural areas. This development is the common objective of the industrialized nations, whether it is referred to as rural development or the rural component of regional development.

HERMAN E. TALMADGE,
Chairman, Senate Committee on Agriculture and Forestry.

[1] 1971—A Year of Listening and Watching the Development of the Growing Consensus that Something must be Done for the People of the American Countryside. Rural Development, Senate Committee on Agriculture and Forrestry, May 31, 1972.

INTRODUCTION

As indicated in the foreword, this report discusses rural development in selected, highly developed, industrialized countries of Western Europe (Federal Republic of Germany, Italy, Belgium, the Netherlands, France, Norway, Finland, Denmark, Sweden, and the United Kingdom), Japan, Canada, and Israel. Aspects of development activities in several international organizations—the European Community, the European Free Trade Association, and the Organization for Economic Cooperation and Development—are included in background statements.

Other nations making laudable efforts toward rural development may also be considered "highly developed" and "industrialized." Omission from the report should not be interpreted as evidence that rural development in these countries is relegated to a minor role or that the level of economic development is inferior. A review of rural development efforts in other nations will appear in a forthcoming study.

The countries selected show a wide range of similarities and contrasts, in term of the problems faced as well as the policies and programs created to meet them. Countries that are relatively compact and have a high density of population, such as Belgium and the Netherlands, are not faced with the same kinds of problems as countries that have a low overall density of population and large areas of sparse population, such as Norway and Sweden.

In industrialized nations, rural development is frequently linked with city problems and is viewed as a problem of regional development—ensuring balanced economic growth with adequate social and cultural advantages in all parts of the nation, in the rural countryside as well as in towns and cities.

The statements in this report on individual countries are intended as nontechnical summaries of significant trends in rural (and regional) development. Attention is focused on national policies and programs; provincial and local efforts are treated in less detail. The report is not intended as a definitive statement of rural development. For example, detailed examination of pertinent legislation and programs in each country would require treatment far beyond the scope of the present study. Further, the situation is dynamic, not static. Policies and programs are being revised, and rural development is evolving in response to current and anticipated social, economic, and environmental pressures.

Emphasis is placed on policies and programs related to *nonagricultural* rural development, such as creation of nonfarm employment opportunities, provision of water and sewer facilities, and construction of houses, schools, clinics, and hospitals. Topics directly related to agricultural production—for example, land improvement, farm mechanization, and crop and livestock improvement—are not covered, although many, such as farm consolidation, are related in some measure to the nonagricultural aspects of rural development.

Although *nonagricultural* can be described with relative ease, the term *rural* poses certain problems when a number of countries are dealt with. There is no standard definition. For one thing, the *scale* is vastly different among the various countries. This becomes readily apparent when comparing rural areas of the Netherlands with the extensive rural areas of northern Norway and Sweden, for instance.

It should be noted also that while the terms rural, agricultural, and farming overlap, they are not precisely synonymous. Rural is the broader term. Rural areas include many persons who are not farmers, and whose livelihood is not derived directly from crops and animals.

If rural is defined as nonurban, it is also apparent that concepts differ. For example, "urban" areas in Japan have populations of at least 30,000; in Belgium, 5,000; in Denmark and France, 2,000; in Sweden, 200. (In the Swedish "urban" area, houses must not be separated by more than 200 meters.)

These problems are mentioned to illustrate the point made earlier that rural and urban problems become regional problems and rural development becomes regional development, especially when small communities are involved.

Another term met in discussion of rural development is *infrastructure*. In this report, the term is broadly used to mean all the supporting services and facilities necessary for the operation of an enterprise or organization. For example, relocation of an industrial enterprise to a rural area may require construction of access roads, water and sewer facilities, and communication lines, as well as housing, shops, schools, and medical facilities for the workers.

Where possible, statements of country officials evaluating the progress of rural and regional development programs are included in each summary. The success of policies and programs is not judged by the authors themselves. Rural development is a long-term endeavor and a fair appraisal can be made only after a period of time. However, statistics showing that a certain number of new jobs were created by rural and regional programs and that migration from rural areas decreased by a certain percentage, for example, do indicate achievement of programs and are given where available.

An obvious problem in both analysis and evaluation is the difficulty of sorting out policies and programs (and components) that relate to rural development. Development of rural areas is not always explicitly specified in governmental budgets and economic plans. Administrative responsibility for rural areas not only is fragmented from one level of government to another, but also is often divided between agencies on the same level.

A broad range of literature was reviewed for the study. Emphasis has been given to sources that include official statements of the Governments concerned and to contributions made by participating countries to publications and reports of international organizations.

INTERNATIONAL ORGANIZATIONS

Rural development in a broad sense has been the concern of many internal organizations. The concern stretches to vast areas throughout the underdeveloped world to lagging areas within the industrialized and wealthy countries.

The Commission of the European Communities (EC), the Council of Europe, the European Free Trade Association (EFTA), the Food and Agricultural Organization of the United Nations, the Organization for Economic Cooperation and Development (OECD), the Economic Commission for Europe of the UN, and the World Health Organization of the UN, among others have all given thought to the sometimes vast and complex problems associated with development.[1]

The focus of this report is on the lagging areas or regions within selected industrialized, wealthy countries. Before these countries are discussed, relevant policies of the EC, EFTA, and the OECD are reviewed because of their influence on regional development in industrial countries. Of the three organizations, only the European Community, perhaps because of its unique structure, regulates the activities of its member countries and allocates development assistance. The European Free Trade Association and the Organization for Economic Coordination have operated primarily as advisory groups, assisting their member states by providing useful information.

EUROPEAN COMMUNITY [2]

INTRODUCTION

A basic objective of the European Community (EC) is to form over time and through gradual methods a socially and politically integrated Europe. Specific commitments have been made by member states to form an economic and monetary union. A major obstacle to effective economic integration is the fact that even though many barriers to trade between member states have been removed, uniform and equal development of economic growth in the EC has not occurred (*39*).

In all of the member states there are regions—some quite extensive where economic activity and the development of social and cultural amenities are lagging. Efforts are now being made to develop rural areas—those predominantly agricultural and those affected by a decline in primary industry—in order to achieve a solid base for future growth.

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[1] The regional development policies and concerns of these organizations are discussed in (*9*). (Italicized numbers in parentheses refer to sources in Literature Cited, at the end of this report).

[2] The European Community (EC), here used in the singular, is actually three "Communities," now under a unified commission and council. The three are the European Coal and Steel Community, the European Economic Community (EEC), and the European Atomic Energy Community (EURATOM). The European Community includes the original six signatory States—Belgium, France, Federal Republic of Germany, Italy, Luxembourg, and the Netherlands—and three newly admitted States (as of Jan. 1, 1973)—Denmark, Ireland, and the United Kingdom.

92-898—73——2

Rural Regional Problems

Although regions may be defined in many different ways, EC research and policy development has emphasized three general types: industrialized, semi-industrialized, and predominantly agricultural (*4*; *9*).

Imbalances in different regions within the individual countries vary greatly, but overall trends are similar. For example, the population living and working in rural regions is generally declining, and there is a general movement of population into the major urban and industrial areas (*4*).

The predominantly agricultural, and essentially rural, regions generally lack industrial activities; persons engaged in farming account for 20 to 40 percent (or even more) of the total labor force in such regions. Their infrastructure is underdeveloped, and their tertiary sector may be relatively large but is hinged for the most part on agriculture. More particularly, their infrastructure and tertiary sector are often ill-suited to the changes which the economy in these regions would have to undergo. Throughout the EC, the population density in rural regions is relatively low (under 100 persons per sq. km. in most cases). These regions are essentially located on the periphery of the Community—western and southern France, southern Italy, eastern and northern Germany and the northern parts of the Netherlands. To these regions are added virtually all of Ireland outside of Dublin; parts of Jutland in Denmark; and the Scottish Highlands, central Wales, and parts of Northern Ireland (*4*; *6*; *7*; *9*).

Objectives of EC Regional Policy

The EC is increasingly concerned about structurally backward regions in member countries—agricultural and industrial regions in decline and, especially, areas chronically deficient in income and employment opportunity. Conscious development efforts for rural areas are an important part of the Community's overall economic plan. If economic unity is to be achieved, the EC believes that regions now in difficulty must be given a chance to match those which have attained satisfactory growth levels. Community agreements and policy proposals reflect this concern and individual concerns of member states; the agreements and policy proposals, in turn, influence regional and rural development activities in the member states (*5*; *8*).

The general aims of the EC's regional policies were incorporated in the original treaties which established the three Communities. The EEC was, for example, given a special mandate "to promote throughout the Community the harmonious development of economic activity," and the signatory states declared that they were anxious to ensure harmonious development "by reducing the differences existing between the various regions and by mitigating the backwardness of the less favored" (*4*).

Implementation of Policy

The EC acts to achieve its goals of economic unity in both an advisory and regulatory capacity. Economic development is guided in part by Community policy on competition, which regulates aid given by member states in their national programs of regional development. This is done so that the free market within the Community is not inhabited by illegal or hidden subsidies. Another important object of regulation of aid is to ensure that individual member states channel aid to their underdeveloped areas and not to developed areas. In addition to this policy, the Community's "Common Policies"—relating to agriculture and transportation, for example, and aimed at unifying economic sectors—also have implications for regional development.

The Community offers financial assistance for regional development through various institutions, such as its European Investment Bank, the European Social Fund, and the European Agricultural Guidance and Guarantee Fund.

The European Investment Bank has the power to grant loans and guarantees on a non-profit-making basis for the following:

(*a*) Projects for improving less developed regions;

(*b*) Projects for modernizing or converting firms or for developing new activities called for by the ever-increasing unity of the EC, if such projects, because of their size or nature, cannot be entirely financed by the individaul member states;

(*c*) Projects which are of common interest to several member states but which, because of their size or nature, cannot be entirely financed by the individaul member states.

Nearly two-thirds of the loans have been granted to southern Italy (*8; 9*).

The task of the European Social Fund, under Article 123 of the EEC Treaty is that of "increasing employment facilities and the geographical and occupational mobility of workers in the Community." The Fund was reformed by a Council of the European Communities [3] decision in 1971 which became operational in 1972. The Fund is now able to finance regional development projects and provides more aid for the retraining and reemployment of people leaving agriculture to work in other sectors. It is also able to provide special assistance to regions in difficulty, to industries faced with the need to modernize, to groups of firms experiencing basic changes in the condition of production or the marketing of their products, and for handicapped workers (*5, 8*).

The European Agricultural Guidance and Guarantee Fund is essentially the implementation organization of the EC's Common Agricultural Policy (CAP). The Fund was established in 1962 to finance the CAP. In 1964, two sections were established in the Fund: The *guarantee section*, which oversees agricultural marketing and prices, and the *guidance section*, which is responsible for bringing about structural improvements in agriculture (for example, consolidation of farm parcels and retraining of farmworkers).

Through the guidance section, the Fund may grant assistance of up to 25 percent (in exceptional cases, 45 percent) for investment projects for structural reform (*9*).

In 1971, the Council decided on joint measures that supplement the Common Agricultural Policy on agricultural structure with a policy directed to what could be termed socio-structural concerns. Based on these policies three directives were implemented in 1972: one on the modernization of farm structure; one on measures to encourage the cessation of farming and reallocation of utilized agricultural area for

[3] The work of the EC is discharged by four institutions: the European Parliament, the Council, the Commission, and the Court of Justice. The Council is comprised of ministers from the member states. The Commission serves as an executive branch (*22*).

the purpose of structural improvement; and one concerning socio-economic guidance for persons engaged in agriculture (*8*). These three directives represent a less comprehensive version of the Mansholt Plan proposed by the EC in 1968.

The first directive provides funds to full-time farmers who have the desire and the ability to transform their farms into modern, viable economic units which would be capable of providing incomes comparable to those outside agriculture.

The second directive is designed to encourage elderly farmers and farmers with small holdings to abandon farming. Annuities are provided for farmers aged 55 to 65 and grants for widows, handicapped persons and small-scale farmers under 55. The land that is freed is then provided to farmers staying on the land or is provided for other land uses.

The third directive is designed to provide social and economic service for both those who will remain in agriculture and those who will take up nonagricultural careers. Farmers and agricultural workers will be trained in modern marketing, production and management techniques. Farmers quitting the land will be counseled on training services and opportunities in alternative industries.

Also in 1972, the Council adopted a resolution which would allow the Fund's guidance section to use funds for regional purposes.

Other financing for regional development is available from the European Coal and Steel Community, principally in the form of low-interest loans to firms to permit them to expand employment, and various grants to workers to help them find new employment. Most of these resources have gone to coal mining districts in Belgium, France, and Germany (*9*).

Proposals have been submitted to the Commission of the European Communities to establish a Regional Development Fund. The Fund would coordinate allocation of finances to regional development projects throughout the Community (*8*).

European Free Trade Association

The European Free Trade Association (EFTA) was established in 1960. The original seven members were Austria, Sweden, Norway, Denmark, the United Kingdom, Switzerland, and Portugal (the "outer seven" in contrast to the "inner six" of the original EC). Finland and Iceland subsequently joined. On January 1, 1970, Denmark and the United Kingdom left EFTA to join the EC (13).

The primary objectives of EFTA have been liberalization of trade between member states and progressive removal of barriers in international trade. Other EFTA objectives include promotion of sustained economic activity, full employment, optimum use of resources, and improvement of living standards. The organization of EFTA has been much "looser" than that of the EC, since the binding policies established by EFTA relate primarily to the trade of member states. Unlike the EC, EFTA does not plan to establish coordinated policies for regional and rural development.

However, EFTA has functioned as a vehicle for the exchange of views by members and the dissemination of practical information that could be used by member states in developing their own programs. Since the mid-1960's, it has issued several research reports on aspects of regional policy. In general, these reports examine the extent of regional problems affecting the Association as a whole and the individual members. Such problems include congestion in major cities and the decline of rural areas (with accompanying declines in agriculture and the extractive industries, such as coal). Three detailed resorts, with the common theme of industrialization have been issued: one on growth centers (1968), one on industrial estates (1970), and one on industrial mobility (1971).

The report on growth centers presents the experience of EFTA countries in applying the growth center idea to regional development programs. The characteristics of a growth center vary according to the intended purpose of the center and the region it is to serve. A growth center (also termed a growth point, growth area, or growth zone) generally has an urban core (which may be small); is located within a reasonable commuting distance for the intended labor force; and has a potential for economic and population growth, the influence of which will be felt in the area surrounding the center.

The study notes that selection of areas as growth centers poses difficult political and technical problems. Centers should be selected for their long-term growth potential, not to remedy severe social or economic problems. Centers are seen as necessary because optimum use of resources requires some concentration of activity. "No country is sufficiently wealthy to provide a full range of modern services in all locations irrespective of cost" (*14*). The ideal size of a growth center is not specified, but depends on individual circumstances such as the geographical relationship of the center to other centers.

One type of growth center is the "new town," designed to catch "overspill" from large, congested urban areas, and to divert expansion from the city. The growth center in a rural area has the more difficult task of creating expansion outside the influence of the metropolitan center.

Reaction to growth centers as a means of developing rural areas has been mixed. However, the economic necessity of concentrating activities, particularly infrastructure needed by industry, appears to be pushing many EFTA countries toward development centers in rural areas, even though this policy may not be openly declared.

EFTA's 1970 report on industrial "estates" (U.S.: industrial "parks") is a logical continuation of the report on growth centers. An industrial estate is defined as "an area of land selected and planned by, as well as being under control of, a development agency whose task is to construct, or allow to be constructed, industrial buildings and to provide . . . services considered necessary or worth while for the development of the estate" (*15*).

The industrial estate or park can be of almost any size, and the development organization can be public or private. Factories can be built in advance, or to specifications of the users. Infrastructure can include basic necessities, such as water, sewers, and electricity, as well as vocational training schools and other educational or social facilities.

Industrial estates or parks are not new to developed countries; the system is in use in many of them. Advantages of concentrating industrial development include an environment that attracts industry, a saving of resources necessary to provide support facilities, preservation of scenic beauty by containing sprawl and, for the firm, ready access to sites, buildings, and infrastructure. There are also advantages that occur with the concentration of firms in one location. For example, local authorities can provide a greater range of services more efficiently.

Disadvantages of an industrial park for a community may include the heavy financial outlay required and political problems involved in site selection. Also, the firm may find that moving to an industrial park means a greater competition for labor, that buildings and facilities are not suitable, and that poor planning has resulted in congestion.

Industrial parks can be important in achieving industrial mobility, which EFTA countries have recognized as being necessary to speed industrial development in underdeveloped areas, to encourage movement of people and industry from congested urban areas, and to facilitate reorganization of urban areas. Industrial mobility includes not only the movement of a firm from one location to another, but also its expansion through the establishment of new plants or offices.

The EFTA countries' policies to promote mobility reflect individual country problems, but most have emphasized assistance to industry in the form of direct incentives—such as grants, subsidies, and tax exemptions—and provision of adequate infrastructure. Few of the EFTA countries subsidize transportation as a means of encouraging industrial mobility, and few constrain expansion in congested areas (the United Kingdom was an exception). Few countries build factories in an area before a firm has indicated a desire to relocate there, and most exclude service industries—except tourism—from regional incentives (16).

Organization for Economic Cooperation and Development

The Organization for Economic Cooperation and Development (OECD) was formed in 1961, and includes 19 countries of Western Europe and the United States and Canada. Australia and Japan later became members. The OECD stems from the Organization for European Economic Cooperation (OEEC), which was formed after World War II to develop cooperation among its members and to coordinate funds sent to Europe under aid programs such as the United States Marshall Plan.

The OECD functions primarily as an advisory and consultative body for industrialized nations. Its objectives are to promote economic growth and employment in member countries and to expand international trade. The OECD does not allocate funds to member countries for regional development, nor does it have the power to regulate such development. In regional development matters, the major benefits to member countries come from an exchange of views and experience.

Development of rural areas has been a matter of continuing interest to the OECD Committee for Agriculture. During 1966-68, this committee published a series of monographs on the rural development policies and programs of France, the Federal Republic of Germany, Sweden, Switzerland, the United States, Spain, and Italy. In addition to examining overall development policies, the reports assessed in some detail the application of policies and programs to a specific area in each country (*9*). The studies emphasize that adequate planning is needed before any program for rural development can be established and that activities in rural development are largely dependent upon overall economic development. Other OECD studies with sections relating to rural development cover such subjects as land use, agricultural policies, and finance.

Major work on regional development has been in progress in the Industry Committee of the OECD since 1964. Regional development problems, and policies and programs being implemented to overcome these problems, have been reported on for 15 countries. These reports were mainly directed toward industry as a means of development. Reports for individual countries have been distributed and a summary report has been published (*32*). Major conclusions concern the significance of public investment in infrastructure in promoting industrialization and the need for close coordination of all aspects of planning (land use, social, economic) at all levels of government. The reports show the similarities in incentives offered to enterprises in different countries to encourage development of lagging regions. The most recent publications show a concern for the *quality* of development and for the effect of development on the environment and on social well-being.

FEDERAL REPUBLIC OF GERMANY

Summary

Rural development efforts in the Federal Republic of Germany are included in comprehensive programs aimed at equalizing economic and social opportunities in all regions of the country. Improvement of conditions in rural areas is considered in the larger context of comprehensive national planning, which gives consideration to economic, social, and resource elements. The landmark 1965 Federal Regional Planning Law outlines general principles for planning, coordination, and action programs at Federal, State (German: *Land*; plural, *Laender*), and community levels. *Land* and local governments have had most of the responsibility for formulating, funding, and implementing development programs. The Federal Government, in general, has coordinated plans and has supplemented *Land* and local resources where judged necessary.

Two objectives of the 1965 Regional Planning Law are to stem migration from rural areas and to keep areas of dense population from being further crowded. Specific measures have been establishment of development areas for concentration of effort and designation of small and medium-sized towns as development centers for industry. One objective has been jobs for agricultural workers displaced by farm consolidations and other structural readjustments.

In 1969 procedures for regional planning were revised with the passage of a Federal law entitled "Improvement of the Regional Economic Structure." The 1969 law laid the groundwork for joint action by the Federal Government and the *Laender*, and led to the adoption of an overall plan. Under the new planning system various Federal and *Land* programs are consolidated, criteria for development areas are outlined, and "regional action programs" are established for the development of specified areas. A growth point concept is extended, and development is to be concentrated in several hundred key growth areas.

Perspective

The transformation of the Federal Republic of Germany from a collection of small, essentially agrarian states to a modern industrial nation created problems of adjustment in areas relatively less adaptable to economic growth. Problems of imbalance between the rural and urban sectors and among the major geographic regions have become more serious since World War II, with the establishment of the Federal Republic and the subsequent phenomenal recovery of the economy.

Urban areas have continued to expand. The Ruhr (Cologne-Duisberg-Dortmund triangle), Rhine-Main (Frankfurt), and Rhine-Neckar (Mannheim-Stuttgart) areas, and the regional cities of Munich, Hamburg, and Hannover cover only about 13 percent of the land area of the country, but have 45 percent of the total population and 50 percent of all industrial workers (29).

92-898—73——3

p. 10 blank

Many areas of the country are thinly populated and offer little employment outside agriculture. Some 30 percent of the land area is occupied by about 11 percent of the population and only 5 percent of the industrial workers. Although agriculture is dominant in these areas, the small size and irregular placement of landholdings work against efficient and profitable farming. Consolidation of small farm parcels and other structural adjustments are being encouraged, with a resulting rural-to-urban movement as displaced agricultural workers seek employment in industry and the services.

Some problems have occurred that affect both the rural and the urban components of entire regions. For example, the decline of specialized or resource-based industries, such as textile and chinaware manufacturing and coal mining, has resulted in regionwide economic depression. Another regional problem, one unique to the Federal Republic, is the zonal border with East Germany. It has disrupted established transportation, marketing, and other economic patterns, leaving economically distressed towns and rural areas.

Economic deficiencies in rural areas are being attacked as part of the broader problem of regional imbalance. Great differences in population density, economic opportunities, and social and cultural amenities have occurred during the country's postwar transformation. Specific problems in areas outside metropolitan centers are low population density (too low for efficient servicing), population decreases, low levels of employment in industry, inadequate tax base, and low income levels. Many problems associated with congested urban centers (for example, pollution and related health problems, traffic, and lack of recreational facilities) and problems in rural areas are considered to be interdependent for development planning purposes.

Policy

The "Basic Law" (Constitution) of the Federal Republic stipulates that the Federal Government will ensure equal living conditions in all parts of the country. To achieve this goal of balanced (or equal) development, a system of comprehensive national planning and development has been established within the Federal Government. The national effort is referred to as regional development, a somewhat misleading term because application is not limited to specific geographic regions.

The basis for current regional planning and development in the Federal Republic is the Federal Regional Planning Law (1965) and the Federal Law on Improvement of the Regional Economic Structure (1969). These laws incorporate earlier policies and programs aimed at giving support to economically depressed areas.

The 1965 law is broadly stated, giving objectives, principles to be followed in regional planning, and guidelines for coordination and implementation. Two of the principles include statements directly related to rural development and the problem of rural-urban migration:

> (Principle 5). . . Steps are to be taken to achieve in rural areas a sufficient population density, and an adequate economic capacity as well as sufficient ways to make a living, even outside the fields of agriculture and forestry.

(Principle 6). . . Steps are to be taken to counter overcrowding of dwellings and working places which results in unhealthy living and working conditions as well as a distortion of economic and social structures.

Thus, among the objectives of the law are (1) preventing the outflow of people from rural areas and (2) keeping densely populated areas from being further overcrowded (17).

The principles outlined in the Regional Planning Laws of 1965 and 1969 and related documents set objectives and limits for the Federal Government and the individual *Laender*. The principles clarify priorities and the allocation of resources to development efforts. Although regional policy in the Federal Republic reflects a pragmatic assessment of needs, it is also based on the systematic use of detailed and statistical data.

Although the great majority of rural development programs and projects—particularly the nonagricultural programs—are covered by regional economic policy, other policy statements are in some measure related to the subject. An important example is the Federal Agricultural Law of 1955. It has significantly influenced the structural changes now taking place in German agriculture and in regional planning and development. The Common Agricultural Policy of the EC has also put pressure on both the structure and the policy of German agriculture.

The Federal Agricultural Law, with its "Green Plans," is a basic policy statement for agriculture. Its provisions aim for a more efficient agricultural section through such steps as consolidation of small farm parcels into viable economic units. However, farm consolidation contributes to the outflow of people from the rural sector. Thus, to improve affected areas' potential for nonagricultural growth, the "Green Plans" include measures for farm roads, irrigation, drainage, water and sewage systems, electricity, and other services or facilities, many of which might be classed as "nonagricultural." A relatively greater proportion of the development funds for these projects go to areas with poor soils, adverse climate, or unfavorable topography.

Implementation of Policy

In the years immediately following World War II, a primary goal of regional policy was to achieve a high level of employment. Reconstruction areas were delineated on the basis of such problems as unemployment and need for rebuilding of physical facilities and improving agriculture. As reconstruction progressed and full employment was attained, delineation of areas for development was based more on economic criteria—GDP, tax base, and industrial capacity.

Government Units and Development Areas

The Federal Government lacks authority to create subordinate regional administrative structures or organizations. The *Land* (State) is the principal unit of government and is responsible for implementing developmental programs. Subordinate to the *Land* are rural districts (composed of rural communities and small towns) and urban districts (independent cities).

Delineation of areas to receive development assistance has been modified over time. The Federal Government's regional development program has been aimed at areas where economic potential is below the national average. Three major (and frequently overlapping) categories have been designated over the years for preferential aid: development areas, development towns or growth centers, and a belt of land along the border with East Germany. Parts of the border zone have been included in development areas; development towns have been located both in and out of the development areas and the border zone.

The main development areas have been the Bavarian Forest in the southeast, Franconia in the south-central part of the country, the Eifel in the West, the mountain region from the Rhine to the Harz, the north, and the northwest. Since 1953, the Federal Government has aided the area bordering East Germany. The area is a 40-kilometer strip paralleling the eastern border of the Federal Republic.

The 1969 Law on Improvement of the Regional Economic Structure and the subsequent overall Federal-*Land* regional development plan, effective January 1972, recognize economically weak areas and structurally weak industrial areas. The economically weak areas are those with an economic capacity that is considerably below the national average, with below average levels of personal income, limited employment opportunities, and limited public services. These economically weak areas are predominantly agricultural. Structurally weak areas are those now affected (or potentially affected) by technological change, resource depletion, and the like. Examples of structurally weak areas are older industrial areas—for example, coal mining iron and steel, and textile manufacturing areas—where slow economic growth, or abandonment, is characteristic.

The economically and structurally weak areas, plus special areas delineated under earlier development programs—the East German border areas, depressed coal mining districts, and development areas designated by the *Laender*—are integrated into 21 program regions. Specific development measures are outlined to meet the needs of each region. Efforts are focused on selected growth points.

PROGRAMS AND FUNDING

Historically, the development programs of the *Laender* have been influenced by a fund-matching policy of the Federal Government. Most of the public investments have been made by the *Laender* and local governments. The Federal Government is responsible for major infrastructure development, such as construction and maintenance of major highways and waterways. Most of the problems in coordinating development programs have arisen from differences in the financial resources available to *Laender* and communities. Even when equalization procedures are employed, disparities have remained.

Briefly summarized, incentives granted under the Federal regional development program as it existed prior to the creation of the overall Federal-*Land* plan included investment grants, loans, interest rebates, grants, rapid depreciation, freight compensation, and investment allowances. Federal aid was limited to projects directly related to industrialization and economic activity. The *Laender* also offered financial aid and incentives, usually as a supplement to Federal funds.

The Federal regional development program has gone through a period of change and evolution. It had become apparent that programs aimed at assisting the border region and the designated development regions had lost effectiveness by dispersing limited resources over too wide an area to too many beneficiaries. As a result, the Federal program began to concentrate its regional development efforts at specific points. These growth points or growth centers are small- and medium-sized towns (2,500 to 50,000 inhabitants and even larger), which meet certain requirements. (*32*).

Growth centers are being emphasized for several practical reasons. First, new industry can now be more easily located away from natural resources and markets since freight costs have been lowered, road transport gives great flexibility, and energy can be supplied cheaply to areas outside the industrialized zones. Second, although locational factors are not as dominant as in the past, industry still requires some concentration at specific points so that adequate public services (such as communication networks, public education, and vocational training) can be offered. In addition, it is more efficient to supply such necessities as water and electricity to concentrated sites. Further, industries require contact with other industries and services from some of them (for example, repair services). Third, a program aimed at growth centers offers greater flexibility to the Federal Government in channeling aid to meet specific regional problems.

The objective of focusing developmental efforts on growth centers is to encourage industrialization, which will provide employment in rural areas for those leaving agriculture and reduce the flow of people into crowded urban centers.

Growth centers figure prominently in the present overall regional development program. Over 300 centers have been designated. Of these, one-tenth are designated as primary centers, and as such receive a higher level of benefits. A subsidy of up to 25 percent of investment costs may be paid to industrial enterprises locating (or expanding) in primary centers and towns in the East German border area. Development subsidies up to 20 percent may be paid to industrial firms locating in primary centers outside the border zone. In the other centers, investment subsidies may range from 10 to 15 percent. Industries in economically and structurally weak areas may receive subsidies up to 10 percent for conversion and modernization.

Other significant features of the overall plan include development of infrastructure for industry, such as the creation of factory sites; provision for water and sewage systems, power supply, and communication networks; and establishment of vocational training centers. Development funds (10 to 15 percent subsidy) are also available for the establishment, expansion, and modernization of tourist enterprises. Loans at low interest rates are available for construction of residential and recreational support facilities in growth centers in development areas to make the centers more attractive. Included among such facilities are community centers, swimming pools, and playgrounds for children.

Funding for the overall regional development program is divided approximately equally between the Federal Government and the *Laender*. The establishment of the overall development plan is a joint Federal-*Land* responsibility. The *Laender* are responsible for carrying out the tasks indicated in the overall plan, including budgeting, allocation of funds, and preparation of detailed plans and programs.

Regional policy in the Federal Republic of Germany is based on a market economy philosophy. In practice, the country appears to have succeeded in adhering to certain principles in this philosophy:

(*a*) The location of industrial firms is determined by the entrepreneurs themselves. (The Federal Government can influence decisions by offering financial advantage and by improving necessary support facilities, but this influence is indirect at most.)

(*b*) Primarily manufacturing enterprises—regardless of product—and the tourist industry receive assistance. The intention here is that the higher incomes earned in these two sectors will spill over into other sectors as indirect benefits.

(*c*) Financial aid is given only in the initial stages of the enterprise; it is not intended as a permanent subsidy. Aid given is only sufficient to compensate for disadvantages in development areas (*29*).

The objectives expressed in the regional planning laws are not quantified. Thus, it is not possible to precisely measure the progress made in creating economic opportunities in rural areas; nor, in a broader frame, is it possible to determine with exactness the progress made in equalizing living conditions throughout the country.

However, progress has been made. "All in all," the regional development programs have "been satisfactory" (*4*, p. 84). Demographic achievements include a lessening of the pull of the crowded industrialized regions of the west and an increased pull by the south (economically weaker); slower population growth in the densely populated *Laender* and migration from some crowded areas to neighboring, less densely populated *Laender*. In recent years, there has been a net immigration into rural areas in designated Federal development areas (*4*).

Specific economic achievements include a further reduction in the difference between product per capita (gross domestic product, or GDP) in the various *Laender* and the Federal average, with a faster industrialized growth in the previously less industrialized *Laender*. In the Federal development areas (including the border zone and the designated growth centers), GDP growth has at least reached the Federal average, per capita GDP has increased, and industrial employment is higher than the Federal average. The percentage of relocations and establishment of new enterprises has shown a marked increase in rural regions (including development areas) compared with urban concentrations. Over 17,000 new jobs were created in growth centers from 1959 to 1965; another 17,500 jobs will be available when currently planned projects are completed (*29*).

These achievements should be considered in light of the great economic expansion that has taken place since the early 1950's and the labor shortage, which has forced enterprises to recruit in labor surplus areas, such as areas where labor is being released from agriculture.

ITALY

SUMMARY

Rural development efforts in Italy have been focused on the Mezzogiorno—the peninsula south of Rome and the islands of Sicily and Sardinian. The Southern Italy Development Fund (*Cassa per il Mezzogiorno*), an autonomous Government agency, was established in 1950. The Fund was to expire in 10 years, but it has been extended to 1980. Initial Fund expenditures were concentrated on agricultural development; investment in infrastructure had second priority. More recently, industrialization has been given first priority. Development in the Mezzogiorno is being stimulated by grants, low-interest loans, tax relief, payment for needed infrastructure, and reduced rates for energy, fuels, and freight.

Although development efforts have focused on the south, depressed areas in central and northern Italy have also been aided by national Government measures which, for the most part, have paralleled efforts in the Mezzogiorno—financing of industrial and tourism projects, tax concessions, infrastructure projects, and so forth. In addition, the autonomous regions offer several types of financial incentives.

PERSPECTIVE

Agriculture in Italy is influenced by the country's wide range of climatic and geographical conditions. The peninsula stretches from the Alps almost to Africa. Most of the land is mountainous and subject to to erosion; the plains areas are small and sometimes marshy. Floods and excessively dry conditions are not uncommon. Rural development is affected by the natural conditions shaping agriculture and by the great difference in economic development between the north, with the fertile Po Valley and the major industrial centers, and the underdeveloped south—the Mezzogiorno.

The Mezzogiorno covers 40 percent of Italy's land area and has 38 percent of the population. Specific problems in the area include few natural resources, a low level of economic activity, low income levels, and relatively high rates of population growth. The problems have resulted in mass migration to other parts of the country, particularly the north. Between 1951 and 1962 alone, 1.7 million people migrated from the rural south. Also, serious regional imbalance has occurred because of continue development in the north, in terms of economic opportunity and social advantages.

Rapid growth has changed the structure of the Italian economy markedly, with agriculture declining in significance. In 1955, agriculture employed 38 percent of the active population and accounted for 20.5 percent of gross domestic product. By 1970, agriculture employed only 22 percent of the active population and accounted for an estimated 12.6 percent of gross domestic product.

Policy

A central goal of regional development in Italy is to correct the traditional imbalance between the Mezzogiorno and the rest of the country. In addition, current economic policy is aimed at general problems of population concentration, economic depression, and resource depletion. Ultimately, the Italian Government hopes to achieve balanced economic development nationwide by dispersion of productive activities and housing units. One objective is to improve living conditions in urban areas.

Implementation of Policy

Government Units and Development Areas

Regional economic planning committees, consisting of representatives of local communities, national Government representatives, workers and employers associations, and experts on regional problems, prepare regional development plans which form an input into the national economic plans. The regional committees are thus a link from the local level to the central Government and serve to coordinate regional and national plans.

Development in the south has been the responsibility of the *Cassa per il Mezzogiorno*, the Southern Italy Development Fund. There were five principal reasons for centralizing development authority in the Fund: The problems are of such great scope; the development territory was defined on a functional, not administrative basis; the large public works required overall management for greatest efficiency; there was a need to cut bureaucratic red tape; and a semi-autonomous agency could raise additional funds through loans (*40*).

The Fund is under the political direction of the Minister for Special Action in the South (advised by a special ministerial committee) and under the operational control of a Board of Directors. The Fund has a definite budget, considerable freedom, and power to pursue those objectives it deems necessary.

Industrial boards (consortia) are important in implementing local projects. The boards are composed of representatives from the communities, regional agencies, and industrial and labor associations. The boards can act as an arm of government when necessary, with power to condemn land and, to a degree, to veto actions of local officials. Specific tasks assigned to the industrial boards include the creation and management of industrial development areas and nuclei of industrialization. The "areas" include a number of communities and several industrial parks. "Nuclei" usually include only one or two communities and a single industrial park (*40*).

Programs and Funding

The Southern Italy Development Fund was established in 1950 with an initial life of 10 years but was subsequently extended to 1965 and then to 1980. Initial expenditures were concentrated on the development of agriculture; of funds available in 1950–57, 77 percent were allocated to agricultural development. The remaining funds were allocated to infrastructure projects. The Government hoped that by giving priority to agriculture and establishing a general economic framework, a self-sustaining growth could be stimulated. However, this goal was not achieved during the 1960's (*4*).

In 1957, when a new law lengthened the life of the Fund to 1965, the money available was doubled and the following measures designed to promote industry were added: Capital grants, interest rebates and credits; credits for establishing infrastructure for new industry; and designation of development regions and industrialization centers where infrastructure projects and financial assistance would be concentrated. Also, allocation of funds changed. Agriculture recieved 55 percent; industry 11 percent, water supply 15 percent, road construction 13 percent, and miscellaneous 6 percent. The concept of "integrated industrialization centers," proposed in 1963 and applied in 1966 in the Bari-Taranto-Brindisi area, was judged successful (*4*).

In 1965, the mandate of the Fund was extended another 15 years—to 1980—and for the first time, industrialization was emphasized as the key item to "bring the South level with the rest of the country," and stop the extensive out-migration. During 1965–70, funds were allocated as follows: Industry 33.5 percent, agriculture 24.4 percent, general infrastructure 21.7 percent (water supply 13.1 percent, road construction 8.6 percent), tourism 6.5 percent, and miscellaneous 13.9 percent.

The 1965 development plan for the south, created under the auspices of the Fund, was incorporated into the 1965–70 national economic program. The plan called for locating in the south at least 40 percent of all new jobs in the nonagricultural sectors. In addition, four comprehensive development areas were delineated in the south—one each in Sicily, Sardinia, Lazio-Campania and Puglia-Basilicata.

Inducements offered by the national Government for developing the Mezzogiorno include grants (up to 20 percent for building and 30 percent for equipment), low-interest loans (4.0 to 5.5 percent), tax relief (for example, exemption from income and corporation taxes for a period of years), payment for needed infrastructure (up to 85 percent of the cost), reduced rates for electricity and fuel, reduced freight rates, and other benefits (*4*).

The autonomous regions in the south also offer several types of financial incentives. The combined total of benefits granted by regional authorities and the national Government may not exceed 85 percent of the total investment by small and medium-sized enterprises nor 62 percent of the total investment by other enterprises.

Attempts to stimulate growth in the Mezzogiorno have gone through certain phases. In the first phase, aid was diffused throughout the region. In the second phase, aid was concentrated in development regions and industrialization centers. In the third phase, large, comprehensive development areas were established. Emphasis shifted from assisting individual enterprises to promoting integrated industrial complexes, and the volume and kinds of public assistance substantially increased (*4*).

Although development efforts have focused on the Mezzogiorno, the national Government has also aided depressed areas in central and northern Italy. These measures have paralleled efforts in the south, with projects for infrastructure development, incentives for agriculture, loans and grants for industrial and tourism projects, and tax concessions (*21; 31*).

In addition to its broad regional development programs, Italy has Five-Year Plans for Agricultural Development (the so-called Green Plans) that include limited funding for what may be defined as nonagricultural projects. These include electrification, road construction, promotion of tourism and crafts, housing construction, and food processing in essentially rural areas.

The Mezzogiorno development policy is scheduled over an extended period, and any evaluation of its success must take into account the fact that a number of years remain in the current plan. Still, in terms of gross national product and industrial employment, the south has fared well. During 1954–66, the gross domestic product of the south grew at a slower rate than that of Italy as a whole, but as the proportion of the Italian population living in the south was decreasing by migration, per capita domestic product during that period increased at the same rate as the national average. Industrial employment in the south during 1951–65 increased slightly faster than the national average growth in such employment. From 1951 to 1967, the proportion of persons engaged in agriculture in the south dropped from 56.7 percent to 35 percent, while the proportion of industrial workers increased from 20.1 percent to 31.4 percent.

However, the flow of people from the south continues. And it has not yet been possible to create a sufficient number of small and medium-sized factories which employ more labor than the capital-intensive primary industries already established in the south (*4*).

BELGIUM

SUMMARY

Belgium is a relatively small, compact, highly industrialized, and densely populated country. As in other industrialized countries, movement from rural areas to urban centers continues. Declining industries, chiefly coal mining, and an outmoded industrial structure have led to regional imbalance. Development is aimed basically at industrialization to reduce unemployment, and is encouraged by means of interest rebates, capital grants, Government-guaranteed loans at low interest rates, tax relief, and development of industrial land.

PERSPECTIVE

Belgium is densely populated and highly industrialized. Problems of rural areas, where agriculture or mining predominate, and problems of other less-densely populated areas are in large measure subordinate to specific regional problems that are related to industrialization and unemployment.

Agriculture now accounts for only about 5 percent of Belgium's gross domestic product. The nonfarm labor force in 1956 represented 91.3 percent of total employment; by 1968, the share was 94.4 percent. By 1980, nonfarm employment may reach 97.0 percent of total employment. Population shifts from the countryside to urban centers continue. Almost one-third of the agricultural population has left the land since 1959.

In some nonurban areas, the decline of the coal industry has caused regional problems. Not only have the mines and the allied industries been affected, but services and other industries (such as ceramics and railway rolling stock) have become depressed as well.

These rapid changes in economic structure have led to regional imbalances, with relatively high unemployment in some regions.

POLICY

Belgium's regional policy may be said to cover development in rural as well as urban areas. In essence, the objectives of regional policy, which are never specifically defined, are to achieve a balanced distribution of (regional) activities, and to solve specific problems, such as unemployment, as they occur in each region.

IMPLEMENTATION OF POLICY

GOVERNMENT UNITS AND DEVELOPMENT AREAS

At the national level, Belgium's Ministry of Economic Affairs is responsible for planning and implementing regional development. Working with the Ministry are two Ministerial Secretaries of State for Regional Economy, one for the Flemish region and one for the Walloon region. The Secretaries propose directives to implement regional laws and participate in regional policy decisions.

The Ministerial Committee for Economic and Social Coordination is the main coordinating body for matters affecting more than one ministry. Land use planning, including the selection of industrial sites, is a function of the Ministry of Public Works. Provinces and communities, usually in intercommunity associations or semipublic companies, also assist in the development of industrial areas.

Designation of development regions were provided for in a 1959 law. The regions were defined as areas in which one of the following exists in "substantial" measures: Unemployment, permanent outmigration, a large number of commuting workers, or declining economic activities. Fifteen development regions, some quite small, were delineated under the law. They cover 322 communities and represent about 18 percent of the population (*4*).

In 1966, legislation was passed covering development of coal mining regions and regions "confronted with acute and pressing problems." Some 30 criteria, 25 of them social (for example, population, employment, and personal income) and 5 of them economic (for example, infrastructure index, residential index, and land use), were used to select regions with acute and pressing problems. Over 679 communities—about 25 percent of all communities and 35 percent of the population—are included in the coal mining regions and regions with acute and pressing problems.

PROGRAMS AND FUNDING

Belgian regional development policy has its origins in reconstruction efforts after World War II. Economic necessity forced emphasis on the then existing industrial structure so that export trade could be quickly increased. In 1953, an act was passed to give financial aid for creating and expanding industrial and craft enterprises.

The 1953 act was replaced in 1959 by two laws which linked regional development measures to general economic policy. One, the "General Act," was aimed at stimulating industrial expansion throughout the country. The other, the "Regional Act," was aimed at solving regional problems and also stressed investment in industry. Three tax laws, also passed in 1959, provided tax incentives to industrial investment. The National Investment Company was set up in 1962 to aid industry by acquiring a temporary share in enterprises needing capital for expansion.

Rapid deterioration in the coal mining areas and a need to speed up development in other regions stimulated passage of a new development act in 1966. The 1966 act, which provided temporary aid for specified regions, strengthened the 1959 acts with provisions on amounts and types of aid to be granted and the delineation of development areas.

The 1959 and 1966 acts both specify similar means of encouraging development—interest rebates, capital grants, Government-guaranteed low-interest loans, tax relief, and development of industrial land. The interest rebate is the most common incentive used to promote development. Rebates available to enterprises range from 2 to 5 percent; in some instances, loans are interest-free for the first 2 years.

Grants to firms locating in designated development regions range from 20 to 30 percent of the investment in land and buildings and from 7.5 to 10 percent of the investment in equipment. Tax relief on investment in development regions includes tax exemption on Government grants or subsidies, exemption from property tax, and accelerated depreciation rates. Industrial land development may be furthered by the national Government, Provinces, and communities, all of which can condemn land for industrial purposes and set up development corporations.

The agricultural sector is aided through acts and funds in addition to those related to regional development. For example, a third of the cost of electrifying isolated farms and improving country roads is covered by Government aid provided by the Investment Plan. Improvements to rural housing are carried out by a semigovernmental company (*Société Nationale de la Petite Propriété Terrienne*), which is assisted by local and regional associations. The company's goal is to improve living conditions of low-income families in rural or semi-industrialized areas, whether agricultural or not.

Of the three major geographic regions of Belgium (Flemish in the north; Walloon in the south; and Brussels), the north has definitely benefited from the regional development policy; the south, less so. In 1958-68, unemployment in the north decreased 38 percent, but in the south it increased 80 percent. From 1959 to 1967, new investments, stimulated by interest rebates, resulted in the creation of 159,000 new jobs—71.2 percent in the north, 26 percent in the south, and 2.8 percent in Brussels. In terms of migration, the north, which had net out-migration from 1958 to 1962, registered a net in-migration after 1964. Out-migration from the south continues.

According to an official source, "Belgian regional policy has done much to improve the situation in the Northern region from what it was in 1959 . . . Concurrently, the situation in the Southern region has deteriorated markedly" (*4*).

The continuing imbalance in regional development may be due to the reason given by the same source: "As identical aids were offered to new investments in these preferential regions, it was doubtless logical for new enterprises wishing to receive the aids to seek the sites which offered the biggest advantages, notably with regard to regional facilities, aids being equal. It therefore, seems natural that new enterprises should have set up in the areas faced with the least serious problems or without real difficulties" (*4*).

THE NETHERLANDS

Summary

Rural development in the Netherlands is influenced by several factors: the relatively small size and compactness of the country, the high overall density of population, and the growing congestion of coastal urban areas (the west). Regional policy is aimed at restricting concentration in the west, developing certain regions still heavily dependent on agriculture, and converting the economic base of regions with declining industries (for example, coal and textiles) to new industries and services.

Since 1951, Dutch policy has evolved from emphasis on establishing infrastructure in broad development regions to industrialization, with priority given to a limited number of development centers in three large regions.

Perspective

Agriculture in the Netherlands is undergoing significant change as a result of mechanization, a shift toward larger farm units, and specialization in production. The relative importance of agriculture in the economy has diminished. Agriculture accounted for 10 percent of gross national product in the mid-1950's and 7 percent in the mid-1960's. The agricultural labor force has decreased by one-third since 1955 and now accounts for about 7 percent of the total labor force.

Out-migration from the agricultural regions in the north and south has added to congestion in the large urban centers in the west. The three western Provinces have 47 percent of the country's total population but only 21 percent of the land area. Within the western region, the Amsterdam-Rotterdam-Hague-Utrecht metropolitan area has 37 percent of the total population but only 10 percent of the area. In addition to these large urban areas, regional cities and large towns provide new employment opportunities and also absorb some population from the countryside (*4*).

Policy

The objective of the Netherland's development policy is to achieve a relative balance of population and economic activities throughout the country. A major goal is to develop industry in the predominantly agricultural regions of the north and south, where the rate of unemployment is relatively high and, consequently, out-migration persists. A related goal is to lessen migration to urban areas in the west and slow further population and industrial growth in that region.

p. 24 blank

Implementation of Policy

GOVERNMENT UNITS AND DEVELOPMENT AREAS

The Ministry of Economic Affairs is responsible for regional policy at the national level. The Ministry outlines policy guidelines, delineates development areas, and indicates the nature of aid to be given for development.

Regional development projects are administered by the Provinces and communities. The Provincial governments act chiefly in advisory and coordination roles and make recommendations to the national Government. Community governments are responsible for administration and implementation of projects.

Since 1959, development efforts have centered in 48 "development nuclei" in three large development regions. The largest region covers most of the northern part of the country; two smaller regions are in the southeast and southwest. These three regions cover 46 percent of the country and have 21 percent of the population. Of the 48 growth centers in the regions, 21 have been designated as "primary." These primary centers are given priority over the 27 "secondary" centers (*4*).

PROGRAMS AND FUNDING

Immediately after World War II, developmental efforts were concentrated on creating infrastructure in special development regions. From 1953 to 1959, efforts were directed toward regional industrialization, with aid in the form of development grants.

A shift to development centers, located in larger regions, began in 1959. The objective of concentrating on development centers is to stimulate a number of favorably located places to such an extent that they will achieve self-sustaining growth and, in the process, aid the region. The development centers that were selected had existing infrastructure (housing, educational and recreational facilities, and cultural and social amenities) sufficient to attract new business. In general, selected centers were relatively large in population. However, no size limit was established. An attempt was made to select centers that were suitably located and would have a good chance of self-sustaining growth. The Dutch now consider the centers (48) to be too numerous; 20 centers would be preferable (*30*).

Development is aided in three general ways: Provision of infrastructure, financial assistance, and assistance in social planning. Infrastructure covers improvement of communications, creation of industrial areas, and improvement of public services. Projects are undertaken at the national, Provincial, and community level; in some instances, the national Government can contribute up to 95 percent of the cost.

Financial aid from Government agencies to enterprises varies with geographic location. It includes capital grants (with funding allocation based on area of floor space), reduction in the price of land (50 percent reduction in the purchase price of land for a new enterprise), interest rebates, loan guarantees, and participation by the Government in the enterprise (stock purchase). Aid to an enterprise can reach a maximum of 35 percent of capital investment.

Social planning, considered an important part of development, is focused on providing regions with social and cultural facilities, such as schools and vocational training centers, sport and recreational facilities, medical facilities, libraries, and cultural centers (*11; 30*).

How well the Netherlands' development efforts have succeeded can be inferred from statements concerning employment and migration. Stimulation of industry outside the crowded western region has resulted in a slight decrease in that region's share of the total industrial labor force, while the north and south have increased their shares. During 1957–67, 60,000 new industrial jobs were created in the Netherlands. About two-thirds of these jobs were created by firms that had received assistance. Migration patterns have reportedly shown a remarkable shift, with out-migration from the western region beginning to occur. There is net in-migration into the north, where a net outflow had long been observed. It should be noted that favorable economic conditions have stimulated industrialization and increased the demand for labor in enterprises that have not received public assistance (*4; 32*).

FRANCE

Summary

Serious imbalances in industry and population distribution have occurred among regions in France, with a concentration of industry and urban population in the north and east. Out-migration from rural to urban areas has aggravated the imbalance.

Regional policy has as its overall objective a better distribution of activities and population. Specific goals are relief of congestion in the Paris region, redevelopment of regions with declining industry (coalfields, textile areas, and small iron and steel centers) in the north and east; and development of predominantly agricultural areas in the west and southwest to increase non-farm employment opportunities there. Incentives and constraints are both used to achieve these goals.

France's traditional pattern of concentrating authority in the central Government carries over to its development program. In 1956, the country was divided into 21 program regions for development purposes; the regional programs are formulated by the central Government and modified to fit local conditions in the various program regions.

Financial aid for industrial development or relocation is provided by industrial development grants and by the Economic and Social Development Fund. The Fund for Aiding Land Development and other forms of financial assistance are available for large, regional infrastructure projects for agriculture, recreation, and hydroelectricity.

Various programs are designed to help rural areas in particular. The main concentration is on rural centers to supply medical, cultural and other services to the surrounding areas.

To relieve urban problems specifically, nine new satellite communities are being planned. Lyon, Marseille, Rouen, and Lille will have one each, and Paris will have five.

Perspective

Development of rural areas in France is motivated by the serious disequilibrium between major regions of the country. The uneven distribution of population and economic activity is highlighted when declining rural areas, mostly in the western regions, are compared with the congested industrialized centers of the north and east. Almost one-fifth of the population lives in Paris—on 2 percent of the total land area. Other problem areas include those where major traditional industries, such as coalfields and small iron and steel centers, are declining but where other industries have not expanded sufficiently to absorb excess labor.

Unemployment looms large in the country's rural areas. In the mid-1960's, 20 percent of the French labor force was employed in

p. 28 blank

agriculture. By 1985, the share is expected to be 8 to 10 percent at most, as farms are consolidated into larger, economically viable units. The need for alternative job opportunities in industry and the services is apparent (*26*).

Policy

Rural development in France is an integral part of regional policy. In the comprehensive French approach to regional policy, economic, social, and land use planning are integrated. The objectives include action to remedy imbalances in regional distribution of activities, development of depressed mining and industrial areas, and development of predominantly rural areas.

Implementation of Policy

GOVERNMENT UNITS AND DEVELOPMENT AREAS

Planning and administration of regional programs are centralized, a reflection of the traditional French structure of government. Administratively, France is divided into *Departments*, which are divided into *communes*. Each *Department* is headed by a direct representative (The Prefect) of the National Government who is invested with considerable authority. The *commune* is the basic unit of local government. A *commune* is considered rural if the population of its main inhabited place is less than 2,000. Rural *communes* cover about nine-tenths of the country's area.

Because the administrative structure has not encouraged consultation and decisionmaking at the lower level, new functional units were established to carry out regional policy. Twenty-two program regions covering the entire country were delineated in 1955 on economic, historical, demographic, and even psychological grounds (relating to regional "spirit"). A slight change was made in 1960, and there are now 21 regions (*20; 26; 32*).

Regional policy is formulated as follows: General guidelines are established by the national Government and sent to the regions. In each region, local needs and problems (for example, new industry and rural migration) are surveyed. Based on the surveys and analysis at the regional level, policy and objectives are modified to meet local situations (*32*).

The French Ministry of Agriculture has had far-reaching responsibility for activities in rural areas, including promotion of balanced development and provision of certain public services to the rural *communes*, such as water, electricity, sewage, and rural roads.

PROGRAMS AND FUNDING

French regional policy, modified considerably since its inception, is based on a number of legal texts. Rural development is affected by the constraints, positive incentives, and infrastructure projects that are used as instruments of regional policy.

Constraints on the location of industry and decentralization of activities affect principally Paris and Lyon. Any proposal for industrial construction covering 1,000 square meters or more is reviewed by the Ministry of Works. The Ministry issues an authorization, after consultation with a regional commission that assesses the impact of new establishment. Also, Government activities in the Paris region are subject to review by a decentralized committee, which specifies Government agencies that can be transferred outside the region (*4*).

Positive incentives employed to encourage decentralization and regional development include national financial aids and tax benefits, plus local assistance. Among the national financial aids are loans granted by the Economic and Social Development Fund (at 6 percent interest for 10 to 15 years) and industrial development grants. The grants can be as high as 25 percent of investment expenditure for establishing new enterprises in underdeveloped or declining areas, and up to 15 percent for enterprises that expand. Regional development corporations (public) may purchase shares of enterprises (up to 35 percent; maximum term, 15 years). Enterprises and service activities that relocate outside the Paris region may receive decentralization grants to cover part of the cost of the transfer. Industrial enterprises may be reimbursed for up to 60 percent of the cost of moving and service activites may receive 15 to 20 percent. In addition, enterprises in Paris that release workshop, storage, or industrial space are eligible for "closure" grants (*4*).

Other national financial aids are vocational training grants, price reductions for industrial sites, and reductions in fuel costs (natural gas and electric power).

Tax benefits include a special amortization rate of 25 percent for capital expenditure in the western regions, total or partial exemption from the business tax for up to 5 years, and reduction in the transfer tax on real estate purchased under regional development programs. Purchase of land can be assisted by local authorities.

In addition to constraints and positive incentives, major infrastructure projects are used to shape and channel development. Several joint public-private enterprises engage in large regional projects for agriculture and tourism and for generation and distribution of hydroelectric power. Various financing arrangements are used; the most important is the Fund for Aiding Land Development.

Problems of population growth and distribution have concerned French authorities for some time, and are being dealt with in several ways. In addition to constraining growth in the large urban centers of Paris and Lyon (and offering incentives for relocation from Paris), France has designated eight alternate cities or metropolitan areas (*metropoles d' equilibre*) to counterbalance the attraction of Paris. In addition, five new satellite communities in the Paris region, each with a population of 300,000 to 500,000, are planned as an alternative to increased congestion in Paris itself. The new communities will have commercial and service centers, education facilities, and possibly industries. New satellite communities—one for each city—are also planned for Lille, Rouen, Lyon, and Marseille (*18; 32*).

Opposite problems affect rural areas. Much of the decline in these areas results from farm consolidation, increased mechanization, and surplus labor. Current programs to ensure continuance of a rural way of life include occupational training, with encouragement and support of tourism, craft trades, and the development of small, rural industrial units.

Present rural development efforts include concentration of investment for infrastructure in a specific number of villages rather than spreading investment over all villages. The objective is to use resources to develop "rural centers," where farmers and rural residents can find desired administrative services and facilities for education, recreation, cultural pursuits, health and commerce.

Development programs cover a considerable portion of France. Efforts to achieve major objectives (balanced regional development and relief of congestion in the Paris area) show mixed results. Progress here is difficult to assess quantitatively because statistics are lacking or reporting methods have varied so that the data cannot be compared. However, general economic indicators—wages, energy consumption, industrial construction permits, and others—show "marked improvement in the west, growth in the south and southeast, and a persistence of difficulty in the north and east" (*52*, p. 90).

Decentralization of activities centered in Paris is still a problem. However, the rate of population growth in the city has recently declined, and there has been some transfer of industry from Paris to other regions. Another problem that remains is high unemployment in areas with declining industries such as coal mining.

NORWAY

Summary

Norway's early regional development programs emphasized the channeling of industry to underdeveloped areas by offering a wide variety of incentives to entrepreneurs, such as loans and tax advantages, and by providing sufficient infrastructure. The regional development program has since been broadened and now includes consideration of land use planning and the establishment of industrial parks. Trial growth centers have been established in an effort to reduce dispersion of limited resources and to test plans and programs. Migration of workers from industries with declining labor requirements (mostly fisheries and agriculture) continues, with population buildup in regional centers, where industries are expanding.

Perspective

Norway's development problems are directly related to the dispersed settlement pattern and to geographic conditions that have long channeled patterns of growth and trade. Three percent of Norway's land area is used for agriculture, and 23 percent is in forest; the remaining 74 percent is non-arable, and includes unproductive mountains, moors, tundra, or similar terrain, and other uses, such as roads, cities, towns, and villages. The scattered settlement pattern, particularly in the coastal region, dates from earlier times, when farming, fishing, and hunting were the chief occupations and water transport was predominant.

Since World War II, land and air transport have complemented water transport. This shift has required a great investment in roads, bridges, airports, harbors, and ferry connections. With the change in transportation patterns has come a gradual depopulation of the isolated parts of the coastal zone and a growth of towns and smaller fishing centers.

Norwegian agriculture is handicapped by a short growing season, a difficult climate, adverse topography, and scattered distribution of farm parcels. Most of the farms, which are individually owned, are too small to provide an adequate income. As a result, most farmers have one or more occupations off the farm. Fishing is one of the principal secondary occupations for farmers in the coastal districts.

Agriculture (including forestry and fishing) accounts for about one-fifth of total employment in Norway but for less than 10 percent of total gross national product. The rural areas are thus not in balance (in terms of production) with the urban centers of the country.

Changes in industry (for example, modernization of the fishing fleet, with a consequent reduction in the required labor force) and in transportation patterns, together with the decline of small settlements and a desire among rural people for the amenities of urban living, have resulted in extensive migration within the country. Movement has been from rural areas with dispersed population and scattered settlement to local and regional centers, and from economically less developed areas (for example, northern Norway and the coastal and mountainous regions of southern Norway) to more prosperous and centrally located districts, such as Oslo and some of the larger regional centers.

Policy

Norway, like other European countries, views rural development in the larger context of regional development. Changes in settlement patterns, shifts in transportation, and structural changes in industry have led to regional problems that affect the entire country, not merely the rural districts. Regional policy is aimed at promoting better regional balance and alleviating readjustment problems arising from structural changes in the economy. Therefore, regional development policy is closely interwoven with national economic policy.

Principal objectives of Norway's economic policy are full employment, rapid economic growth, and equitable income distribution (between social groups as well as between geographic regions) (*24*). Government grants for schools, communication networks, electrification, and community services are designed to aid in the achievement of regional as well as national economic objectives.

According to the 1970-73 national economic program, the main regional policy objectives are to:

(*a*) Stimulate the development of town and country environment to meet human needs;

(*b*) Ensure a fair distribution of the rising living standard between different areas of the country;

(*c*) Promote location of industry and housing that ensures optimal use of economic and human resources and stimulates economic growth (*10*).

In only a few regions in Norway (mostly in the southern part) is farming on large, economically viable units possible. Although agriculture is not economically feasible in many areas of Norway, the Government has supported the existence of small units in order to maintain communities throughout the country for social and strategic reasons.

Implementation of Policy

GOVERNMENT UNITS AND DEVELOPMENT AREAS

Norway is divided into 20 Counties, including Oslo and Bergen, which have County status. At the local level are the rural and urban communities. The communities and Counties are primarily responsible for the planning and development work.

Norway's communities are to a large extent self-governing. They can levy taxes, and they have the responsibility for providing a large number of services—education, water supply, local roads, and sewers. The community governments also contribute to policy formulation at the national level. County governments are composed of representatives from the various communities. They are responsible for coordinating and solving problems of common interest to the communities—

for example, maintenance of major roads and provision of health services. The County is headed by a governor, who is appointed by the National Government.

Regional development in Norway is subject to centralized control, which acts as a counterbalance to possibly inefficient dispersal of effort on the local level.

Unemployment and the need for reconstruction after World War II led to the establishment (during 1949–58) of regional planning offices in Norway's 18 nonmetropolitan Counties. These offices laid a foundation for regional analysis and later development efforts.

In 1951, an extensive development program was begun for the northern third of the country, which has 35 percent of the land area and 12 percent of the population. The program grew out of the need for reconstruction of war-damaged areas and the necessity to strengthen the economy of the region. The 10-year program ended in 1961, and no new specific development areas have since been designated. Rather, because of the wide range of underdeveloped areas and the fact that the country has only a modest industrial establishment, regional problems are now handled on a national level. Although development areas have not been designated, "growth centers" and "growth areas" have been established in 15 Counties (*24*; *28*).

PROGRAMS AND FUNDING

The North Norway Program represents the major regional developmental effort of the 1950's. However, selected coastal communities in the west and central regions have received sums since 1955 for development purposes, mainly road construction.

The Regional Development Fund, established as part of the North Norway Program and reorganized in 1961, is today one of the principal instruments for implementing regional policy. Development areas aided by this Fund are not designated by geographical boundaries. Rather, general criteria are applied, relating to such things as special employment problems, underdeveloped industrial conditions, and outward migration. A special tax law for the purpose of stimulating industrial development in economically weak areas was also introduced in 1961 (*23*).

The Fund aids industrial development through loans[1] and guarantees, compensation for relocation costs, consultant services, and direct investment grants. The direct investment grants, a new measure, can be used for tourism development as well as industry.

The Fund grants medium- and long-term investment loans and guarantees loans at regular market interest rates. Grants for labor training cover wages, travel, daily expenses for key personnel, and 50 percent of wage costs for skilled and unskilled laborers. Direct investment grants for plants and machinery in designated development areas are set at a maximum of 25 and 35 percent of cost, respectively. For these items, 15 percent is allowed for areas not specially designated (*23*; *28*).

In addition to the Regional Development Fund, various other public funds and banks contribute directly and indirectly to the strengthening of industry in the weaker areas. Investments in business activities

[1] About 80 percent of all fund assistance given in recent years has been in the form of loans.

are financed through private and public banks and credit institutions. Basic investments for support facilities are generally financed from national and local government budgets.

Tax concessions are also used to encourage industrial development in target areas. Generous depreciation allowances (especially for industries locating in the three northernmost Counties), exemption from the investment tax, and tax reductions aimed at permitting entrepreneurs to set aside funds for investment in development areas—are used as incentives.

The development of a viable industrial and social environment in the development areas depends to a large extent on basic investments in communication networks, roads, education, power, social services, and other infrastructure. Financial aid to promote economic growth through providing such resources in development areas is provided in the national budget. However, much of the financing is the responsibility of the local communities—for example, they must finance local roads, schools, water supplies, sewers, health services, social services, and cultural institutions. The communities also create favorable conditions for new enterprises by such steps as clearing building sites, allocating areas for industry and residences, and building access roads.

The national Government assists communities in project planning and gives grants for urgent projects if communities and counties lack adequate financial resources. These grants are particularly important in the development of roads, airfields, harbors, power supplies, secondary schools, and so on. Financial aid is also available from the national Government to cover wages in connection with winter development work undertaken when seasonal unemployment is a problem. Special infrastructure projects, such as clearing building sites and constructing access roads, may receive national financial aid up to 70 percent of total costs (*28*).

Other efforts on the national level include projects to aid the mobility of labor (with the transfer of workers from declining to expanding industries), efforts to extend electric power throughout the country, and budget grants and subsidies to aid in equalizing social and educational standards throughout the country. Subsidies and grants have particularly aided rural settlements dependent on agriculture and fishing.

Since the mid-1960's, regional policy in Norway has become broader in concept as the need for planning—especially long-range planning—has become evident. In 1965, the national Government, with the participation of 15 Counties in the Oslo area, designated a "trial growth" center or area in each of the Counties. The objective is to speed up and gain experience from practical planning through concentrated use of existing development measures in a few selected places. Intensive planning and development work is now going on in these 15 centers and areas, with participation of local, regional and national units.

In 1966, a new physical planning (land use) law came into effect which put more planning responsibility on the local communities than was previously the case. Coordinating functions at the County and national levels were also strengthened. Multicommunity planning areas were established, and new guidelines and incentives introduced for establishing recreation areas and for protecting the environment.

In 1968, the Norwegian Parliament established a Government-owned company to develop and operate industrial parks. The company owns the land, makes improvements, constructs industrial buildings for sale or rent, and sells sites to industries desiring to erect their own structures. Industrial parks (or "estates") have been started in each of the five major regions of Norway.

Location of industry is not regulated. However, an industrial guidance service was established in 1970 to assist in locating and relocating industrial enterprises. Firms in congested areas (for example, Oslo) must give notice in advance of intentions to construct new facilities or rebuild old ones.

In terms of stated policy objectives, the Norwegians have had some success in their rural development efforts. For example, electric power has been extended to greater numbers of people. At the end of World War II, 640,000 people (20 percent of the population) had no electric power supply. As of mid-1968, only 2,100 people, or 700 families (mostly in isolated settlements), did not have electricity. Another example is the extension of the road network, which has lessened dependence on sea transportation (24).

The Norwegians foresee a continued decline in population in the rural areas. With this decline, problems of establishing and maintaining service institutions in rural areas will intensify. The Government is not trying to stem movement out of rural occupations (fishing and agriculture). In fact, workers are aided in shifting to other regions and jobs through training, relocation grants, and other assistance. The Norwegian authorities do want to slow population movement, however, so that it will not create problems and pressures as present urban centers expand and new ones are created. So far, subsidies and grants to the fishing industry and to agriculture have apparently been more successful in slowing rural-urban migration and alleviating its problems than have the positive efforts to expand industry in rural areas.

FINLAND

Summary

Regional development policy is a relatively recent innovation in Finland. The policy is designed especially for the rural communities in the east and north, in parts of the central and western areas, and on the archipelago in the southwest. Its overall aim is to counter the country's inefficiency in production, especially in agriculture, forestry, and fishing (32).

Legislation in 1966 constituted the first step in the country's comprehensive regional development program to solve problems related to this production inefficiency and to the problem of the vast, sparsely settled northern region. Designated development regions are divided into two zones, depending on the degree of need, and funds and incentives are disbursed accordingly. Essentially, more aid is given the farther north the settlements are.

In 1969, the Regional Development Board of the Prime Minister's Office outlined comprehensive measures to effectively restructure segments deficient in manpower, enterprises, and community facilities. The measures were to go into effect in 1973.

As in the other Nordic countries, major programs are designed to increase the mobility of labor, provide vocational training centers, and create population centers sufficiently large to support modern infrastructure and service industries.

Perspective

Finland's development problems, like Norway's and Sweden's, are related to its large land area and patterns of dispersed settlement. Finland covers 337,000 square kilometers but has a population of only 4.9 million.

A specific problem in Finland is the inefficiency of production, especially in the primary industries. In 1967, for example, the primary industries utilized 27 percent of the total labor force but accounted for only 15 percent of gross national product. In agriculture, the respective figures were 23 percent and 9 percent.

After World War II, Finland had to surmount problems of extensive war damages, loss of large parts of its eastern territory to the USSR, and resettlement of 40,000 families from that territory. As a result, in contrast to most European countries, there was an increase in the number of farms, especially small ones, until the 1960's. More recently, the number of farms has decreased and agricultural employment has declined as a percentage of total employment.

Industries in the rural areas traditionally have grown too slowly to provide many new jobs, and the primary industries cannot absorb the excess labor force. Therefore, the result is unemployment and emigration from rural areas. In the north, additional problems are caused by very high birth rates and low income levels.

p. 38 blank

Policy

Regional development aims have been part of Finland's national economic policy since the 1930's, but actual regional development plans are a new phenomenon in the country. A provisional study outlining broad regional development guide lines was first submitted to Parliament in 1965; Parliament then enacted regional development legislation in 1966.

The 1966 legislation created the Regional Development Board, which represents the central Government, municipal organizations, industry, research institutions, and the different regions of the country. The Board is responsible for continued research and planning.

Finland's redevelopment policy as of 1969, provided for two zones of underdeveloped regions that require different degrees of assistance, grants, and aids. Zone I designates the most underdeveloped areas, for the most part—the arctic region. Zone II designates areas farther south but relatively undeveloped and in need of regional aid.

In May 1969, proposals for an actual program to begin in 1973 were submitted to Parliament. The proposals redefined the regional development zones, taking into account the stage of growth of each community; they outlined methods to increase the mobility of labor by providing relocation grants and vocational training; and they provided for tax relief and incentives for industries to relocate in the development area. They also aim to establish at least one "growth center" in all regions which would be able to support modern infrastructure and service industries.

Implementation of Policy

The implementation of regional development policy is entrusted to the Ministry of Commerce and Industry, the Ministry of Communications and Public Works, and the Ministry of Finance. With this structure, actual financial support designed specifically for regional development is hard to distinguish from the ordinary expenditures of each Government ministry (*28*).

Government assistance for regional purposes depends on the stage of development in a particular area; underdeveloped areas are supported to a greater extent than those in a more advanced stage. Subsidized interest rates and tax reductions for regional development have so far been modest. In the next few years, Government support in this form is expected to exceed $10 million annually. Special Government assistance is not designed for the development of roads, schools, housing, and other infrastructure. Instead this is considered the responsibility of local government.

Finland, like Sweden and Norway, is interested in providing for the mobility of labor as well as the relocation of industry in developing areas. Special transfer grants have been used to encourage people to move from areas of underemployment to regions where work is available. In both 1967 and 1968, grants were allocated to 5,000 workers.

Fiscal concessions are used to encourage industries to move to or remain in development areas. The forms used are tax relief and investment credits. Tax relief consists of special depreciation rights (which are high in Zone I) and exemption from property tax on buildings.

Tax relief is also given to industries that invest in development regions. Tax investment credit, a more recent innovation, consists of subsidized interest rates.

A convenient measure of the effectiveness of Finland's development efforts is the number of permanent jobs created in the development areas. Finland's subsidized rates of interest are estimated to have created over 3,000 permanent jobs during 1966–68 (*32*).

Since more comprehensive efforts are either just starting or are in preliminary stages, further evaluation is impossible.

DENMARK

Summary

Regional Development in Denmark is influenced by two factors, the dominance of Copenhagen and the structural changes that are occurring in the agricultural regions. The metropolitan area of Copenhagen, which is located on the Island of Zealand, accounts for about 35 percent of the entire population. Other principal parts of Denmark, including major portions of Jutland and many of the islands, are predominantly agricultural and rural (*32*).

The agricultural section of the Danish economy has been contracting steadily over the last few decades. Forecasts indicate that by 1980 there will be as few as 40,000 independent farm holdings and as few as 60,000 farm laborers. Industry, other than agricultural, tends to cluster in the Copenhagen area. The result is that rural workers have no suitable alternative to agriculture in their own regions and, so, tend to migrate to Copenhagen, where job opportunities and incomes are better (*6*).

The Regional Development Act of 1972 is designed to give assistance to the areas in decline. Grants and loans are provided to private enterprises and to the municipalities for industrial relocation (*12*).

The act provided for two types of development regions: "special development regions" and "ordinary development regions." Special regions have more acute and persistent problems than the ordinary regions have.

Perspective

Denmark is the bridge between Scandinavia and the continent of Europe. It is a Nordic country by social and cultural heritage, but unlike Sweden, Norway or Finland, it is a relatively small and compact nation. The population of 4.9 million inhabits a land mass of only 17,029 square miles. The major land mass is the peninsula of Jutland. The rest of the country is composed of 483 islands, large and small; only 97 are populated. Copenhagen is situated on the eastern side of Zealand, the largest of the islands.

Danish concern for regional and rural development was heightened by problems that arose in the 1950's when the population and industry tended to concentrate in Copenhagen. Moreover, during the decade there was a sharp and unevenly distributed rise in unemployment. The lowest rates were in Copenhagen and the highest, as much as 2½ times greater, were found in western and southern Jutland and on many of the islands other than Zealand.

Migration from these areas has continued into the present. Denmark's agricultural industry has declined. There is no alternative industry in rural areas, and levels of employment income, and standards of living in such areas are low. In 1955, the percentage of those gainfully employed in agriculture accounted for 25 percent of total employment; by 1965, the percentage had decreased to 14 percent,

p. 42 blank

and in 1972 it was about 11.5 percent. The total number of independent farm holdings—206,000 in 1951 and 146,000 in 1969—is forecast to drop to only 40,000 by 1980. The number of agricultural laborers could fall to 60,000 (*6*).

Policy

The most recent legislation on regional development in Denmark was enacted in June 1972. The Regional Development Act of 1972 is essentially an updated version of earlier laws. The first was the Regional Development Act of 1958, which was a model for the subsequent acts—the Revised Regional Development Act of 1967 and 1969 and the present act. The guiding principle established by the first law is that regional development should be uncomplicated and efficient. The original law did not even specify criteria for development regions. Instead, it designated grants and loans for regional purposes for all areas outside of Copenhagen. In general, policy may be said to aim at removing regional imbalances, and achieving national growth objectives (*12; 32*).

Implementation of Policy

The 1972 act gives power to a Regional Development Counsel to apply assistance to two types of regions: "special development regions" and "ordinary development regions." Special regions suffer from structural difficulties that are more acute and persistent than those in the ordinary regions, and they receive a relatively larger share of assistance. The act provides that the two types of regions be chosen on the basis of five criteria: (1) The percentage of the population living in communities of more than 1,000 persons. (2) The percentage of the population employed in industrial concerns. (3) The average income per tax payer. (4) The average unemployment rate. (5) The net rate of migration as a percentage of national increase.

The Regional Development Act of 1972 provides for three different categories of grants and loans (*12*).

First, in both types of development areas, State assistance can be given either directly to private industry or to municipalities for the establishment and expansion of industry. The special areas may also receive grants of up to 25 percent of the total investment. The total amount of loans plus grants cannot exceed 90 percent of the total investment.

Second, the act provides for certain measures for industry in initial stages. These include the suspension of payments on the loans for the first 5 years. The State may also guarantee loans for working capital and may make outright grants to industries that experience excessive hardships in their first 5 years. Financial assistance to train labor is also provided.

Third, under special conditions, the act authorizes State grants to cover the full expense of moving an entire industry and its staff to development regions.

Under earlier legislation, Denmark underwrote 379 projects from 1958 to 1971. The 1969 act provided for capital expenditures grants similar to the newly authorized grants. As of 1970, 51 capital grants had been made. The total number of loans underwritten and grants made equaled an investment of 144.5 million dollars.[1] The Ministry of Trade estimated that the 11,000 jobs this investment helped create cost an estimated 13,000 dollars each. Information from the most recently available annual report of Denmark's Regional Development Council indicated that the location of industry is subject to more than just purely economic criteria. In the Council's opinion, its own role is limited and further planning and cooperation is necessary for development policy to be effective (*6*).

[1] The doll. figures are computed at exchange rates prior to December 1971.

SWEDEN

Summary

Sweden's regional objectives are essentially the realization in a geographical dimension of what are generally regarded as the main objective of national economic and social policy: to bring about increased economic, social, and cultural equality among people in different regions; to provide security for the individual during the process of structural change and economic expansion; and to keep the northern areas populated for national defense reasons (*28*).

To facilitate these objectives, Sweden hopes to develop urban centers throughout the country, as alternatives to the major cities. These urban centers would be large enough to support a diversified corporate structure and labor market, and could serve as the base for each region's urban heirarchy. These centers are intended to reduce the migration of laborers from rural areas to the major industrial areas. Major efforts are designed to build up areas in the northern "aid" area.

The Riksdag (Parliament) has implemented broad programs to meet these policy objectives. They provide, among other things, location assistance and investment funds for industry; training, employment (for example, in public works), and relocation grants for individuals; and tax equalization for municipalities. In the most sparsely populated areas where growth is not likely, assistance is granted in the form of mobile clinics, visiting nurses, and other direct measures for the welfare of the people.

Perspective

From the end of World War II until 1971, when a period of serious recession occurred, Sweden experienced virtually uninterrupted economic expansion. The absence of war-time destruction and the strong demand for Swedish products on the international market contributed to an early and rapid rise in wages and in the standard of living.

Sweden has several features which in combination distinguish its development problems from those of most other developed nations: (1) The country has a large area (173,000 square miles, about the size of California) and a small population (8.13 million in 1971). (2) Historically, Sweden's industry has been scattered. The major exporting industries—iron, steel, and forestry—were established near the source of raw material, mostly in rural areas. Some of these industries have declined, in some cases because the resources base has diminished; others have relocated. These events have caused serious problems for rural communities based on a single enterprise in an affected industry. For people remaining in depopulated areas, especially in the vast northern region, provision of adequate services is difficult. (3) Sweden is an affluent nation, and is faced with problems associated with

p. 46 blank

affluence. For example, the increasing use of automobiles tends to reduce public transportation services, to the disadvantage of those not owning automobiles (*28*).

Sweden, like many other industrialized nations, has experienced a major shift in population distribution. The number of towns with fewer than 1,000 people have been declining rapidly, while towns with over 30,000 people have been increasing. Major industrial centers such as Stockholm have experienced high levels of population growth and the problems that are related to such growth (*14*).

In 1900, the rural population accounted for almost 67 percent of the total population. By 1965, only 27 percent of the population was in rural areas. And by 1980, only 10 percent of Sweden's people are expected to remain in rural areas. The decline of the population engaged in farming and forestry has contributed greatly to this shift in population. In 1940, those employed in agriculture accounted for 28.9 percent of the total employed. By 1971, only 7.1 percent were engaged in farming.

The rising average age of Sweden's farmers is associated with the structural changes in agriculture. In 1969, more than 60 percent of the farmers were over 50 years of age.

The northern areas of Sweden which are referred to as the "Aid Area" have the most serious problems. Agriculture in the north has declined markedly; it was virtually halved in the 1960's. Industries traditional to the northern are often not replaced and the population moves to the more productive areas in the south. Providing adequate services for those remaining in the declining areas becomes a serious problem. Also, as a provision for the national security and defense, Sweden aims to keep the north populated.

Policy

Regional development policy in Sweden began in 1940 with the first official attempts to influence industrial locations. In 1945, the National Labor Market Board was established to provide counseling and information for industries regarding opportunities available in various geographic areas. The object of the Board was to promote the location of industries which best served both the private and the public interest (*34*).

In 1965, the Riksdag (Swedish Parliament) defined regional objectives for the country and set up a 5-year trial program. Goals were: (1) to promote industrial location in a way that would fully utilize the country's resources of capital and labor; (2) to employ these resources in a way that would further rapid economic progress; (3) to channel other development efforts so as to equitably distribute the benefits of the country's rising prosperity and provide satisfactory social and cultural services to all people, no matter where they live; (4) to safeguard the security of the individual from any disruption resulting from structural changes and economic growth.

The regional policy bill passed by the Riksdag in 1970 called for a more specific definition of these goals. Since then, on the experience gained during the 5-year trial period, the national Government and local governments have expressed the desire to concentrate their efforts on priority areas that offer good potential for growth. While a "growth-center" policy *per se* has not been outlined, development policy has become oriented in that direction.

Sweden's current regional development objectives are as follows:

—Growth in the metropolitan areas should be slowed down and diverted to other parts of the country. Efforts should be made to develop a number of urban areas with a growth potential into attractive alternatives to existing metropolitan areas.

—The efforts of the provincial administrative boards (*lansstyrelser*) and the planning councils in the various provinces to concentrate resources to areas which exhibit self-sustaining growth should be supported. According to the Budget Statement of 1970, regional measures should be concentrated primarily in localities and regions, which are considered capable of developing a diversified business structure and labor market.

—Attempts must be made to bring about development so that in each province there will be at least one urban area which will enjoy self-sustaining growth and which can receive a significant proportion of workers migrating from within the province (*16*).

Regional development policy in Sweden is aided by a special task force for regional research and investigation. This task force will concentrate its investigation for the next few years on two subject areas. One area is related to production costs in different regions. If an explanation of the broad economic consequences of different location alternatives can be found, then areas offering the best possibilities for growth can be identified. The second area is concerned with families in different regions and the preferences of individuals for areas and types of settlements (*34*).

Implementation of Policy

Specific means used to achieve regional development include: government financial support, transportation subsidies, consultation and information services for businesses and industry, extra assistance to exceptionally sparsely populated areas, tax equalization to municipalities, and regional development planning.

Regional development programs are designed to achieve long-range objectives and also to relieve short-term difficulties. Assistance is given to municipalities to build infrastructure to make areas attractive to industry. Industries are given direct assistance.

Assistance to the underdeveloped northern provinces, the Aid area, provides for direct Government assistance in the form of investment grants, as well as direct loans, to an enterprise. The assistance is intended to be a one-time initial aid to help establish industries that can then be able to run without subsidies. One condition of the assistance is that the enterprise concerned should bring a higher and lasting employment rate to the area involved. The National Government will provide up to 50 percent of the expense for buildings and make loans for machinery and tools. Assistance is also provided for retraining and, in some parts, for transporting and relocating skilled personnel.

A growth center policy has not been outlined specifically, but several efforts in Sweden do promote this concept. Seventy priority areas, "A-regions," have been designated for growth and development.

About 70 percent of the regional aid is given to the priority regions. Sweden has, also, promoted the reorganization of local governments to create municipalities large enough to fulfill their duties. The new guiding principal is that a municipality should have a minimum population of 8,000 (*14*).

From 1965 to 1969, the Government provided industrial relocation assistance to 529 firms in amounts totaling $181.4 million.[1] About 70 percent of the assistance has gone to the northern development area. The government provided $35.5 million in subsidies and $146.1 million in loans. From 1966 to 1969, 272 firms received subsidies to train more than 11,000 people. Government outlays on regional development for the three-year period 1970-72 are estimated at $231.6 million (*34*).

The effects of these programs are difficult to assess, since many of the economic and social variables cannot be measured. The assessment of the special task force for regional research and development of the programs is mixed. The expansion of industrial capacity, aided by relocation assistance, was expected to create 15,600 new jobs, of which 10,200 were to be in the development area. Estimates as of 1970 were that only 20-30 percent of the estimated employment effect had been achieved. The task force indicated that in some cases, it would have been more profitable to have encouraged labor to move to other areas or to have established different types of industry (*34*).

[1] The dollar figures are computed at exchange rates prior to December 1971.

UNITED KINGDOM

Summary

Regional problems in the United Kingdom relate more to urban development than to rural development. Emphasis in regional development is placed on such matters as revitalization of areas with declining industries, with outdated and inadequate infrastructure, or with problems associated with urban congestion.

Two major programs, however, do affect rural areas. The first involves rural development in northern Scotland and the outlying islands of Scotland. This program is under the Highlands and Islands Development Board, a regional organization with broad responsibility for improving economic and social conditions in particular by encouraging industrial development and tourism.

The second program involves the construction of new towns—comprehensively planned new communities being developed in many regions of the United Kingdom. In addition to offering one solution to urban congestion, they can promote economic development in the areas they serve.

Planning and construction of each new town is undertaken by a development corporation. However, the corporation does not replace existing local government. The expenses are financed by the National Government and are repayable from rental income from housing, industries, and commercial enterprises.

Perspective

The United Kingdom is a highly industrialized country with development problems more closely linked to urbanization and industrial activity than to the rural sector. The rural component of regional development is much less significant than in other countries of Western Europe. Less than 3 percent of the labor force in the United Kingdom is employed in agriculture. The only rural areas of any extent that might be considered underdeveloped are the Scottish Highlands and central Wales, which together constitute somewhat less than one-fifth of the total land area; the extreme southwest of England (parts of Devon and Cornwall); and areas in Northern Ireland. Other areas, not essentially rural but having an impact on the rural countryside, are those with declining industry, particularly coal mining. Unemployment in these areas is high, the economic growth rate is low, and infrastructure is generally outdated and inadequate.

By way of contrast, the rapidly expanding areas of England's Southeast, Midlands, and the London metropolitan area are suffering from problems related to congestion.

Policy

Objectives of regional policy (which in the broadest sense includes rural areas) are to reduce the disparities between regions, remedy environmental deficiencies, encourage the growth and optimum distribution of industry, and help each region make the most of its productive capacity by utilizing otherwise idle labor and other resources (*32*).

IMPLEMENTATION OF POLICY

Almost all development effort in the United Kingdom is aimed at problems of economically depressed areas that are not rural. This effort is parallel to assistance provided by other countries to depressed industrial regions, and measures taken are similar—such as retraining workers, offering financial incentives to industry to locate in development areas, and constructing infrastructure.

Regional development is focused on four principal areas: "development areas" (which cover over half of the total area of England, Scotland, and Wales and include a variety of problems), "special development areas" (mostly declining coal regions), "*Scottish Highlands and Islands*," (within the "development areas," but covered by special legislation), and "intermediate areas" (situated outside "development areas" and generally characterized by slow economic growth). Incentives offered to industries to locate vary with the priority given to each area and its problems (*7*).

Certain specialized programs are, however, aimed at rural areas and the problems of agriculture. The hill and upland areas are not as well favored as other areas in terms of land resources. For designated hill areas, Rural Development Boards are seen as one solution (*35*). The Boards are to draw up rural development programs covering not only agriculture but also forestry and other rural land uses, such as recreation and tourism. Boards work in an advisory capacity with landowners and public officials, but they do have authority to purchase land (for example, for consolidation of holdings) and can promote programs with financial aid to individuals or local agencies.

Assistance to development of rural areas, particularly those suffering from depopulation, is available under other programs as well. For example, financial aid has been available from a Development Fund set up under acts of 1909 and 1910. Since passage of the Local Employment Act in 1960, assistance has been given to the Industrial Estates Corporation to construct factories in rural areas of Scotland and Wales. The fund has also aided the Rural Industries Bureau and the Scottish Country Industries Trust. These organizations provide technical assistance and advice to craftsman and small manufacturing and service enterprises in rural areas and small country towns. Aid is also given to other organizations, such as those engaged in sponsorship of local crafts (*36*).

The Highlands and Islands Development Board was created in 1965 to deal with the situation in the Scottish Highlands and Islands (Hebrides, Orkney, and Skye). In this area, which comprises nearly half of Scotland, there are large, underdeveloped rural areas with low income levels and few economic opportunities. The Board has two broad objectives: to help the people of the region improve their economic and social conditions; and to enable the region to have a more significant part in the United Kingdom's economic and social development.

A wide range of power to aid in accomplishing these objectives is available. The Board can undertake surveys and research, acquire land, construct buildings, advise business on management, plant layout, production and marketing. The Board is the first regional organization in the United Kingdom to have the power to issue grants and loans, and it can purchase shares of private enterprises to provide them with necessary capital.

Specific examples of activity promoted by the Board include investment in fishing (providing funds for purchase of boats, for training, and for processing enterprises); in industry (providing funds for construction of factory buildings and promotion of crafts); in natural resources (conducting resource surveys and assisting in mineral exploration and development); and in tourism (providing funds for construction or modernization of hotels, visitor centers, and winter sports areas). The Board also engages in an active program designed to publicize the advantages and attraction of the area to industry and tourists (*19*).

Another development effort in the United Kingdom centers on new towns, which represent a unique contribution to both rural and urban development. New towns are comprehensively planned communities, with facilities for commerce and industry as well as areas for living and recreation. These towns relieve urban congestion by channeling growth, but at the same time they have a significant impact on rural development by ensuring effective land use. They can have the positive effect of reducing loss of rural land to urban sprawl—land that should be reserved for agriculture and recreation—and they can be used to maintain environmental quality through application of new technology and preservation of open space. New towns, with their industry and commerce, also offer employment opportunities for rural residents in surrounding areas.

New towns in the United Kingdom stem from the garden cities—planned communities with a complete array of residential, service, and industrial facilities—first proposed in the late 19th century; two were built (Letchworth in 1903 and Welwyn Garden City in 1920). The present program was established in 1946 with the passage of the New Towns Act. Over 30 new towns have either been completed or are under construction or in the planning stage throughout the United Kingdom. New towns have been designed to help solve housing problems and congestion in major urban areas (London, Birmingham, Liverpool, Manchester, and Glasgow), to channel industrial growth, and to aid general economic development (*37; 38*).

The New Towns Act of 1946 (and subsequent acts of 1965 and 1968) gives the Minister of Housing and Local Government in England, the Secretaries of State for Scotland and Wales, and the Minister of Development in Northern Ireland the authority "to designate any area of land, including an existing town or village, as the site of a new town; and to appoint a development corporation to be responsible for its planning and development" (*38*, p. 14).

Members of development corporations are selected on the basis of expertise and lack of affiliation with special interest groups. The corporation first prepares a master plan for the new town. The following steps are then taken: The plan is submitted to the Minister (or Secretary) for approval; local authorities are consulted; the plan is offered to the public for comment; and after consideration of suggestions and making any modifications needed, the plan is put into effect and development proceeds.

With loans from the national Government, the corporation can acquire, manage, and dispose of land and other property, construct buildings (houses, industrial buildings, schools, and commercial facilities), and arrange for services (water, sewage, and electricity). The corporations repay the loans over a 60-year period from income derived mainly from housing, industrial, and commercial rents. The interest rate is determined by the Government Treasury. Existing local governments in the area of the new town are not replaced by the development corporations. The local governments are responsible for a wide range of services in the new towns, such as health and welfare services and education. Joint advisory committees are formed to establish good working relationships between development corporations and local governments (*27, 37, 38*).

Cost of major roads in the new town is usually shared by the corporation and local government. Cost of other services (such as water and sewage) is shared if the local government lacks sufficient technical or financial resources.

The general impact on the social and economic state of the affected regions is now difficult to assess. Such an evaluation will be possible only after a considerable period of time has lapsed. Some general measures can be given, however.

In terms of employment, the number of new jobs created in activities which have received regional assistance was 200,000 in the period 1945–1960, and 660,000 in the period 1961–1970 (*7*). In the first 5 years of its existence, the Highlands and Islands project created almost 5,000 new jobs. The movement of enterprises from congested areas where economic activity is concentrated appears to be in progress; 870,000 workers transferred from one area to another in the United Kingdom in the period 1945 to 1966, with about half moving into the development areas (*7*).

JAPAN

Summary

Development of rural areas in Japan is influenced by two interrelated factors: phenomenal economic growth, paced by rapid industrial expansion, which in turn has drawn population from rural areas. The result is rural depopulation, urban congestion, and, with increasing industrial concentration, a rapid deterioration of environmental quality.

The Japanese are taking far-reaching measures to ensure that economic growth will continue. Emphasis is being placed on industry. New industrial centers are being planned in regions outside the main industrial belt of Tokyo-Nagoya-Osaka. Introduction of new industries into areas with a declining industry (for example, coal mining) or into essentially rural areas is seen as a way to raise income, reduce population outflow, and permit rural communities to maintain and improve education, health facilities, transportation, and other needed services.

Perspective

Limited land area, mountainous topography, and, in some areas, severe climatic conditions, severely limit Japan's agricultural potential. The small size of most farm units, plus the adverse geographical features, makes large-scale mechanization difficult. Forestry operations face the same problems.

Industrialization in Japan was accomplished in part by absorbing labor from the rural sector. The same pattern continues to this day abetted by the income disparity and "opportunity gap" between the agricultural and the nonagricultural sectors (industry and service). Many rural areas suffer from depopulation and, with the aging of the farm labor force as younger workers move to the cities, are stagnating. A similar situation prevails in nonagricultural and semi-rural areas with a high concentration of declining industries, such as coal mining. The exodus from the countryside makes it difficult for rural communities to maintain schools, public health facilities, and other necessary services at acceptable levels (*33*).

With depopulation of rural areas has come excessive concentration of population and industry. Two-thirds of Japan's industrial production and 58 percent of the total population are situated in a single belt on the narrow plains of the Pacific Coast, extending from Tokyo to Osaka. This concentration of population and industry has greatly aided Japan's high rate of economic growth. But it has also created serious problems of congestion, clogged transportation, housing shortages, and air and water pollution, and a general deterioration in living conditions in the cities (*32*, *33*).

Policy

Japan's current development policies, as expressed in the comprehensive development plans of 1962 and 1969, are to promote balanced development of the various regions through effective use of domestic natural resources and interregional distribution of capital, labor, technology, and other resources. Growth of industry and population is to be restrained in areas of excessive concentration, and industry will be decentralized where possible. Measures are to be taken to maintain and improve environmental quality.

Implementation of Policy

GOVERNMENT UNITS AND DEVELOPMENT AREAS

In Japan, the national Government is responsible for establishing guidelines for regional development and for preparing legislation. No single agency at the national level is responsible for coordinating regional development. Regional development is carried out on the basis of a series of laws and ordinances, rather than institutional arrangements, for systematic modifications or for periodic examination of the promotion laws for each region (*33*). The Economic Planning Agency is responsible for basic regional policy planning. The Ministry for International Trade and Industry is responsible for industrial aspects of regional development. Agencies of the national Government are responsible for some major infrastructure projects, such as major highways and port facilities.

Local governments—46 prefectures, each with an elected governor and assembly, and encompassing a total of over 3,000 cities, towns, and villages—are responsible for detailed planning of regional development and actually carry out projects.

Japan is divided into three broad categories for overall regional planning: areas of excessive concentration (such as, Tokyo, Nagoya, and Osaka); areas for coordination (such as central Honshu); and development areas (remainder of the country). Growth of industry and population is to be restrained in areas in the first category, and industry there is to be relocated in adjacent areas if possible. In the areas for coordination, industrial growth centers will be developed to attract industrial firms. Small-scale industrial development is outlined for centers in the less-developed areas that form the third category (*32*).

Within each of the three broad planning categories—excessive concentration, coordination, and development—are many specific types of development areas. All the various areas have enabling legislation that provides the authority for governmental action; and all are provided with various fiscal and financial incentives. The different types of development areas are as follows:

A. Industrial development areas: 1. New industrial cities. 2. Special areas for industrial consolidation. 3. Industrial development areas in undeveloped regions. 4. Coalfield rehabilitation areas.

B. Urban redevelopment areas.

C. Undeveloped areas, depopulated areas, and outlying islands (*33*).

Development activity in all of these areas, with the possible exception of those designated for urban redevelopment, has an impact on the development of rural areas.

PROGRAMS AND FUNDING

For all these areas, and seemingly for all regional development in Japan, the principal means is industrialization in one form or another. The term "new industrial cities" is used to designate a potential metropolitan area, even one cutting across provincial boundaries, that may include several industrial complexes or areas.

One of the four main criteria for the selection of new industrial cities calls for their establishment in areas where there is a large potential spin-off for agriculture and forestry (*33*).

Fiscal and financial advantages are available for industries moving into areas that have little existing industry and a stagnant economy. Both the national Government and the prefectural governments give favorable fiscal treatment to firms locating in coal mining areas. The Coal Field Rehabilitation Corporation provides such firms with industrial land, financial assistance for investment in equipment, direct investment, rent of immovable property, and other additional aid (*32*).

Within the framework of the Comprehensive National Land Development Act of 1950 and the National Comprehensive Development Plan of 1962, a number of specific pieces of legislation relating to rural and urban development have been passed. A series of acts were related to improving conditions in underdeveloped areas and areas subject to natural calamities. Examples are acts for the development of the outlying islands, special measures for areas of heavy snowfall, improvement of public facilities in underdeveloped areas, and development of mountain regions. Industry that is essentially agricultural or forest oriented is encouraged in these areas and may receive various indirect forms of subsidization (*33*).

Two rural problems—depopulation and insufficient incomes and job opportunities—now receive special consideration. A major objective is to stop the continued migration of people from depopulated rural areas through such measures as improvement of transportation and communication, development of industry, provision for employment opportunities, establishment of medical facilities, granting preferential tax treatment, and provision for community reorganization. Government financial aid is available for some of these projects.

The program for industrialization of rural areas was started because of a shortage of land for industrial sites and a shortage of labor for industry in the cities plus the need to raise rural incomes and provide employment opportunities for workers released from agriculture.

Support and incentives offered by the national Government to encourage regional development include direct grants (or grants-in-aid for interest on local bonds) to provincial and local authorities for development of general and industrial infrastructure and tax reductions and loans for industrial enterprises. Preferential tax treatment granted industries includes reduction and exemption of municipal property taxes, corporate taxes, and real estate taxes, and allowance for special depreciation. Loans for investment in equipment are provided by government institutions at a rate of 7 to 8.3 percent. There is no system of direct subsidies or grants to industry (*33*).

Industrial development is guided by constraints as well as incentives. Firms wishing to construct factory buildings with a floor space exceeding 3,000 square meters, or whose total area of land exceeds

9,000 square meters, must consult the Ministry for International Trade and Industry. The primary objective of this provision is to avoid environmental problems (33).

Any evaluation of regional and rural development in Japan must consider the extremely high rate of economic growth the country has enjoyed in recent years. Resources have been available for infrastructure projects and industrial firms have been willing to accept decentralized locations, even though these sites might often not be considered optimum in terms of economic return.

Because of the great emphasis on industry, the picture for regional and rural development is mixed. Priority has been given to industrialization in one form or another since the country began its recovery program after World War II. But only recently, if inferences drawn from the literature studied are correct, has extension of industry into rural areas received any emphasis. That development efforts in rural areas have not achieved conditions of parity between rural areas and urban areas can also be inferred from the concern that Japanese officials continue to express over continuing depolulation.

Public interest shown in a recently published Japanese book, whose author is now Prime Minister,[1] may presage regional and rural development trends in the country. Proposals made by the author include intensification of cultivation on larger farm units (the average farm size would double and the agricultural labor force would drop to one-third of the present total); movement of people out of the crowded Pacific industrial belt to the south, to the west coast, and to the north (Hokkaido); and construction of new cities of 250,000, each with its own industrial, residential, service, and academic areas.

[1] Kakuei Tanaka, *A Proposal for Remodeling the Japanese Archipelago*, June 1972.

CANADA

Summary

Canadian rural development is essentially another dimension of regional development. Despite the considerable expansion the Canadian economy has enjoyed overall, the four eastern Provinces and the eastern part of Quebec Province have consistently lagged behind general growth in both job opportunities and standards of living.

In 1969, the Department of Regional Economic Expansion was established to carry out, in coordination with the Provinces, a vigorous and coordinated effort to reduce regional disparities. The Department strategy is composed of three major and closely interrelated activities: industrial incentives, infrastructure assistance, and social adjustment and rural development (*3*).

PERSPECTIVE

Canada encompasses a vast expanse of land stretching from the Atlantic to the Pacific coasts. Its 3.85 million square miles contain a population of only 21.4 million.

Excluding the Yukon and Northwest Territories, the 10 Provinces fall into three broad geographical regions: Eastern (Newfoundland, Prince Edward Island, Nova Scotia, and New Brunswick), Central (Quebec and Ontario), and Western (Manitoba, Saskatchewan, Alberta, and British Columbia). These regions' share of the total population is 10 percent, 64 percent, and 26 percent, respectively. The Yukon and Northwest Territories account for 39 percent of the total land area but only 0.2 percent of the total population.

About three-fourths of the Canadian population was urban in 1966, compared with about two-thirds in 1951.

The Canadian economy has experienced steady growth over the last few decades. During the 1960's, 1966 was the peak year, with the highest rate of growth of GNP in constant dollars (6.9 percent) and the lowest unemployment rate (3.6 percent). After 1966, Canada experienced an economic slowdown. The current recovery began in early 1971.

Between 1946 and 1970, Canada's population grew from 12.3 million to 21.4 million, an increase of 74 percent. GNP per capita grew at an annual rate of 7.0 percent. Net income per person increased more than 3½ times in the same period.

Unemployment has increased steadily since 1966, reaching 7.1 percent in September 1972. High rates of unemployment and inflation have been dominant problems over the last few years, especially since the economy has been in an expansionary phase.

Regional development problems are manifest in the inequalities in economic growth and employment among the regions. The four eastern Provinces and the eastern part of Quebec Province[1] have consistently lagged behind the rest of the nation. Personal income per capita has been lower than the national average in all four eastern Provinces and in eastern Quebec—less than two-thirds of the national average in Newfoundland and Prince Edward Island, less than three-fourths in New Brunswick, less than 80 percent in Nova Scotia, and less than 90 percent in eastern Quebec. Employment has shown the slowest increase in these areas, and the rates of unemployment have been about 50 percent higher than the national average.

The Eastern Region has disadvantages that produce stagnation and, through this, further inequalities. A large proportion of the labor force is engaged in primary activities such as farming, inshore fishing, and coal mining. Structural changes have tended to weaken the natural advantages of the region, especially the advantage of its proximity to the east coast of the United States. Primary sectors, especially agriculture, are generally producing on a small scale and are unable to make changes to a larger, more profitable scale. Secondary sectors are spread out, providing a poor economic base for growth. Low levels of public services have also contributed to making the region relatively unattractive to industries. Over the years, out-migration of the younger, more enterprising, and better educated people, together with other factors restraining the quality of management, has tended to prepetuate the traditional economic patterns.

Policy

The goal of Canadian rural or regional development is to promote equal economic growth throughout the Provinces without reducing the rate of national economic growth. Specific policy for regional development has existed in Canada in one form or another since World War II. Programs for land use, construction of infrastructure, and fiscal equalization between regions were started in the 1940's and 1950's. These programs were directed toward particular problems; no widespread application was attempted, and the programs generally were not adequate for redirecting trends in deficient areas. The Agriculture and Rural Development Act of 1961 (ARDA) and the Fund for Rural Economic Development Act of 1966 (FRED) were the first steps in actual development planning of a broad nature. Programs for alternative land use, soil and water conservation, rural planning, and Federal and Provincial research were established under these acts.

The Federal Department of Regional Economic Expansion, created under part IV of the Governmental Organization Act of 1969, has consolidated the planning and development function for regional and rural problems. This department is now responsible for long term planning and development and for coordination at the different levels of government. The stated objectives of the Department of Regional Economic Expansion are composed of three major and closely interrelated activities: To provide industrial incentives, infrastructure assistance, and social adjustment for rural development purposes.

The objective of the first, industrial incentives, is to create con-

[1] These five areas are sometimes referred to as the Atlantic Region as well as the Eastern Region. In the following text the Eastern Region will be used.

tinuing productive employment by making investment in viable industry more attractive in the relatively slow-growth regions of the country. The second, infrastructure assistance, is designed to provide capital for water systems, roads, housing, and other infrastructure necessary to facilitate economic expansion and social adjustments in areas requiring special measures if they are to realize their development capabilities. The third objective is to facilitate the access of people in rural areas to productive employment opportunities through social adjustment, as well as improving their incomes through more efficient utilization of rural resources. The overall objective is to provide opportunities in all regions so that economic growth will take place mostly by movement of labor within regions, rather than by migration from region to region. Regional planning is coordinated by the planning council of the department of regional economic expansion in conjunction with the Provincial governments.

The development of urban-metropolitan areas and smaller industrial centers, with the aid of special programs, is expected to create a high level of private investment. Other policy features of the regional development plans include creating medium-sized towns as trading centers, and increasing the efficiency of primary industry through promotion of optimally sized farms and consolidation of industries.

Regional development is implemented in "designated areas," and the degree of deficiency in growth and income will determine whether an area is "designated" or "special."

Capital grants for establishing, expanding, or modernizing industries is provided for both types of areas. In special areas, long-range community planning for the improvement of industry and infrastructure is provided.

Implementation of Policy

The Department of Regional Economic Expansion, created in April 1969, has comprehensive responsibility for planning and coordinating all regional development activities. In each Province, a regional office of the Department serves as a liaison to coordinate provincial plans with national goals. Designated and special areas for planning and development are selected after Federal-Provincial consultation.

The Department's efforts take several forms because of the different problems of human resource development in the various disadvantaged regions of the country. These efforts include: (1) Federal-Provincial ARDA and FRED agreements, which provide assistance for upgrading skills and improving mobility of persons in rural areas so that they may benefit from new industrial employment opportunities and thus raise their standard of living; (2) Special Area Projects which provide training for people whose employment opportunities would be otherwise limited; (3) the Newfoundland Resettlement Program which facilitates movement of people from remote communities to more attractive centers where opportunities for employment, education, and social services are better; (4) the Canada New Start Program which experiments with new methods in preparing unemployed and underemployed people in particularly disadvantaged areas to take advantage of new and improved job opportunities; and

(5) the Special Development Loans Program which provides supplementary funds to the Provinces to undertake beneficial capital projects in addition to those already planned (*3*).

Certain regions in every Canadian Province have been designated for development, and the planning covers about one-third of the total labor force. The Department of Regional Economic Expansion has indicated that it is too early to assess the overall effectiveness of the programs, but evidence is cited that relative economic gains have been made. For example, there has been a generally steady improvement in the personal income per capita in the eastern region as a percentage of the national average. The region's share of total investment has also increased. Between 1950 and 1970, this share rose from 7.8 to 8.8 percent of the national total. The share of investment in the manufacturing sectors rose from 5.2 to 9.3 percent. The employment situation has also improved. The eastern region accounted for 15.9 percent of Canada's unemployment in the 1950's, 14.0 percent in the 1960's, and has declined 11.6 percent in 1971 (*3*).

ISRAEL

Summary

Development of rural areas in Israel is influenced by a variety of factors: economic, social, ideological, and national security. Government policy encourages dispersal of the population into rural areas, and a number of incentives and aids are employed to stimulate rural development, including investments in housing, industry, and infrastructure, low-interest loans; and tax exemptions. Rural development in Israel has followed a unique pattern based on cooperative agricultural settlements.

Israel's agricultural settlements provide their members with essential services (education, medical, recreation) and often include alternative employment in nonagricultural pursuits, such as small industry, crafts, and tourism projects. Rural settlements join together to establish enterprises and services beyond the resources of the individual settlement. One institution that is established this way is the regional (and interregional) rural service center. Centers provide such facilities as schools, hospitals, offices, automotive repair facilities, and even large-scale industrial enterprises.

Perspective

Israel is a highly developed state in a frontier environment. The country is narrow and elongated, with about three-quarters of its total population in or near the narrow coastal strip bordering the Mediterranean.[1] This strip accounts for only 10 percent of the land area. Only a small part of the total land area is suitable for cultivation. Most of the remaining area is hills and desert and offers a limited resource base for settlement and economic development. The poverty of natural resources, the continuing security requirements, and the burden of immigrant absorption are among the most pressing national problems (*25*).

While Israel is considered an agricultural country and is heavily dependent on domestic agricultural production to supply its needs, the agricultural sector, in terms of area, labor force, and percentage of gross national product, has never been large. Almost since the establishment of the State in 1948, the agricultural sector has continued to decline in importance both in GNP and in the labor force. The percentage of the total labor force employed in agriculture declined from about 18 percent in 1960 to less than 9 percent in 1970. Two factors were responsible for this trend. First, the rate of growth in the agricultural sector fell. Water resources were being used to the greatest degree possible. The domestic market was fully supplied. And although agricultural exports were being expanded, they did not offset the slowdown in local consumption. Second, a rapid increase in

[1] The study does not consider the occupied territories.

agricultural productivity through capital investment and technological progress enabled every rise in demand to be met without additional workers—in fact, with even fewer workers.

The structure of agricultural settlement in Israel has always been based on the cooperative idea. Certain forms of cooperation are practiced in all collective and cooperative settlements,[2] and in some of the private settlement projects. Cooperation is practiced in the belief that it best achieves economic efficiency and better organization of marketing and purchasing channels, and because it best satisfies the settlers' social and ideological leanings. Various economic, social, and ideological factors prompted both the settlers themselves and the agencies responsible for settlement projects in Israel to establish cooperative patterns on a regional scale. Cooperative associations enabled a number of settlements to pool their resources in setting up institutions and enterprises on a much larger scale than would have been possible if each settlement had acted separately. At the same time it reduced costs considerably.

The creation of villages by tillers of the soil was considered vitally important for the physical settlement and population of the land. Furthermore, towns were established mostly in the interior, and villages constituted a belt along the borders for security purposes. Economic considerations were often regarded as less important than other aspects in the establishment of village units. Thus, the need for regional planning and rural development in Israel arose not only from economic causes but also from political and security considerations, which demanded a regional distribution of population different from that which would have come about naturally.

Policy

Basic national objectives (security considerations aside) influencing development in rural areas include continued economic growth, increased economic independence (with reduction of imports), population dispersal, and integration of the various elements of the population. (*25*).

Dispersal of the population is intended not only to prevent further overcrowding in the already congested central region but also to increase population density in other areas of the country. The demographic and economic problems that can come from a concentration of population in a small area are recognized by Israeli planners, but another reason for their goal of dispersal of the population is that it "serves other considerations such as ideological and security factors, which require that the empty regions of the country be settled" (*25*, p. 3). Major objectives in the integration of the population include raising the general level of education and providing vocational training to new immigrants.

Implementation of Policy

The national Government is attempting to achieve its objectives through direct action and through policy directives. The Government

[2] There are three major types of agricultural cooperative settlements: the *kibbutz*, where all members share collectively in the ownership of land, farming implements, and livestock; in the provision of labor for production; in the consumption of goods produced; and in the receipt of returns for production; the *moshav*, where settlers farm their own plots but cooperate in marketing of goods produced and share in purchases and social services; and the *moshav shitufe*, which combines some features of the kibbutz and the moshav.

makes direct investments in expansion of agricultural settlements (including housing) and in infrastructure (transport, power and water resources) education, and other basic needs. Government land use policies are aimed at reducing the rate of building in the coastal region. Economic policies are aimed at achieving economically viable agricultural settlements and raising farm income to match other sectors.

In the early 1950's, it was mainly immigrants who were sent to the rural development areas, since it was not easy to attract people to these areas. Later, as immigration subsided from the rush of the early 1950's, it became more difficult to settle these areas. Yet it was, and still is, the Government's policy to strive to disperse population into the developing areas (*1*).

To encourage settlement in the developing areas, the Government is diverting a higher percentage of resources to these regions. Investments in infrastructure and housing have been referred to; the Government is also making some direct investments in large industrial plants. Rural development incentives for public and private investors and for settlers include large Government loans at low rates of interest; allotment of land; reduction in real estate prices; exemption from custom duties, purchase taxes, and other indirect taxes on goods and equipment required for the establishment of the enterprises; and exemption from income tax (*25*).

Some of the newly established towns (with the assistance of the Government) have created special development companies which have the power to plan and undertake projects, with funds secured from both private investors and the Government. For industries and services (including tourism) being established in developing areas, emphasis has been put on utilization of raw materials and resources locally available.

Responsibility for overall planning and development in rural areas is shared by several national agencies, with coordination achieved through joint committees and continuing consultation. The Ministry of Interior is charged with overall land use planning and coordinates the land use planning activities of the other ministries. The Ministry of Housing is responsible for all Government housing programs, including construction of agricultural settlements. Much of the planning specifically related to agricultural development is done by the Ministry of Agriculture and the Department of Agricultural Settlement in the Jewish Agency, a public nongovernmental body (*25*).

Development of the rural areas of Israel has followed a unique pattern, and special relationships between towns and rural settlements have evolved. "Rural settlements were initially founded by town dwellers who came to Israel with the express intention of abandoning their urban way of life" (*1*, p. xxii). A desire to be independent of towns has led rural settlers to strive for a high level of self-sufficiency in all services. This outlook, together with the cooperative aspect of rural settlement, and the urban heritage of many of the settlers, has led to a situation where farmers in many instances are equal to town dwellers in terms of economic and educational measurement (*2; 25*).

Agricultural settlements such as kibbutzim and moshavim vary in the number of inhabitants; usually the number is small, and almost all are employed in agricultural pursuits. The settlement furnishes primary services, such as a kindergarten, religious facility, and cooperative store.

Rural centers, which serve five to six settlements, provide more extensive producer-consumer services. They may be a distribution point for agricultural supplies, and may run repair shops and other facilities, such as a tractor station, sorting plant for agricultural products, larger cooperative store, clinic, primary school, and cultural centers. In most cases, rural centers are administered—either legally or in practice—by the agricultural settlements they serve. Some centers are uninhabited, and some provide only personal and civic services while other provide these plus service industries and other industrial enterprises.

Interregional centers serve a number of rural service centers. Their development is an important landmark in the evolution of Israel's rural settlements. The desire to expand the production process through the inclusion of processing activities led to the establishment of large-scale industrial enterprises designed for the absorption and processing of products from a wide area, extending beyond the boundaries of the region. Establishment of such large-scale enterprise led to the creation of wider cooperative frameworks.

Government offices in charge of administrative, economic, cultural activities in a region, and highly specialized services such as legal aid, are centered in "new towns."

Israel's rural economy is in a period of change. Many cooperative movements, especially kibbutzim, have been forced to seek other sources of employment for their inhabitants as labor has been displaced through technological advances. Agri-business enterprises, such as canning and processing, have become part of kibbutz life. In addition, industrial pursuits not related to agriculture have become a major contributor to the income and employment of the kibbutz. Enterprises making such things as furniture, plastics, agricultural machinery, ballbearings, electrical equipment, paints, irrigation equipment, and asphalt, and motels to accommodate the ever-increasing number of tourists in Israel, have become part of kibbutz life. In fact, today in Israel, more than half of the kibbutzim derive their income from sources outside of agriculture. The advantages accruing to the kibbutzim from the combination of agriculture and industry are considerable.

The development of factories on kibbutzim has enabled the kibbutzim to improve the ratio between net income and invested capital. With this increase in profits, they have been able to raise their standard of living, thus managing to retain their members who are tempted by the better living conditions in urban centers. Industrialization provides work for those not able to perform farm labor and also for those with limited farming experience. In addition, it provides for balanced employment, since factory work does not have seasonal fluctuations as agriculture does.

Although rural settlements and rural centers have remained independent in large measure, there is a trend toward greater integration of rural regions and district towns. This is being achieved in developed areas by building rural service centers (and related industrial facilities) close to towns—but outside their jurisdiction. The rural centers and enterprises thus furnish employment for some of the town dwellers. In developing areas, rural centers are built to give basic services to rural settlements, but specialized services and industrial facilities are being concentrated in new towns located in the centers of rural regions (*25*).

Israel's main development experience has been in the kibbutz and the moshav, and in the field of inter-settlement cooperation on a regional and national basis. The patterns developed in Israel are not a blue print for other countries. Conditions that determined development of Israeli cooperative agriculture settlement are not likely to be repeated in the same manner elsewhere.

On the other hand, Israel has gained a good deal of experience in two other fields that are of more general interest: developing of undeveloped areas, and settling on the land people devoid of any farming experience.

Several points should be noted in any assessment of Israeli progress in developing its rural regions. First, the national Government has a high degree of control over planning and implementation of development programs. The Government has a decisive influence on investments in the economy (construction, infrastructure and provision of services), and the Government owns a large part of the land, facilitating allocation to new towns, industrial enterprises, and the like. Second, the population, through various institutions, agencies, and cooperatives, is highly organized. Public participation in plans and programs is at a high level (*25*).

Israel is apparently meeting some of its objectives through its rural development efforts. Possibly of greater significance is the fact that the system of rural settlements and centers enables rural regions to retain their population and special way of life, and at the same time provides for changes in employment from farming to related industries and services.

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p. 68 blank

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