

Urban Bias: The Continuing Debate

1. Students of development and development practitioners have long concerned themselves with urban-rural relationships in developing countries. A familiar assumption has been that ambitious people will move to urban areas to improve their lot. Longstanding debates around this assumption continue to inform economic and social policy-making in the global South. Recently, indeed, the World Bank and the UK's Department for International Development, among other agencies, have revisited these debates and commissioned new work on what has been called 'the continuing debate on urban bias'. This talk grows out of a paper commissioned by DFID on the urban bias thesis (UBT) in 2005 (written with Gareth Jones of the LSE). What follows is an executive summary.

2. In the 1950s and 1960s an apparent bias in favour of urban-industrial models of development was justified by three key ideas. W. Arthur Lewis proposed that there is **disguised unemployment** or **underemployment** in rural areas of poorer countries, where the marginal productivity of labour is often very low. Migrants to the city will be placed in more productive jobs and will pull their families out of poverty. Hans Singer and Raoul Prebisch further argued there is a **long-run tendency for the terms of trade to move against primary goods**. Urban planners, meanwhile, argued that goods and services would most efficiently be diffused from major cities to smaller cities and rural areas. **Cities benefited from economies of scale**. All these arguments were disputed.

3. There is no reason why manufacturing or service-sector jobs must be based exclusively or even mainly in urban areas. In practice, however, for both economic reasons (including the benefits of industrial clustering), and political reasons (including a disposition to think of the 'urban' as 'modern'), many non-agricultural jobs have been based in urban areas of developing countries. The question is whether this matters, and if so why and for whom and in what terms?

4. One answer to this question is that concentrations of urban-industrial power damage the 'authenticity' of a country. Gandhi believed that the soul of India is to be found in its villages. Large-scale industrialization was a form of social evil. Some 'deep ecologists' also think in these terms, which are for the most part recognizably normative (that is, they advance a value judgement). In the 1960s Michael Lipton began to develop a more 'positive' (or scientific) account of urban bias in the process of world development. His **urban bias thesis (UBT)** was formally presented in his book *Why Poor People Stay Poor: A Study of Urban Bias in World Development* (1977).

5. The Urban Bias Thesis (UBT) proposes that urban classes in poorer countries use their social power to bias (distort) a range of public policies against members of the rural classes. **Lipton maintains that urban bias "involves (a) an allocation, to persons or organizations located in towns, of shares of resources so large as to be inefficient and inequitable, or (b) a disposition among the powerful [urban classes] to allocate resources in this way"** (Lipton 2005, summarising 1977).

6. In its first iteration, the UBT made five main claims: (a) rural areas of developing countries suffer from too little spending on education and health care (relative to their population figures); (b) these inequalities, combined with excessively ‘urban’ form of teaching and curriculum development, pull many of the ‘best and brightest’ in rural areas to the cities (a more neutral incentive regime would keep them in the countryside); (c) people in rural areas are forced to pay a higher share of national taxes than is fair (notwithstanding the fact that taxes from rural areas are difficult to collect); (d) urban bias is further and most damagingly evident in a series of government-imposed ‘price twists’ that causes inputs into rural areas to be overpriced when compared to a market norm, and which causes outputs from rural areas to be correspondingly under-priced; and (e) this combination of *distributional urban bias* (a,b and c) and price-twisting is **not only unfair but inefficient**: at the margin, Lipton maintained, a given sum of government money will earn higher returns in the small agriculture sector or rural off-farm employment creation than it will in cities or large-scale urban-based industries.

7. Two principal critiques were levelled at this first iteration of Lipton’s UBT. **A first line of criticism was that the UBT lacked empirical validity and was overly generalised.** The UBT failed to prove that the inter-sectoral terms of trade moved everywhere against rural areas. In any case, there might be good reasons for concentrating scarce resources in urban areas. Critics also said that Lipton was inattentive to urban poverty; that most of the rural poor in South Asia were sellers of labour who benefited from cheap food; and that UBT neglected the power of rural voice. **A second line of critique was theoretical: it challenged Lipton’s accounts of class, power and policy formation.** Keith Griffin took exception to Lipton’s attempt to account for intra-sectoral differences in wealth and power by counting members of the rural elite as members of the ‘urban class’, and members of the urban poor as part of the ‘rural class’.

8. Early support for the UBT came from the American political scientist Robert Bates, and from Elliott Berg at the World Bank. Bates argued that food production problems in sub-Saharan Africa (SSA) were mainly the result of non-democratic governments using urban-biased policies to discriminate against smallholding agriculturalists. Governments used marketing boards and over-valued exchange rates to procure food cheaply from the countryside or overseas. **Bates suggested that many ruling regimes in SSA imposed urban-biased policies to keep the lid on unrest in towns and cities. Rational farmers responded by producing less food for sale. This caused unrest.**

9. **Bates argued that international donors should exploit moments of political or economic crisis in SSA to push more farmer-friendly policies. This view found support in the World Bank’s 1981 report on *Accelerated Development in Sub-Saharan Africa*, the so-called Berg report (named for its lead author, Elliott Berg).** Lipton accepts that many ‘structural adjustment programmes’ (SAPs) have improved the inter-sectoral terms of trade in SSA: price twists are no longer so damaging to the countryside, although they remain significant at the global scale, given EU, Japanese and US farm-support policies. Lipton believes, however, that the World Bank’s focus on price twists alone caused it to ignore the more deeply rooted **inequalities in social and spatial power** that promote urban bias.

10. Lipton's more recent argument, indeed, with Robert Eastwood, is that **distributional urban bias** has increased precisely at the same time as a series of successful 'neoliberal' assaults on the urban-rural terms of trade. Eastwood and Lipton claim: (a) that overall within-country inequality increased significantly after 1980-85, following 'adjustment' policies; (b) that these increases have not been offset by declining rural-urban inequality; (c) that this absence of offset, save for in a few countries in Latin America, must be accounted for by a rise in distributional urban bias at a time of reduced price twists against the countryside. UB still exists and with it the case for offsetting aid measures.

11. There is considerable support for the view that urban/rural welfare ratios are not 'falling towards unity', and may even be diverging in some countries enjoying rapid economic growth. Nevertheless, **we can identify at least seven contemporary challenges to the UBT in its original and modified versions.**

12. First, is a body of work called the '**new economic geography**'. New research suggests that many non-primate cities in the developing world have grown not so much because of rent-seeking and distorted patterns of political access ('urban bias' in Lipton's terms, in decline following SAPs), but because of **the returns to scale and spillover effects that are associated with the clustering of innovative economic activities**. In the case of many public goods, Overman and Venables suggest, "an 'urban bias' in public expenditure and provision may [also] be an efficient allocation of resources" (2005: 6).

13. Second, the UBT rests on sometimes untested assertions about how politicians receive and act upon signals from their various constituents. **The UBT seems to work 'best' where governments are authoritarian, or where they can exploit a lack of political power in the countryside.** This is no longer the case in India, the country which first prompted Lipton's work in the 1960s.

14. Third, research on livelihood strategies shows the importance of multi-locational decisions by households and individuals when dealing with poverty and vulnerability. **Poverty alleviation programmes should not always be designed as *in situ* interventions that are 'targeted' at where the poor might be at any given moment.**

15. Fourth, **the claim 'pro-rural is pro-poor' needs careful analysis.** Lipton maintains that "extra urban workplaces cost far more than rural and farm workplaces – more equipment, education and infrastructure", and that services will have greater benefit at the margin for poorer people in rural areas. This might not be the case. We need more work on the costs of service installation and on overall social benefits (not just at the margin).

16. Fifth, **the UBT is beset by important definitional and measurement difficulties.** Most countries are unable to provide robust data on the inter-sectoral terms of trade, on the geographical distribution of productivity against receipts, or on fiscal balances. In contrast, we do know that some cities (for example, Bogotá) suffer from disproportionate tax burdens (compared to GDP and revenue receipts, and especially following a shift to

indirect taxation). As it stands, the URT is both limited and partial in the range of ‘urban-rural’ transfers that it seeks to measure. Again, more work is needed.

17. Sixth, **the UBT works with an account of what is ‘urban’ and what is ‘rural’ that in some countries or regions might be out of date, and thus misleading as a guide to public policy.** Two issues are in play here: measurement issues and conceptual issues. In terms of measurement, first: (a) poverty in urban areas may be under-represented if household expenditure surveys do not include costs of land, housing and some services, or use proximity variables of ‘access’ to amenities without considering frequency of service, quality or gatekeepers; (b) average sector-wide poverty figures can obscure the damaging development of extensive “pockets of poverty” in cities; and (c) much depends on how ‘urban’ is defined: a change in the threshold definition of an urban place (from say 5,000 to 10,000 people) can change the ways that we see, measure and think about villages, towns and cities. In terms of conceptualization, next, the urban/rural dichotomy works against newer recognitions of (and work on) functioning city regions and ‘rururban corridors’. It is a mistake to equate rural with agricultural: a large number of manufacturing and service jobs are now being set up in so-called rural areas of developing countries. It is also a mistake to suppose that cities simply prey upon their hinterlands. Many goods and services can be efficiently produced in ‘urban’ areas (as in teaching hospitals and universities) and made available to people in ‘rural’ areas at reasonable cost, particularly when the two sectors are closely linked.

18. Seventh, **we should be wary of agreeing too easily to Lipton’s suggestion that “the rural sector contains [not only] most of the poverty [but also] most of the low cost sources of potential advance”.** Returns to investments in ‘small-scale’ or ‘smallholder’ agriculture can be high, particularly when current rates of fertilizer use are low, or where there is scope for more efficient water management or common property usage. DFID has spent its money quite effectively on the Western and Eastern India Rainfed Farming Projects. It might be romantic in the extreme to look for similarly good investment opportunities in parts of sub-Saharan Africa where large families are already working exhausted soils and extensively subdivided farms.

19. **To sum up: we must be careful to retain the provocation set out by Lipton but avoid reference to ‘urban bias’ either as a matter of fact or as a pathology that always needs correction.** Lipton himself concedes that the ‘price twists’ that were at the heart of his analysis in the 1970s have declined, in large part because of SAPs and a movement away from import-substitution policies. To the extent that the work of Lipton, Bates and Berg helped to authorize a change of policy within the World Bank and other development agencies, they rightly deserve acknowledgement and even applause. Whether some of these agencies and governments have since moved to an implicit or explicit ‘anti-urban bias’ is not clear, although this has been the charge of some critics. DFID might want to commission serious work on this matter. What is clear is that the charge of ‘distributional urban bias’ has been widely and often properly subjected to criticism. There are good reasons for thinking that many non-primate cities in developing countries are growing on the back of a strong commitment to economic innovation and the production of dynamic growth clusters, and not on the backs of rural people or as a

result of the activities of rent-seeking politicians. Not all 'bias' is bad, and many people in the countryside will rightly want to make their way to the city. By the same token, it is not always easy, and in some cases not very sensible, to look for a sharp division between 'the urban' and 'the rural', whether at the level of livelihood strategies or in regard to the fashioning of 'rururban' enterprises and service-delivery systems. It is a matter of concern that almost all Poverty Reduction Strategy Papers have failed to catch up with these developments in our understanding of urban growth and its consequences.

References

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