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***Globalised growth in largely agrarian contexts:
the urban–rural divide***

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Abstract

The gulf in living standards is widening between cities and rural areas of developing countries that have large rural populations. Legacy as well as emergent factors contribute to this trend. An old urban bias from colonial and post-independence times was supplanted by a newer metropolitan bias as global investments began to arrive on these shores. More poorly served by social and physical investments, individuals in rural areas are less well prepared to compete for the better positions. Trends in the technology of manufacturing processes are worsening the prospects for rural youth. Citizenship bonds between the urban rich and the poor in rural areas are fraying as widening differences in lifestyles and aspirations, overlaid on existing inequalities, are cleaving societies into disparate segments of space-age rich and stone-age poor residents. Managing their vastly unequal situations within a common framework of policies and laws is making the tasks of a development state more difficult. This paper examines the forces giving rise to urban-rural inequality and presents the need for institutional and policy reforms.

Keywords: Inequality, rural–urban difference, developing countries

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1. Inequality and its spatial dimension

The increasing gap between those who have benefited from globalisation and those who have disproportionately experienced its dislocations has been consequential for the politics of Western nations. Calls for re-erecting barriers – against foreign goods and especially against foreign people – are expressed more stridently year on year. Many on the left, swayed by nativist appeals, are attracted to far-right agendas, destabilising an older configuration of politics in Western Europe and North America and throwing together new social and political coalitions.

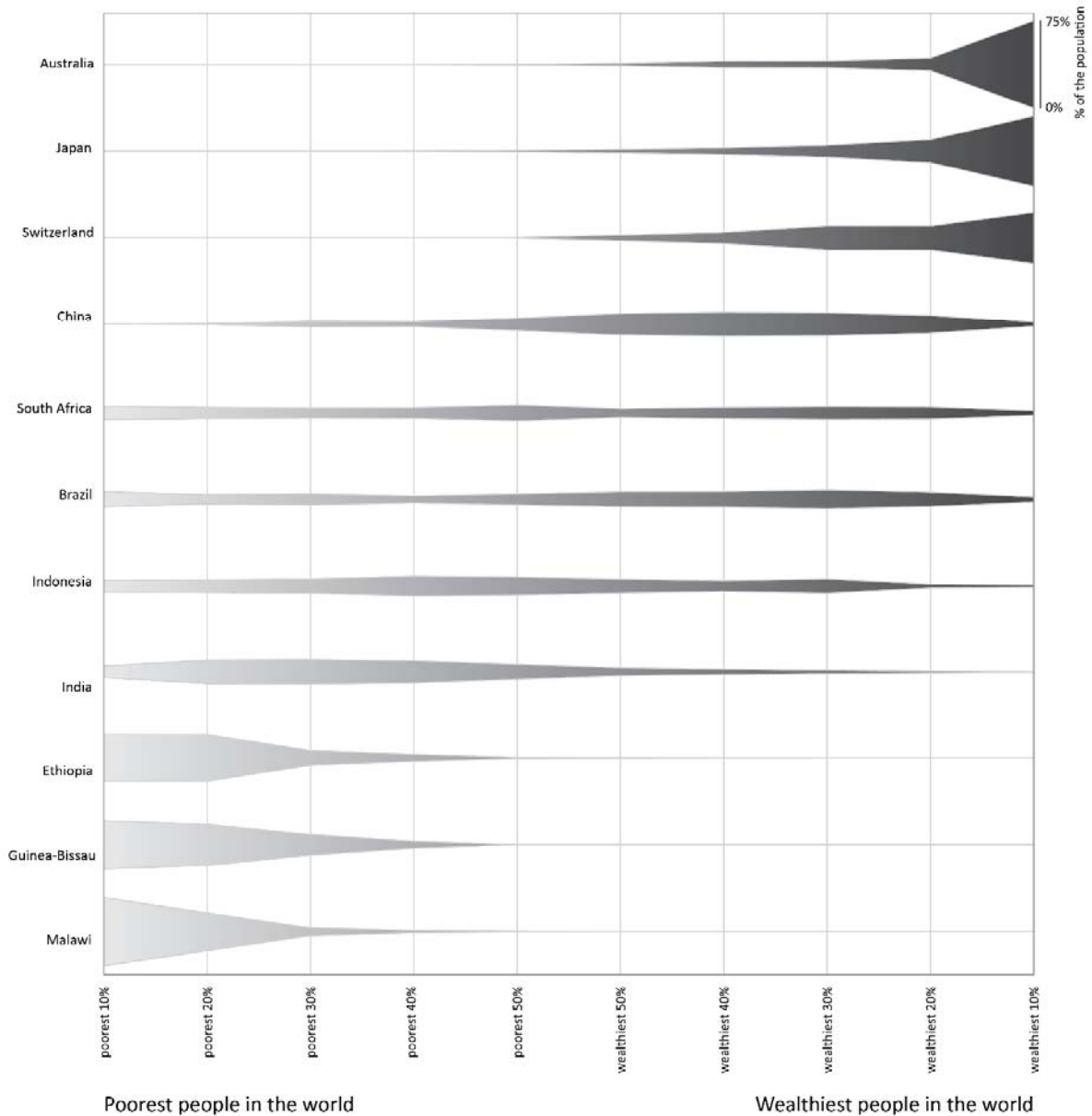
Inequality has grown as well within countries of the Global South. The gap between the richest and poorest has become wider. The richest 1 percent in fast-developing countries, like India and China have become as rich as the richest 1 percent in the world, while the poorest are at the bottom of the pile internationally.

The width of inequality – the range of living conditions of the worst-off and the best-off 1 or 5 percent – is wider in fast-developing agrarian countries than anywhere else in the world.

A visual depiction of the width of inequality in different countries is provided in Figure 1, which presents ‘streamgraphs’ for a sample of countries. Three rich countries are depicted towards the top, three are depicted towards the bottom, and five fast-developing countries are presented in the middle of this illustration. Each country’s streamgraph provides a graphic representation of wealth inequality in this country. The length of a streamgraph from left to right is an indicator of the width of inequality in that country. The longer its streamgraph, the greater is the difference between the lifestyles of the richest and poorest 1 or 5 percent. The thickness of a country’s streamgraph at any given point represents the percentage of that country’s citizens who belong to the corresponding percentile of world wealth. Towards the top of the illustration, in the three rich countries shown here, streamgraphs are thick towards the right, showing that a large share of the country’s population have as much wealth as the most prosperous in the world; conversely, in the three poorest countries, shown towards the bottom of the illustration, streamgraphs are thickest at the left end, showing that a large proportion of these countries’ people owns as little as the world’s poorest, almost nothing at all.

Notice, too, that, in rich countries, the width of inequality is relatively narrow. Australia’s streamgraph stretches from around the 70th percentile to the 99th percentile of world wealth distribution. Similarly, at the bottom end, the streamgraphs of Ethiopia, Guinea-Bissau and Malawi stretch from the first to roughly the 50th percentile point. Inequality in these countries is contained within this range.

Figure 1.1: How wealthy or poor are the people of different countries?



The streamgraphs in the middle – those of fast-developing countries, South Africa, India, Brazil and Indonesia – are of a different kind. They span the entire range of the world’s inequality. The sheer spread of difference in living conditions is remarkable. Considerable proportions of these populations live like the world’s stone-age poor, but there are also large and growing numbers of Indians, Chinese, Nigerians and Indonesians who live as the world’s space-age rich in Sydney and Tokyo and Manhattan do.

The great width of inequality in fast-developing agrarian countries is noteworthy in and of itself. A further complication is produced by the fact that inequality in these countries has a significant and growing urban–rural dimension. That urban–rural differences are growing, and wealth and opportunities are being concentrated in large urban centres, has been

documented as well for the West (Florida 2008, Moretti 2012). But the share of the rural population is quite small in many of these contexts, no more than 2 percent in the United States, for instance.

Urban–rural inequality has a different significance in other contexts where the rural share of the population is large, and where ‘rural’ still connotes largely agricultural livelihoods and small-scale peasant cultivators. More than half the world’s population lives in contexts described by these conditions. In Ethiopia, Kenya, Malawi, Niger and Sri Lanka, the rural share of the population is more than 80 percent. The share of the rural population is more than 60 percent in Bangladesh, India, Madagascar, Pakistan, Uzbekistan and Vietnam. In other countries, too, the rural population is large and agriculture-dependent – more than 40 percent in China, Cote d’Ivoire, Ghana, Guatemala, Nicaragua and Indonesia. I refer to these countries, for the sake of brevity, as largely agrarian developing countries.

Studies have been carried out in many of these countries, and they have found evidence of a large and growing urban–rural gap. Examples from many countries illustrate the rural disadvantage. There is evidence of increasing spatial inequality in Vietnam (Jensen and Tarp 2005) and Ghana (Agyire-Tettey et al. 2018) and other countries of Sub-Saharan Africa (Christiansen et al. 2005, Kanbur and Venables 2007). The urban–rural welfare gap in India, large to begin with, widened further between the early 1990s and the mid-2000s.¹ There are large income and asset inequalities between the big-city and rural parts of China, and large differences in the provision of healthcare, education, and employment opportunities.² ‘The tallest spikes – the cities and regions concentrated around cities – are growing ever higher,’ observed Florida (2008: 19), ‘while the valleys [rural areas] mostly languish.’

Studies looking at groups of countries have commonly found that ‘the urban–rural gap in living standards is a major source of inequality, accounting for much of the cross-country variation in levels of inequality. Countries with unusually high levels of inequality are those where the urban–rural gap is unusually large’ (Young 2013: 1728).

Mean consumption in rural areas is two to three times smaller than in urban areas (Dudwick et al. 2011). Not surprisingly, the percentage in poverty in rural areas is three times higher than in urban areas. Agricultural workers are more than four times as likely to be poor as people employed in the urban parts of the economy (World Bank 2016). Three-quarters of the developing world’s poor people live in its rural areas (Ravallion et al. 2009).

The greater width of inequality, along with its rural–urban dimension, presents a special set of challenges. The demands of their space-age rich people, a large and vocal number, have to be balanced by governments against the needs of the large mass of citizens at the other end of the spectrum.

¹ See, for instance, Azam (2017); Chamarbagwala (2006); Dev and Ravi (2007); Krishna and Bajpai (2011); and Motiram and Vakulabharanam (2012).

² See, for instance, Fan, et al. (2005); Knight and Song (1999); Sicular, et al. (2007); Xie and Zhou (2014); and Zhang and Zhang (2003).

The task of the development state has been made more difficult by the emergence of these complications. Basic services like sanitation and one-room schoolhouses have to be built at the same time as modern airports and superhighways. The acts of public provision that today's rich countries could undertake more or less sequentially, at different points in their history – first, one-room schoolhouses, *then* AI labs – have to be compressed together and undertaken in tandem.³

This is a hard balancing act for any government to undertake, and particularly difficult for states without great reach and low capacity. Spatial inequalities are not automatically alleviated either with the passage of time or with the achievement of higher per capita incomes. The evidence shows no clear signs of convergence or divergence (Dudwick, et al. 2011, Young 2013). In fact, the evidence examined below seems to indicate that the forces making for urban–rural inequality are not weakening. Ever more areas in the developing world risk becoming unstable, unless something purposive is done. In Part 2 of this paper, I discuss a set of factors that contribute to its increase. In Part 3, I examine some consequences of the phenomenon. In Part 4, I discuss the rudiments of a better policy response to spatial inequality.

2. Why is spatial inequality on the rise?

Emergent as well as legacy factors have contributed to the rise of urban–rural inequalities. Some factors were in evidence before its advent, others have gained strength with the advance of globalisation. I discuss these factors below in two main groups, which have separate impacts upon the income prospects of individuals in rural and urban areas. On account of the first group of factors, individuals in rural areas experience a preparation gap. A supply gap is created, in parallel, on account of the second set of factors.

2.1 Agglomeration effects and the new urban bias

The industrial revolution gave an impetus to economic agglomeration, which contemporary globalisation has accelerated. Writing at the dawn of the 20th century, Alfred Marshall noted how firms clustered in 'agglomerations' in order to gain productive and commercial efficiencies. Financiers, suppliers of intermediate goods and maintenance services, and a mass of workers with diverse skills were attracted to locations where a growing range of diverse opportunities was available.

Globalisation has:

'created a new strategic role for major cities [which] ... now function in four new ways: first, as highly concentrated command points in the organization of the economy; second, as key locations for finance and for specialized service firms ... third, as sites of production ... and fourth, as markets for the products and innovations produced ... Key structures of the world economy are *necessarily* situated in cities Sassen (2001: 3).

³ Whittaker, et al. (2010) observe how 'with compressed development the role of the state remains crucial, but it has become more complex and difficult than in the past'.

Big metropolitan centres in each country – Bangalore, Nairobi, Manila and Lima – act as the hubs of globalisation,

‘clusters of highly specialized skills and knowledge, institutions, rivals, related businesses, and sophisticated customers in a particular nation or region. Proximity in geographic, cultural, and institutional terms allows special access, special relationships, better information, powerful incentives, and other advantages in productivity and productivity growth that are difficult to tap from a distance’ (Porter 2000: 32).

Legacy factors have contributed to the urban–rural gap in developing countries. State structures constructed in another era and for another purpose have a persistent and hardwired urban bias. The post-colonial state was a barebones affair, especially in vast areas that were ruled indirectly, through local chiefs and other intermediaries. Regime stability and cost-effectiveness were the goals, not inclusiveness or social welfare (Lange 2009). Operating ‘on the cheap’ across large parts of Asia and most of Africa, government offices and officials were mostly visible in cities and thinly spread elsewhere, limiting the penetration and the territorial reach of the colonial administration (Boone 2003, Davidson 1992, Mamdani 1996).

The moment of state creation had lasting impacts on the structures and processes of public administration (Acemoglu et al. 2006, Banerjee and Iyer 2005, North 1990). There are relatively few examples of state structures that were torn down and substantially reconstructed after national independence. Government bureaucracies, centred in big cities and fading out in the interior, limiting the reach of the state (and the political efficacy of rural citizens), were inherited by ex-colonies. The majority of these newly independent nations embarked upon extended projects of import-substituting industrialisation (Streeten 1981, ul-Haq 1976). The city-centred nature of these development strategies prolonged and deepened the bias in favor of urban centres. Rural areas, home to the largest part of the population, received little of the government’s personnel and attention (Bates 1981; Chambers 1997; Lipton 1977).

Emergent factors have added weight to the inertia of legacy factors. A new inequality of opportunity has been brought on by market-based trends, resulting from big cities becoming the hubs of globalisation.⁴

The effects of living at a distance from a city or town are experienced in terms of differences in economic opportunity. While large cities advance economically, other communities tend to lag behind. Across Sub-Saharan Africa, large cities (of between 1 and 5 million) have been growing at a faster rate than medium-sized and small cities. ‘Growth in the primary city, it seems, will represent the dominant trend for the foreseeable future’ (Dudwick et al. 2011: 21).

⁴ On agglomeration effects and globalisation, see, for instance, Brulhart and Sbergami (2009) and Ezcurra and Rodriguez-Pose (2013).

Instead of guarding against them, policymakers have often exacerbated the inequality-inducing effects of market forces. Eager to attract foreign investment, policy elites have focused public investments in already-favoured cities, catering to ‘the winners in the new economy, without intervening much on behalf of those left behind’, as Kohli (2012) states in the case of India.

A new metropolitan bias has been given rise by this confluence of state and market forces. ‘Megacities and large cities offer the best services’, a World Bank study (2013: 109) points out, ‘smaller towns have the next best, and slums and rural areas tend to have the worst access as well as the lowest quality of services.’ The higher the level of technology of a company, the greater will be its demand for highly skilled workers and high-quality infrastructures, making it likelier that it will locate within or close to a big city. With higher-level government jobs, too, crowded into metropolitan areas (Ferre et al. 2012), earning prospects become inferior the further one goes into the interior (Fafchamps and Shilpi 2005). Te Velde and Morrissey (2005: 305) find evidence for a steady wage gradient, with wage levels highest in the capital city, lower in small towns, and lowest in remote rural areas. In India, average incomes are lower in rural than in urban areas, falling further as distance from the city increases.⁵

Social and physical infrastructures are disproportionately located in cities and peri-urban areas. The statistics are revealing: 97 percent of the urban population of Ethiopia has access to safe drinking water – but less than half that share of the country’s rural population (42 percent). More broadly, across Sub-Saharan Africa, 96 percent of the urban population has access to safe drinking water, compared to 81 percent of the rural population. Sixty percent of city residents in India have improved sanitation facilities, but only 25 percent of rural people.

Rural–urban differentials in access to primary healthcare are considerable. ‘The percentage of deliveries in health facilities in urban areas is about 78 percent on average compared with 43 percent in rural areas’ in Sub-Saharan Africa (World Bank 2013: 94, 97). In India, 75 percent of dispensaries and 80 percent of doctors are located in urban areas, even though 70 percent of the population is rural.⁶ Ultra-modern facilities have been set up in the biggest Indian cities, but in ‘rural areas access to quality health care remains a heart-wrenching struggle and often a distant dream’ (Lancet World Report 2017: 2426).

Fewer and poorer-quality schools serve rural areas. Less than 30 percent of Pakistan’s rural population completes secondary school, compared to more than 60 percent of its urban

⁵ Seemingly contradictory evidence – making a case for convergence in rural and urban daily wage rates in comparable occupations – is advanced by Hnatkovska and Lahiri (2013). A closer look at this evidence shows, however, that convergence in wages does not equate to convergence in living standards. Wage rates do not map one-to-one on incomes in situations where people typically rely on multiple occupations and diverse sources of income. The combination of income sources (and corresponding daily wage rates) is very different between richer and poorer and rural and urban individuals. See Azam (2017) and Krishna (2017).

⁶ ‘80 percent of India’s doctors located in urban areas’, *Economic Times*, 19 August 2016: <https://economictimes.indiatimes.com/industry/healthcare-biotech/80-per-cent-of-indian-doctors-located-in-urban-areas/articleshow/53774521.cms> (accessed 30 August 2016).

population. Less than 10 percent of young people in the countryside in China go to senior high schools, compared with 70 percent of their urban counterparts.⁷ In 15 countries of Sub-Saharan Africa, only 57 percent of rural students reached competency in reading levels 3-8, compared with 75 percent of urban students (World Bank 2013). Ninety percent of the urban population of Bolivia completes lower secondary school, compared to 63 percent of the rural population (PRB 2015).

Worse provided with healthcare, education and other critical services, people of rural areas are disadvantaged in the competition for better jobs and career opportunities. These gaps in preparation would have been debilitating at any time; they are particularly onerous now, given the rising premium on specialised skills and higher education.

2.2 On the wrong side of demographic and technological divides

Similar effects, occurring in an earlier era in the West – of changing technologies driving people into cities and a hollowing out of the countryside – had different consequences in terms of career prospects available to the average individual. The size of the group transitioning from rural to urban area was smaller in relation to the nation’s overall productive capacity, and each unit of production generated more employment opportunities. Compared to what the largely agrarian developing countries are presently undergoing, differences in demography and technology made the rural–urban transition an easier and smoother affair in the West. Between 1870 and 1930, even as the urban population of the United States increased from 10 million to 70 million, the number of factory jobs kept pace, growing from fewer than 1 million in 1870 to more than 11 million factory jobs in 1930.⁸ Young people with a high school education who left the farm and came to a city could reasonably expect to find a well-paying factory job that made them part of a secure middle class. Fordism was the dominant mode of industrial production, and it required large numbers of assembly-line workers.

The technology of production has changed rapidly in the past few decades. Factory jobs, instead of being created, are disappearing. Many fewer workers are required today to produce the same industrial output as were required at the time when the United States was experiencing its major demographic transition.

At the same time – and this is critical for people on the wrong side of the preparation gap – the jobs that are being created require specialised skills and higher education. Those jobs that people with just a high school education can hope to get are automated away or degraded. ‘Technologies like big data and analytics, high-speed communications, and rapid prototyping’ – the bread-and-butter of successful competition in a globalised world –

⁷ See <https://www.economist.com/news/china/21699923-chinas-education-system-deeply-unfair-class-ceiling> (accessed 30 August 2018).

⁸ Data from US Census Bureau, accessed at CSM, UC Berkeley. I thank Nick Carnes for help with this inquiry. In contrast, in India, the number of jobs in organised manufacturing increased from 6 million in 1973-74 to 10 million in 1997-98, but over the same period, population increased from 600 million to more than 1 billion (Goldar 2000).

‘have augmented the contributions made by more abstract and data-driven reasoning, and in turn have increased the value of people with the right engineering, creative, or design skills. The net effect has been to decrease demand for less skilled labor while increasing the demand for skilled labor’ (Brynjolfsson and McAfee 2014: 135).

These effects are being experienced, not only in the West, but also in developing countries:

‘Technology has created a growing reservoir of less-skilled labor while simultaneously expanding the range of tasks that can be automated. Most workers are being forced into competition both against each other and against machines. No wonder, their share of the economic pie has got smaller, in developing economies as well as rich ones.’⁹

Across a swathe of countries, the share of labour in national income has gone down overall, and the share of the least skilled has fallen the furthest (Karabarounis and Neiman 2013). The Stolper-Samuelson theorem about relative factor endowments has not worked as predicted. ‘The evidence has provided little support for the conventional wisdom that trade openness in developing countries would favor the less fortunate’ (Goldberg and Pavcnik 2007: 77).

The skills premium, the difference in the average wage of highly educated and less educated workers, has risen sharply. ‘In India, Indonesia, and China, the earnings in the top decile were by the late 2000s five to six times higher than those in the bottom decile... The main driver has been an increase in wage inequality’ (OECD 2011: 57).

But even as assembly lines are automated and factory jobs are disappearing, the numbers seeking employment have never been greater. A different demographic transition is producing a working-age bulge in the population profiles of largely agrarian developing countries. The number of deaths per thousand people fell dramatically, starting nearly a century ago, but birth rates remained at their traditionally high levels for decades longer, and have only recently started to fall to replacement levels, especially in rural areas of developing countries. Populations have grown rapidly for many years followed, more recently, by an explosion of the working-age population.

The number of people looking for jobs has increased manifoldly, even as the number of good-quality jobs has diminished and moved up the skills pyramid. A large young workforce has emerged that is looking to cities for job opportunities (Chauvin, et al. 2017; Cohen 2004; Lee 2003). But cities are unable to produce secure jobs and homes in anywhere near the numbers required. Urbanisation in largely agrarian developing countries is having effects different from what was observed in the West and what modernisation theorists predicted for developing countries (Apter 1965; Lerner 1958).

⁹ From ‘The third great wave’, *Economist*, 4 October 2014, p. 11. On the same point, see also Behrman et al. (2000) for Latin America; and Xie and Zhou (2014) and Zhang and Kanbur (2005) for China.

3. Consequences and reactions

Facing both a *supply gap* – the growing shortages of good jobs for less-than-university-educated people – and a *preparation gap* (the difficulties in rural areas of getting high-quality education, health and other services), young people from rural areas have a much harder time compared to their big-city counterparts. Dwarfing the numbers involved in international migration, itinerant or ‘circular’ migrants place unbearable pressure upon cities, eliciting a variety of elite reactions (Bhagat 2014). They come to cities because that is where the opportunities are concentrated. ‘The “good” jobs – secure, non-temp, decent salary – have concentrated in cities like never before. For young people trying to find work, moving to a major city is not an indulgence. It is a virtual necessity’ (Hobbes 2018). But large numbers of those who come to cities from rural areas are unprepared for any but the lowest-paying positions.

Lower-earning and insecure workers gravitate towards the least secure living conditions. The population living in slums has swelled rapidly. Roughly one in every six humans – more than 1 billion people – live in a slum in Nairobi, Mumbai, Jakarta, Lima, or some other developing country city (UN-Habitat 2010).

Contrary to the earlier optimistic expectations (e.g., Frankenhoff 1967, Turner 1969), recent evidence indicates that slums are not usually a ladder to the city’s riches. They are more aptly characterised as poverty traps, situations of inter-generational continuity (Fox 2014, Marx et al. 2013, Mitlin and Satterthwaite 2013, Perlman 2006,). Multiple generations have lived in the same slum (Krishna 2017).

Despite living in a city, slum residents and their children are rarely able to access the better opportunities. Because of the multiple and overlapping informalities they experience, slum residents are handicapped in their quests for upward mobility.

Three kinds of informality are debilitating – informal housing, informal employment and lack of identity papers. The share of informal jobs in total employment is as high as 93 percent in India, 84 percent in the Philippines, and 77 percent in Tanzania (ILO 2012). These numbers are higher yet among residents of slum settlements and favelas. Informal housing is the norm in slums, and many recent migrants do not have the identity papers that establish their claim to facilities and services in the city. In many ways, their situations are analogous to those of undocumented migrants in rich countries. The greater is the influence of informality in one’s economic life, the higher is the probability of downward mobility and the smaller are the chances of upward mobility (Rains et al. 2018, forthcoming).

Poorer rural migrants come into those urban spaces where the effects of informality and vulnerability are the greatest. ‘They are cart pullers, ragpickers, scullions, sex workers, car cleaners, ... temporary workers in petty industrial jobs requiring dangerous physical work...[who] often sleep in (or on) their places of work, insofar as their work is not wholly transient in character’ (Appadurai 2002: 26). The world’s poverty is becoming urbanised over

the years (Ravallion et al. 2009), both as the flow into cities grows larger and as poorer city dwellers are unable to advance economically.¹⁰

A marketplace relationship exists between slum dwellers and richer city people. They may not like seeing them in their midst, but richer urbanites depend upon slum dwellers for a variety of functions and services. Slum residents provide the maids, security guards, parking lot attendants, taxi drivers, delivery boys, etc., upon whom richer residents have become dependent. Migrants and slum dwellers are tolerated by richer city residents, who obtain cheap services from people who do not get paid unionised wages or provided with social security benefits.

But every once in a while this tenuous equilibrium breaks down and what has been allowed to remain, informally and in tacit collusion with the authorities (Holland 2016), becomes no longer acceptable and is sought to be eradicated (Auyero 2000). Disdain for slum dwellers and their ways of life – ‘sharing undesirable traits and posing a threat to moral and social order’ (Gooptu 2001: 14) – overshadows economic convenience and is given expression in waves of slum demolition and restrictions on rural–urban migration. China’s *Houkou* system is the best-known example of regulating the migration of rural residents to urban areas. But it is hardly the only example. More than three-quarters of all developing countries (77 percent) implemented policies in 2011 that restricted urban–rural migration. More and more countries are putting such restrictions in place as the gap grows wider between urban and rural areas. Twenty-five years ago, a much smaller number of countries (44 percent) were implementing such restrictions (United Nations 2011).

Cutting off the urban from the rural, while it helps by keeping apart the two parts of a combustible mixture, also reinforces the gulf between urban and rural. In his 2015 encyclical, *Laudato Si*, Pope Francis noted how

‘many professionals, opinion makers, communications media, and centres of power, being located in affluent urban areas, are far removed from the poor, with little direct contact with their problems. They live and reason from the comfortable position of a high level of development and a quality of life well beyond the reach of the majority of the world’s population. This lack of physical contact and encounter can lead to a numbing of conscience and tendentious analyses which neglect parts of reality.’¹¹

As the citizenship links become weaker between richer and poorer, slum dwellers and the rural poor become ‘invisible...their needs un-politicized’, no part of the elites’ project of building the imagined future of the nation (Mosse 2010: 1165).

¹⁰ A review of the evidence for India concludes that ‘migration leads to further inequality in the sense that the most successful are able to further improve their economic and social status ... while in the lower echelons of the work hierarchy migration rarely results in structural improvement’ (Deshingkar and Farrington 2009: 10).

¹¹ Encyclical letter, ‘Laudato Si’. Available online: http://w2.vatican.va/content/francesco/en/encyclicals/documents/papa-francesco_20150524_eniclica-laudato-si.pdf (accessed 15 August 2015).

Shortchanged by infrastructure and investments, rural areas far from cities are not the favoured locations for new investments. The labour supply they help produce is deprived of quality inputs and gravitates towards the lower and more insecure employment options. An overwhelming number of itinerant migrants and slum dwellers appears, which completes the cycle, reinforcing the myth that is strong among rich city dwellers of rural people as backward and non-achieving, a drag upon the country's growth and a burden upon the taxpayer.

4. Shaping a better response

It was thought at one time that as countries grew, spatial inequality would first grow and then fall in the manner of an inverted-U-shaped Kuznets curve. Recent studies have found, however, that rural–urban differences do not automatically become smaller. There is no significant correlation between the magnitude of the urban–rural gap in living standards and the extent of urbanisation or per-capita income (Young 2013). 'The data on changes in welfare levels do not yield clear patterns of either convergence or divergence' (Dudwick et al. 2011: 36, 39).

Remaining passive in the face of rising spatial inequality is becoming a less viable policy option, for growing inequality 'threatens the social solidarity of societies in ways that portend growing social conflict' (Barnes and Hall 2013: 231).¹² Outright social fractures have been avoided so far in most countries, though on occasion contentious politics have spilled over into public unrest and civic instability, as in the cases of pro- and anti-Shinawatra forces in Thailand;¹³ the Maoists in India;¹⁴ Duterte's support base in the Philippines;¹⁵ people's plights in Indonesia;¹⁶ and struggles over farmers' and migrants' rights in China.¹⁷

The forces giving rise to urban and metropolitan bias can be countered by the adoption of suitable policies. In some countries and at some times, policies have been adopted that tilted the terms of exchange in favour of rural areas (Jones and Corbridge 2010, Varshney 1995). Diverse forces, including both legacy and emergent factors, have worked to enhance urban bias. A mix of responses is required for dealing with these factors.

¹² While prior scholarship was mostly agnostic about the relationship that inequality has with social welfare and political stability, recent work has brought into relief the negative consequences that rising inequality has for each of these objectives. See also Atkinson (2015); Berg and Ostry (2011); Bourguignon (2015); Piketty (2013); and Wilkinson and Pickett (2009).

¹³ See <https://washingtonmonthly.com/magazine/april-may-june-2018/the-tragedy-of-thailand/> (accessed 3 September 2018).

¹⁴ See, for instance, Gomes (2015) and Kennedy (2014).

¹⁵ See Pieterse (2018) and <https://www.economist.com/news/asia/21731638-government-rodigo-duterte-paying-poor-some-attention-philippines-has-most> (accessed 3 September 2018) and <https://www.telesurtv.net/english/news/Filipino-Farmers-Force-Duterte-to-Redistribute-Oligarchs-Land-20170517-0033.html> (accessed 3 September 2018).

¹⁶ See, for example, an article in the *Economist* of 3 May 2014 ('Poverty in Indonesia: muted music'), which refers to the 'glaring gap between rich and poor' which results in 'over 3 million migrants from the countryside arriving each year in Jakarta and other cities. Many of them end up with jobs in low-end services, hawking food by the roadside or selling things from handcarts ... They rarely earn the official minimum wage and receive few government benefits.'

¹⁷ See, for instance, <https://www.theguardian.com/world/2017/nov/27/china-ruthless-campaign-evict-beijings-migrant-workers-condemned> (accessed 3 September 2018) and <https://www.hrw.org/news/2010/03/31/china-beijing-relocations-put-migrants-risk> (accessed 3 September 2018).

Broad policy areas can be specified, but tried-and-tested solutions are few in number. At different times and in some developing countries, measures were undertaken to reverse or retard spatial inequality. China concentrated on agricultural productivity growth soon after undertaking its liberalisation reforms in the 1970s, and later developed town and village enterprises to encourage labour-intensive industrialisation that would provide employment in rural areas. But these efforts were not enough and, more recently, the Chinese government has launched a series of programmes, including: a new rural cooperative medical system; universal and free education in rural areas, with an emphasis on learning outcomes; and a minimum living standard guarantee (or *Dibao*) initiative. Brazil is the only developing country among nine studied by an OECD team, where in the 1990s and early 2000s, rural areas outpaced urban areas. Brazil enacted a set of measures: a rural pension scheme; raising the minimum wage; and devoting a sum equal to 15 percent of its GNP to social expenditures, 'the same as Canada, and three or four times the share of GDP that India, China and South Africa spend on these objectives' (OECD 2011: 53, 59).

Social development and employment generation required to close the preparation and supply gaps will need to incorporate newer and more innovative elements. Reviving an older, small-is-beautiful focus on employment promotion and labour-intensive growth (Schumacher 1973) could provide a useful avenue worth exploring with new technologies – as is being done, for example, in some regions of Europe (Gereffi 2012, Herrigel 1996, Locke 1995). Equally, given how advances in technology are reducing the supply of jobs, a focus on entrepreneurship development is necessary. In addition to raising the number of jobs that are created, more attention needs to be given to the parallel task of bolstering the supply of job creators. Education systems need to adapt to meet this requirement of the present era (Cho and Honorati 2014, Qadir 2012).

Progressively formalising the informal parts of the economy represents another way to improve the upward mobility prospects of poorer people. Too many in these countries, labouring in the informal sector, lack the means of coping with fundamental life events – principally, healthcare and old-age benefits. The costs of dealing with illnesses and injuries bankrupt many families, pitching them into poverty that is persistent (Krishna 2010). Informality does not, however, have to amount to complete lack of social protection. European workers on short-term and flexible work arrangements are protected by healthcare benefits and old-age security; they can fall back upon state unemployment benefits, including retraining and reskilling.¹⁸ Progressively, similar institutional supports are needed for informal workers in developing countries.

More than just a high school education is required to climb the ladder at the present time. Investments in specialised skills and entrepreneurship will require the development of new kinds of educational infrastructure. Social development has always been needed for equitable and sustained economic development (Ranis et al. 2000). The age of industrialisation brought widespread benefits to people in the United States, because a high

¹⁸ See, for instance, Atkinson (2015); Birdsall (2006); Esping-Anderson (1990); and Rueda, Wibbels and Altamarino (n.d.).

school education had become a regular feature of growing up in these societies, and communities and governments had risen ably to the challenge (Autor 2015).

Facing this challenge ably in developing countries will require investing in developing effective policies and appropriate government and community institutions. More effective local institutions are necessary, particularly those that govern the provision of public education, public health, credit, and communications.

How to develop good institutions is not, however, a matter of plug-and-play or one of reverse engineering. The institutions and policies that rich countries devised were meant to deal with their own situations, and may not be well suited for the different situations faced in largely agrarian developing countries. In any case, institutions that are effective and rooted in particular local contexts are not available off-the-shelf; they need to be collectively created and protected by the people affected (Esman and Uphoff 1984, Hall and Soskice 2001, Ostrom 1990).

Experimentation and adaptation are required, rather than blanket implementation. Countries will do well to invest in processes of institutional innovation. Instead of looking for magic bullets, they will do better to opt for longer-period initiatives of trial and improvement. New ideas need to be tried out in a phased manner; starting slowly in a small number of carefully monitored locations, observing the intended and unintended outcomes; and scaling up incrementally as the bugs are removed and more effective processes get instituted. Too often, unproven solutions are implemented nationwide, without first being piloted in small test sites, because these solutions are in fashion at that time, or because policymakers are impatient. Hardly any of these ventures end up having the intended long-term impact (Easterly 2006). It needs to be admitted that achieving viable solutions will take extended periods – required for ground-testing competing ideas and converting them successfully into bureaucratic routines and operating procedures (Andrews et al. 2012, Korten 1980). Patient and incrementally expanded efforts of this kind helped China revamp its rural healthcare system.¹⁹ Sustained processes of policy experimentation are required more widely in developing countries.

Diverse ventures, undertaken deliberately from the bottom up, can help close urban–rural gaps, giving a greater share of the talent pool a realistic opportunity to connect with the richer rewards of globalisation. No matter where in a country they live, individuals must have access to multiple ladders of opportunity. As more individuals grow and develop, the nation will grow faster.

Who will undertake these ventures is the million-dollar question. Until political leaders begin to fear for their electoral majorities, rural grievances may not have much impact on policy priorities. Dividing the rural population along ethnic and regional lines can help shift the terms of political exchange, staving off the ultimate reckoning with spatial inequality. Other short-term strategies, involving patronage or handouts, can also help win votes in the short

¹⁹ See <http://www.worldbank.org/en/results/2015/04/02/reform-innovation-for-better-rural-health-services-in-china> (accessed 3 September 2018).

term. But as the fissures become deeper, sops and handouts will lose their appeals, and the situation will require deeper fixes, or it will become untenable.

A metaphor helps envision the emergent situation. Globalisation is like a strong wave that breaks over the shores of a nation. If the beaches have been hardened and if people have trusty boats, they can ride the strong current, going further and exploiting new opportunities – that is the argument in favour of a renewed emphasis on social development (Barrientos 2013). But if, on the other hand, the beaches have been neglected and are prone to erosion, and if there no boats or only leaky vessels, then the same strong current can bring on disaster. In decades past, when countries could protect their beaches, putting in barriers to hold back the wave of globalisation, they could afford to bother less about the safety of the land and the kinds of boats possessed by their people. That is no longer a feasible strategy. Equipping all people with the means to ride the wave is necessary for coping successfully with contemporary globalisation. People will have to set the agenda that elected leaders are required to follow.

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