# Introduction: Urban Bias in Perspective

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*Under what conditions might urban bias erode? Are those conditions entirely uncommon? Or is it that our customary understanding was wrong in several key respects? These are the questions underlying this volume. To express our vantage point clearly, the papers focus on the conditions under which the countryside is not 'squeezed'. Four critiques of the urban bias theory emerge, three of which are new. First, the urban bias theory neglects political institutions. The urban bias outcome is not true across political systems (democracy versus authoritarianism), or across ideological orientations of the ruling elite (pro-rural or pro-industrial). Second, the urban bias theory did not anticipate how technical change over time could begin to make the rural sector powerful. Third, the conception of how rural interests are expressed in politics is limited in urban bias theory to the strictly economic issues. Ethnic (and religious) identities may cut across the rural and urban sectors, and may obstruct an economic expression of rural interests more than the power of the city. Finally, as pointed out earlier a special issue of this journal on urban bias, the urban–rural boundaries may at times be hard to detect.*

The 'urban bias' theory has long been influential in development studies. Associated primarily with the works of Michael Lipton [*1977*] and Robert Bates [*1981*], it has contributed a great deal to our knowledge of the grim realities of rural life in the developing world. Political economy research of a more recent vintage, however, suggests that it is time to redefine the problem of urban bias.

Viewed as a collective engagement with the urban bias theory, this volume presents the new research along with the responses of Bates and

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Lipton. Our studies do not add up to an alternative theory of why the state behaves the way it does towards the countryside. They do, however, point to the factors that need careful attention in future research. These papers can be seen as building blocks for the construction of an alternative theory of 'the state and agriculture'.

Reduced to its bare essentials, the urban bias theory puts forth two propositions: (i) that the development process in the third world is systematically biased against the countryside; and (ii) that this bias is deeply embedded in the political structure of these countries, dominated as they are by the urban groups. In other words, the countryside is *economically* poor because it is *politically* powerless. If it were more powerful, it would be taxed less, it would get more public investment, and it would get better prices for its products. In the polemical but influential words of Michael Lipton:

> . . . the most important class conflict in the poor countries of the world today is not between labor and capital. Nor is it between foreign and national interests. It is between rural classes and urban classes. The rural sector contains most of the poverty and most of the low-cost sources of potential advance; but the urban sector contains most of the articulateness, organisation and power. So the urban classes have been able to win most of the rounds of the struggle with the countryside . . . [*Lipton, 1977: 13*].

Theories of collective action have led to a further development of this argument. Lipton's argument did not allow for distinct state treatment of different crops, nor was it clear what elements of his analytical structure would explain the overvaluation of agriculture in the developed world. Responding to these concerns in his work on African agriculture, Robert Bates [*1981*] advanced our analytic understanding of the urban–rural relationships in economic development. It was, he argued, not enough to say that the urban sector was powerful and the countryside powerless. It was necessary to understand why that was so, and whether a change in the urban–rural equation was possible. Using the rational choice methodology, Bates gave us *microfoundations* of the observed outcomes.

Bates' nuanced reformulation opened the way for an increasing academic acceptance of the theory. The acceptance went beyond the universities. Over the 1980s the urban bias view neatly dovetailed into the 'getting prices right' paradigm of thinking, promoted by the international development agencies. Indeed, it would be no exaggeration to say that on the agricultural sector the urban bias theory became 'hegemonic' in the 1980s. 'Rational price regimes', as the World Bank put it, 'are essential to the success of development strategies'. [*World Bank, 1982; 1986; 1988*]. But agricultural prices, the World Bank argued, were highly 'distorted' in the Third World, principally because of the urban-dominated politics in these countries. A series of World Bank studies sought to document the claim about price distortions against agriculture,[1] and inferred that these biases were embedded in the power structure.

Under what conditions might urban bias erode? Are those conditions entirely uncommon? Or is it that our customary understanding was wrong in several key respects? These are the questions underlying this volume. To express our vantage point clearly, the papers focus on the conditions under which the countryside is *not* 'squeezed'. In the industrialisation of a primarily agricultural society, some resources are bound to be transferred from the rural sector. *Transferring* a surplus, therefore, should be distinguished from *squeezing* a surplus out of agriculture. The former may facilitate industrialisation as well as help agriculture [*Lewis, 1954; Timmer, 1992*]; the latter may hurt both, as the urban bias theorists have reminded us. The belief that industrialisation in the developing world is often at the cost of agriculture is, of course, not confined to the urban bias theorists. They have simply been some of its most widely read exponents.

The criticisms of urban bias theory made by these papers can be grouped under four headings, three of which are new. First, the theory neglects political *institutions*. The urban bias outcome is not true across political systems (for example, democracy versus authoritarianism), or across ideological orientations of the ruling elite (pro-rural or pro-industrial). How the polity and political institutions are organised, what objectives the political elites have, and how those objectives are expressed in the policy process may have varying implications not only for the power of the rural sector but also for its economic well-being. Second, the urban bias theory did not anticipate how *technical change* over time, especially of the green revolution variety, could begin to make the rural sector powerful. Third, the conception of how rural interests are expressed in politics is limited in urban bias theory to the strictly economic issues. That would not be such an omission, were it not damaging to the argument. Ethnic (and religious) identities may cut across the rural and urban sectors. When they begin to dominant the political agenda of a country, they can obstruct a sectoral construction of rural interests in politics. The cross-cutting nature of rural identities and interests may thus weaken the countryside more than the power of the city. Finally, as pointed out in the first special issue of this journal on urban bias [*Harriss and Moore, 1984*], the *urban–rural* *boundaries* may at times be hard to detect. Evidence from Ivory Coast and China presented in this volume adds further to the earlier critique.

To put the contributions in perspective, this essay starts with a brief review of theories and ideas about town–country relations in the process of development. The relationship of urban bias theory with this literature will be made clear. The next section will elaborate on the four criticisms summarised above, also indicating the directions in which the new research takes us. Finally, I deal with an important issue raised by Lipton.

## I. TOWN–COUNTRY STRUGGLES IN DEVELOPMENT: A BRIEF OVERVIEW OF IDEAS

A history of ideas on town–country struggles[2] must start with the obvious fact that as economies develop and societies modernise, agriculture declines. Before the rise of industrial society, all societies were rural. If we look at the most industrialised societies of today, their agricultural sectors constitute less than five per cent of gross domestic product (GDP). Contrariwise, in the poorest economies of the world, agriculture still accounts for anywhere between 30 to 65 per cent of GDP [*World Bank, 1991: 208–9*]. The notion of agricultural development in the poor economies is thus imbued with an inescapable irony. Without agricultural development food may not be forthcoming. Agriculture must, therefore, develop but it develops sectorally only to decline inter-sectorally. It is a rare idealist, or a utopian, who believes in keeping agriculture and rural communities as they always were.[3] Whether one likes it or not, industrialisation requires the eclipse of agriculture.

This irony has given birth to the central question of town–country debates: on what *terms* should agriculture decline, for decline it must. The question has both economic and political implications. Focusing on the role of agriculture in industrialisation, the economic literature deals with how to industrialise and the implications industrial development has for agriculture. The political economy literature examines the conflicts and coalitions that emerge as industrialisation proceeds, and investigates how the rural people deal with the 'imperatives' of industrialisation. The urban bias view belongs to the political economy genre. It entails both an economic and political view of development.

### *Agriculture and Industrialisation*

The agricultural sector is intimately tied up with the question of how to raise resources for industrialisation. Particular significance is attached to three kinds of resources: (i) food for the increasing urban population, (ii) labour to man the expanding industrial workforce, and (iii) savings to finance industrial investment.[4] All three resources may not be simultaneously forthcoming. Worse, maximising one may minimise the other, which is especially true of food and savings. If, to raise savings for industrialisation, agricultural prices are kept low and industrial prices are artificially increased, food production may decline. If, to ensure steadily increasing supplies of food, agricultural prices are raised, enough savings for industrial investment may not be forthcoming. These dilemmas essentially have led to two kinds of analytical exercises: how should agriculture be *developed* and how should agricultural resources be *transferred*. Broadly speaking, thinking about the first issue is associated with the micro views of agriculture, and thinking about the second, with the various macro views. Agricultural production must go up. This requires an understanding of what makes farmers produce. At the same time, agricultural resources should be transferred, so the transfer should be of a kind that does not hurt agricultural production. Balancing the micro and the macro has been a nagging problem in the economic literature.

The first economists were pessimistic about agriculture. The 'classical pessimism' of the eithteenth and nineteenth century (mainly Adam Smith and David Ricardo) stemmed from the belief that, in contrast to industry, agriculture suffered from decreasing returns to scale. This fact itself led to, as well as called for, a transfer of resources to industry. Later, marginalists like Marshall believed that technical progress was inevitably slower in agriculture – hence, the inevitability and desirability of transferring resources from agriculture, given the critical role of technology in economic development.

*Ricardo and Malthus:* The first famous terms of trade debate took place between two classical economists, Malthus and Ricardo, concerning the Corn Laws in nineteenth-century England. The issue was whether laws limiting grain imports into England should be repealed. If higher imports were allowed, food prices would come down; if they continued to be restricted, food prices would remain high. How would all this affect industrialisation in England? Malthus defended the Corn Laws on the following lines. If food imports were increased, terms of trade would turn against agriculture as a result of the lowering of food prices and, faced thus with a drop in real incomes, the landlords would cut spending. This cut would in turn retard industrial growth since the agricultural sector accounted for a large part of the demand for industrial goods. Ricardo disagreed. To realise gains from trade, he favoured repealing the Corn Laws. He also argued that aggregate demand was retarded, not stimulated, by landlords' rents. Land rents ought to come down, not increase. Repeal of the Corn Laws, by cheapening food and therefore turning the terms of trade against agriculture, would facilitate this process. Modern treatments of this debate suggest that the answer as to whether aggregate demand will go up or come down as a result of food imports and the consequent lowering of food prices depends essentially on how wage-earners spend their incomes between goods produced by the two sectors [*Taylor, 1983: 38–48; Rao, 1986*].

In the twentieth century, the issue of agriculture–industry linkages was confronted in a more elaborate and dramatic manner than ever before. The reason was simple. The late developers of the world were unwilling to industrialise in the manner of England and France. Economic processes that took two to three centuries in England and France were now to be telescoped into a few decades. The late developers' desire to industrialise quickly required clarity on the agriculture–industry relationships in the process of industrialisation. Dealing with the new drive for industrialisation, the Soviet industrialisation debate and W. Arthur Lewis's work on economic development became the economic classics of the twentieth century.

*The Soviet industrialisation debate:* The Soviet debate of the 1920s continues to be intellectually important for understanding late industrialisation.[5] Communism may have collapsed in the 1990s, but for the first communist country in the world, whether or not a communist country could modernise its economy faster than its capitalist predecessors was clearly a matter of historic proportions. The issue was how to finance industrialisation in the newly-born socialist state. The protagonists were Evgeny Preobrazhensky and Nikolai Bukharin and the debate formed the basis of the socialist economic policy.

Preobrazhensky argued that the state should turn the terms of trade against agriculture: it should offer the lowest possible prices for farm products and sell the industrial products to the country at the highest possible price. The surplus thus gained would finance industrialisation. Supported by Lenin, Bukharin argued in favour of 'equilibrium prices', not 'non-equivalent exchange' for agriculture. Preobrazhensky's prescriptions, he thought, were self-defeating for they would drastically cut food supply. The kulaks were the dominant class in the countryside, and they would respond to unfavourable terms of trade by producing and/or marketing less. Rural demand for industrial output would also contract, as the kulaks, with incomes falling, cut their spending. Bukharin advocated market forces in agriculture, along with a state policy encouraging co-operatives for inputs, credit and farm sales, whose resources and facilities would, however, be especially earmarked for the small peasantry. Co-operatives would reduce unit costs of small peasants, and the scale economies, so obtained, would make small peasants much more competitive than the kulaks in the market. Economic rationality would thus liquidate the kulaks as a class and collectivisation would dominate the countryside. State-directed market forces would lead to socialism.

Making the argument that parallel lines never met (the parallel lines being the socialist urban sector and an unyielding, uncollectivised rural sector), Stalin finally embraced Preobrazhensky's model for state policy. He solved its intrinsic economic problem – the possibility of the kulaks not providing food supplies – by physically liquidating the kulaks (and also eliminating a mass of peasants resisting collectivisation). Stalin argued that if the state liquidated those who did not provide food for socialist industrialisation at reasonable prices, it would end up getting food from the agricultural sector as well as savings (that is, food at low prices). If both savings *and* food from agriculture were required, violence, in Stalin's reasoning, was absolutely necessary.

It turns out that, due to unanticipated economic reasons understood later by economists, Stalin was wrong. So was Preobrazhensky. Even though the investment rate in the USSR went up from a mere 14.8 per cent of GDP in 1928 to 44.1 per cent by the end of the First Plan in 1932, this increase in investment was not *primarily* financed by agricultural surpluses. A large part was actually financed by the 'forced savings' of the industrial working class [*Ellman, 1975*]. Collectivisation did not increase the net agricultural *surplus*, nor did it increase the total agricultural *output*; only the *state procurement* of *wage goods* (especially food) increased. Even more important, the terms of trade did not turn in favour of industry. Rather, the food that could not be procured went into the free ('black') market and food prices in the free market shot up so much that the overall terms of trade for agriculture in fact improved during the plan period.[6] Inflation was the result. Inflation decreased the real value of the wages paid to the industrial workers. *Both* the savings thus forced on the urban sector (fall in real wages) and an agrarian surplus, therefore, financed Soviet industrialisation under the First Plan (1928–32).

*W. Arthur Lewis and after:* Writing in the middle of the twentieth century, W. Arthur Lewis [*1954*][7] had no doubt that a price-squeeze on a stagnant agriculture (à la Stalin) would only choke off food supplies, thereby hurting industrialisation. He argued that 'industrial and agricultural revolutions always go together' and 'economies in which agriculture is stagnant do not show industrial development' [*Lewis, 1954: 433*]. At one level, this position is a re-statement of Bukharin. Lewis, however, did not stop there. Bukharin's conclusion was unsatisfactory, in that he could not see the profound dilemma inherent in his prescription. If the agriculture sector became more productive, 'we escape', argued Lewis, 'the Scylla of adverse terms of trade' but 'we may be caught by the Charybdis of real wages rising because the subsistence sector is more productive' [*ibid.*]. Since poor economies did not have a high level of savings, low wages, by increasing profits, could finance industrial investment. Industrialisation was not only dependent on steady food supplies but also on low wages, which would be transformed into high wages by a productive agricultural sector. Thus, both stagnating and prospering agriculture could hurt industrialisation.

How should one, then, solve the problem? Taxing *prospering* farmers was Lewis' solution:

> the capitalists' next best move is to prevent the farmer from getting all his extra production. In Japan this was achieved by raising rents against the farmers, and by taxing them more heavily, so that a large part of the rapid increase in productivity which occurred (between 1880 and 1910 . . .) was taken away from the farmers and used for capital formation . . . [*Lewis, 1954: 433–4*].

The abiding value of Lewis' model remains precisely in forcefully stating the dilemma and proposing a solution that seemed to correspond with a historical case (Japan).

Starting with Theodore Schultz [*1964*], a *micro*economic orientation, focused more on peasant behaviour and raising agricultural production than on viewing agriculture as a means to industrial development, came to dominate the economic thinking about agriculture in developing economies. Like Lewis, Schultz argued that, for an agricultural revolution to take place, technological investments in agriculture were essential. Unlike Lewis, however, he also argued for price incentives for farmers, because such incentives would be necessary for the adoption by farmers of new technology. Both price incentives and technological upgrading were essential.

Politically speaking, a microeconomic view, reliant as it is on price incentives for farmers, is perhaps the most favourable to the countryside. But a purely microeconomic view leaves a serious economic problem unresolved: how should one raise resources for industrialisation? Schultz did not engage with this question.

In principle, two non-agricultural sources of savings do exist. Minerals or 'foreign savings' (loans or direct investment) can step in to provide resources. Not all countries, however, have rich deposits of minerals. And some can use the income from minerals or oil so recklessly that they end up hurting agriculture through what is known as the 'Dutch disease'. The examples of Mexico and Nigeria after the oil price hike of the 1970s have often been cited to illustrate the point. Foreign aid (or foreign loans and investment) can rarely provide all the resources needed. In the early stages of development, countries typically aim at a 15 per cent investment rate but save only 5 per cent of their income. Only in exceptional cases does foreign aid make up such a large shortfall (American aid to Israel and South Korea in the 1950s comes to mind). A slow pace of industrialisation, if chosen, may also reduce the burden on agriculture, but very few poor countries choose to be slow industrialisers.

It is not surprising, therefore, that a microeconomic view alone would not be feasible. Realising this, later developments in economic theory recast the micro position, by linking it with the macro problem of the extraction of agricultural resources for industrialisation. In this reconstructed vein, Peter Timmer argues that a Schultz-induced productivity in agriculture 'creates a surplus, which . . . can (then) be tapped directly through taxation . . ., or indirectly, through government intervention into the urban–rural term of trade' [*Timmer, 1988; 1992*]. This position is a marriage of Lewis and Schultz.

Recent empirical research has thrown further light on how the resources are generated and transferred in the process of industrialisation. It turns out that the *extent* of agricultural contribution has generally been overestimated, though agriculture does provide resources – in some cases a very large part [*Quisumbing and Taylor, 1990*]. The contribution of agricultural sector has been overwhelmingly large typically in countries with a large export agriculture sector, which makes it easier for the government to tap agricultural resources. This argument does not amount to saying that Third World leaders have not tried to force the price scissors on the countryside; rather, even when they have done so, the objective economic consequences of their actions have been that inflation and a fall in urban wages have financed *part* of the investment. Only in the presence of cheap food imports in adequate quantities could this result – squeezing of food sector leading to inflationary consequences – be avoided. An export-oriented agricultural sector is typically more readily exploitable. In much of Africa and also South-east Asia, therefore, agricultural exports may have contributed heavily to the modernisation of economies.

These works help us categorise the various ways in which agriculture has intertwined with the process of industrialisation. Late developers seem to have followed one of the following four paths to industrialisation: (i) squeeze agriculture (à la Stalin); (ii) extract a surplus from the export agriculture sector but do not squeeze the entire agricultural sector; (iii) extract a surplus from minerals or rely on foreign resources for funding industrialisation; (iv) make agriculture productive (via technological investments) but transfer resources through taxation or terms of trade.

By now, it is clear that route (i) is self-defeating (much of Africa seems to have followed this option). Options (ii) and (iii) are not available to all countries since not all of them have large export agriculture sectors or great mineral deposits, and aid (or foreign resources) do not easily come in such large magnitudes. Option (iv) remains the best option for low income countries still in the early phases of industrialisation. One may also add that the urban bias view essentially focuses on options (i) and (ii).

### *The Political Issues*

Economic theories may suggest the obvious truth that agriculture declines in the process of modernisation. The political tangles, however, remain. Why should the rural sector accept a plummeting fate? What helps society at large may not benefit the villages. At any rate, the social benefit at time T, which may improve the lot of the rural folk in the end, may not help them at time T-1. Does not the peasantry fight the march of history? If not, why not? If yes, why does it not succeed? The economic view, in other words, requires political *microfoundations*. We ought to be able to explain why the rural sector is powerless in the face of industrialisation

In *The Eighteenth Brumaire of Louis Bonaparte*, Karl Marx provided the initial formulation on why the peasantry is powerless when confronted with the larger forces of history:

> . . . (T)he great mass of the French nation is formed by simple additions of homologous magnitudes, much as potatoes in a sack form a sack of potatoes . . . In so far as there is merely a local interconnection among these smallholding peasants, and the identity of their interests begets no community, no national bond and no political organisation among them, they do not form a class. They are consequently incapable of enforcing their class interest in their own name, whether through a parliament, or through a convention [*Shanin, 1987: 332*].

Barrington Moore's well-known classic [*1966*] carried the argument further. Moore identified three political routes to a modern (that is, industrial) society: democratic (England, USA, France), fascist (Germany and Japan) and communist (Russia and China). In all cases, the peasantry is sooner or later subdued.

Peasant revolutions of the twentieth century were the only cases, according to Moore, when peasants were not an object but a subject of history. But a peasant-based revolution, he added, did not lead to a consolidation of peasant power after the revolutions. 'Twentieth century peasant revolutions have had their mass support among the peasants, who have then been the principal victims of modernisation put through by communist governments' [*Moore, 428*]. Peasants thus suffer no matter how the political system is constructed.

For Moore, whether or not peasants would revolt depended on three factors: (i) whether peasants had strong links with the lords, (ii) whether peasants had a strong tradition of solidarity; and (iii) whether links with urban classes against the lords were established. Investigating conditions under which peasants revolted, Scott [*1976*] further developed the first two insights. Popkin's work [*1979*] emerged as a counter to Scott, and developed the third insight fully.

*Theories of urban bias:* About the same time, the urban bias argument emerged. All of the above arguments were about the powerlessness of the peasantry, not about the entire rural sector. The urban bias view sought to explain why the lords would not speak for the rural sector, and even if they did, why that would not matter. The power structure of the third world, this view held, is marked by an 'urban bias'. Urban power subdues rural interests with disastrous results. According to Michael Lipton:

> The rural sector contains most of the poverty and most of the low-cost sources of potential advance; but the urban sector contains most of the articulateness, organisation and power. So the urban classes have been able to win most of the rounds of the struggle with the countryside but in so doing they have made the development process needlessly slow and unfair. Scarce land which might grow millets and beansprouts for hungry villagers, instead produces a trickle of costly calories from meat and milk, which few except the urban rich (who have ample protein anyway) can afford. Scarce investment, instead of going into water pumps to grow rice, is wasted on urban motorways. Scarce human skills design and administer, not clean village wells and agricultural extension services, but world boxing championships in showpiece stadia. Resource allocations, within the city and the villages as well as between them, reflect urban priorities rather than equity or efficiency. The damage has been increased by misguided ideologi-

> cal imports, liberal and marxian, and by the town's success in buying off part of the rural elite, thus transferring most of the costs of the process to the rural poor [*Lipton, 1977: 13*].

The overriding concern of the city is cheap food. Artificially low food prices result from this concern, amounting to a tax on the countryside. There are of course many consequences of urban bias that would reflect in many policy areas – investment, taxation and not simply prices – but food prices are absolutely critical. Whatever else might happen, food must remain cheap. Indeed, the 'basic conflict' in the third world boils down to a conflict, says Lipton, between 'gainers from dear food and gainers from cheap food'. All urban classes are interested in cheap food: the industrialist because that will keep wages low, the worker because that 'makes whatever wages he can extract from the boss go further' [*Lipton, 1977: 67*]. And the salaried middle classes, too, would benefit from lower allocations for food in their relatively tight household budgets.

Conversely, 'the whole interest of the rural community is against cheap food' [*ibid.*]. The surplus farmer gains from dear food because he can get more for what he sells; the deficit farmer because he can supplement his income from greater employment and/or higher wages that would result from the surplus farmer hiring more when food is dearer; rural craftsmen because rural carpenters and ropemakers get more work when their patrons are rich; and the same is true of the landless agricultural labourers – starved of work generally, they also get employment if patrons are richer. The surplus farmer, however, is bought off by the city, says Lipton, through agricultural subsidies. In the end, the surplus farmer thus does not lose out. His acquiescence to cheap food, however, is purchased to urban advantage and to the great detriment of the countryside.

Using theories of collective action, Bates [*1981*], as briefly stated earlier, reformulated this argument. One can identify three steps in his argument. First, to extract resources for the treasury, city and industry, African states set prices that hurt the countryside. Second, by selectively distributing state largesse (subsidies and projects), African states divide up the countryside into supporters that benefit from state action and opponents who are deprived of state generosity, and are frequently punished. Such policy-induced splits pre-empt a united rural front. Third, independently of the divisive tactics of the state, rural collective action is difficult because (a) the agriculture sector is very large with each peasant having a small share of the product, and (b) it is dispersed, making communication difficult. The customary free-rider problem in such situations impedes collective action. Industry, on the other hand, is small and concentrated in the city, and the share of each producer in the market is large, making it worthwhile for each producer to organise.[8]

## II. HOW URBAN BIAS IS REVERSED, NEUTRALISED OR REDUCED

Lipton sought to explain the biases of development by providing an argument about the relative weight of urban or rural groups in the power structure. While his view identified political power as a key force shaping industrialisation, he did not address the dynamics of power. Whether the power of groups could change over time was not a question he asked. Lipton concentrated on the economic outcomes for the countryside, and then *inferred* that the unfavorable economic outcomes were due to rural powerlessness. Lipton still maintains that 'urban bias is defined upon outcomes, not causes and processes' (this volume).

To put it methodologically, the dependent and independent variables get somewhat mixed up in Lipton's analysis. The dependent variable (the urban bias of economic outcomes) is analysed in detail, and on that basis the independent variable (the urban bias of power structure) is assumed, not demonstrated, to exist. Can the causation be specified independent of the outcome? How does one know that the urban bias of the economic outcome is due to the urban bias of the power structure? Does Lipton not need to explore the intricacies of the power structure to make his claims? Lipton does not engage in such an exercise, even though methodologically it would appear to be necessary for his argument. Whether the power structure is static or has possibilities of change is a matter left unattended.

In his work on Africa, Bates supplied the missing link. He connected the large size, dispersion and communication difficulties of rural groups to their lack of political organisation in general. Needless to add, such difficulties could be surmounted if the rural sector were small, or if a small number of producers accounted for a very large proportion of some crops. Bates was thus not only able to explain why the African states deployed their anti-rural strategies but also (i) why they could get away with it, (ii) why some crops were able to escape the predation of the state but others were not, and (iii) why in the industrialised countries the agriculture sector was subsidised but in the developing world it was taxed. Urban bias was dependent on the landholding structure of a given crop, on whether it was a food crop or an export crop, and on the level of development.

Bates' argument – emerging from a theoretical tradition different from that of Lipton (Moore in this volume) – thus dealt with the proverbial 'black box': why does the state behave the way it does? The papers in the volumes are also, on the whole, more comfortable with Bates' explanations. Bates' framework has greater room for political and economic contingencies in accounting for urban bias (Moore and Varshney in this volume; also see Lipton's response). Politics being a relatively open-ended process, these contingencies matter.

Despite such welcome nuancing, however, the urban bias argument, according to the contributors here, did not go far enough. The papers make four critiques. The urban bias theory does not pay attention to institutional factors. Different political institutions may have varying economic implications for the countryside. It is also *temporally under-specified*, in that it does not recognise the political implications of technical change. Its *urban–rural boundaries* may at times be hard to detect. And finally, its conception of how rural interests are expressed in politics is limited to the strictly economic issues. *Cross-cutting rural identities and interests* may weaken the countryside independently in politics. Let us briefly see the implications of each claim.

The neglect of political institutions in the urban bias theories is perhaps the single most important theme of these contributions. It can take two forms: society-centred and state-centred. Single or competitive party systems, single candidate or multiple-candidate electoral systems have implications for how – and how well – rural interests can be organised. Varshney and Colburn document the role of a competitive party system in making the government responsive to rural interests.[9] In India especially, all political parties have been ruralised over time. And in Costa Rica, a vigorous democracy makes it easier for the rural sector to defend its interests. Widner in this volume and Bates in an earlier work [*1989*] show that even in single party systems rural interests can be reflected in politics, *if* candidates are allowed to compete.

Some state-centred institutional parameters can also be decisive. The models of Bates and Lipton were society-centred. They inferred the biases of public policies from the power of interest/pressure groups. They did not 'go inside the state' to examine how actually economic policy is formed. As a result, the possibility that some state organs themselves may promote rural interests went unexplored. State agricultural agencies in Taiwan (Moore, this volume), local governments in China (Oi, this volume), powerful pro-rural leaderships (Colburn, Timmer, Widner; this volume) have contributed to rural well-being. The continuation, or even the existence, of urban bias may thus depend on the nature of political institutions.

A state-centric focus leads to two other insights. First, while some state agencies may become spokesmen for farm interests in the policy process, other agencies may seek to constrain the power of pro-agriculture bureaucracies. This process can be called *inter-bureaucratic politics*, a relatively unexplored factor in the studies of economic policy in Third World. Varshney [*1989*; this volume; *forthcoming*] reports how Finance, Agriculture and Planning Ministries viewed the agriculture sector very differently in India, and how even though the power and advocacy of rural interests went up in the policy-making organs of the state, the Finance Ministry did not let pro-rural pressures progress beyond a point, managing thereby to restrain 'the onward march of rural, sectoral power'.

Second, some states may consciously emulate the successful models of economic development (Moore and Timmer, this volume). Moore demonstrates how Taiwan and South Korea emulated the Japanese model of agricultural development. Timmer points to the independent role of some key policy objectives of the state. International rice prices typically fluctuate a great deal. To protect their economies from the destabilising effects of these fluctuations, the governments of East and South-east Asia have attached tremendous importance to price stability as a policy goal. According to his measurement, this policy goal in and of itself explains as much as 90 per cent of the variation in rice prices in these economies, in relation to world prices. In his response, Bates argues that this result, as well as the power of the Finance Ministry in India, still needs a political explanation. Why are the technocrats of Indonesia and the bureaucrats of India's Finance Ministry so powerful? They are not powerful elsewhere, surely in the African cases he studies. For future research, this exchange underlines the necessity of (i) taking inter-bureaucratic politics seriously in the making of economic policy, and (ii) locating, as Bates puts it, 'sources of the power of public bureaucracies'.

Technical change, over time, can have implications for government action. Agro-industries, engaged in the production of seeds, fertilisers and agricultural machinery, may begin to lobby on behalf of agriculture (Moore and Widner, this volume). By lowering costs and thereby exerting moderation on food prices, technical change may also blunt the town–country contradiction, making it possible for the government to please both farmers and city-dwellers. Further, commercialisation may make it less difficult for farmers to organise.

The difficulty of maintaining urban–rural boundaries at times was noted at some length in an earlier special issue of this journal on urban bias [*Moore, 1984*]. It appears here in two forms. In Ivory Coast, urban-based associations lobby for rural projects due to pre-existing linkages (Widner, and Moore, this volume), and in China, local governments, for fiscal reasons, have undertaken economic programs that are beginning to blur the urban–rural boundary (Oi, this volume). Rural industries are transforming Chinese countryside beyond all prior expectations. Whether or not rural migration to the city can significantly alter rural fortunes, however, remains as debatable as before (Widner and Lipton, this volume).

Finally, the cross-cutting nature of rural identities and interests and their political implications are ignored by the urban bias theorists. For the rural sector to push the state and economic policy in its favour, it helps if it can present itself as a cohesive force. As a critique of the urban bias theory, much has been said about *intra*-rural class differences in the past [*Harris and Moore, 1984*]. That such internal class differences can sometimes create problems for rural unity is beyond doubt. Intra-rural class differences, however, do not destroy the case for urban bias, as Lipton argued [*1977*]. Higher producer prices, larger agricultural subsidies and greater rural investment can benefit some classes more, others less, but benefit all classes none the less. Lipton's argument about how these policies benefit the entire sector was economic; the criticisms against a sectoral benefit have also been economic [*Mitra, 1977; de Janvry and Subbarao, 1984*]. As anticipated by Taylor and Lysy [*1979*] and later demonstrated by Tyagi [*1986*], it is very hard to settle conclusively the distributional consequences of higher agricultural prices or subsidies. The results of the models depend on how the model is closed and what the starting assumptions are.

Politically, however, the case is less ambiguous. First of all, it is neither theoretically nor empirically clear that economic classes would also be political actors. Vertical patron–client ties have often come in the way of horizontal class mobilisations. Second, and more important, a potential rural unity on economic interests transcending internal class differences is possible. Sectorally based rural mobilisation flourished in India in the 1980s [*Varshney, forthcoming*].

The most serious obstacles to sectoral mobilisation lie not in internal class differences, as often assumed in political economy, but in ethnic and religious identities. Sectoral politics seeking higher agricultural prices, subsidies and investment may run up against politics based on other cleavages – caste, tribe, ethnicity, religion. Politics based on these latter identities makes sectoral politics difficult, for typically caste, ethnicity and religion cut across the urban and the rural. In India, there are Hindu villagers and Hindu urbanites, just as there are 'backward castes' in both cities and villages [Varshney, this volume; *forthcoming*]. Examples along these lines from other countries can also be cited [*Moore, 1985*]. In situations where an entire ethnic group is rural and another group urban, this cross-cutting dimension may not hold. Otherwise, until an economic construction of interests completely overpowers identities and non-economic interests, rural power – even if it exists – is likely to remain self-limited.

The ultimate constraint on rural power, thus, may not be the 'urban bias' of the power structure. At the deepest level, it may well stem from how farmers, like other human beings, perceive themselves – as people having multiple selves. A preponderance of the economic over the non-economic self is not how this multiplicity is necessarily resolved. That is what the urban bias argument assumes.

## III. CONCLUDING REMARKS

These studies were conceived in the cumulative spirit of research. We have learned from the urban bias theories, but recognising some difficulties we wished to go further. In his response, Bates agrees with a number of arguments made by these studies and points to future directions of research. While accepting some of the points, Lipton (this volume) is on the whole less convinced. One of his principal contentions is that these contributions concentrate more on the price-based interventions of the state, less on the expenditures-based interventions. And that, to his mind, reduces the force of our arguments.

In a basic conceptual sense, Lipton is right. It is only the vector sum of all state interventions in the countryside that will clinch whether an urban bias exists or not. Price-based interventions of the state may have become favourable to the countryside in several parts of the developing world, but non-price interventions, he says, may well have gone in the other direction.

After all is said and done, this problem is easier stated theoretically than investigated empirically. Imagine the empirical difficulties of not only working out the implications of price-based interventions for rural welfare, but also of factoring in the direct and indirect implications of government expenditures. We will need data over time and across countries. It is not clear when – if ever – we will be able to get a time-series on all of these dimensions for a large enough number of countries. Seen in this sense, the urban bias theory is unfalsifiable.

Ironically, however, if such empirically demanding standards of theorisation and testing are employed, Lipton himself may have been wrong in his initial argument about urban bias. For, lacking complete data sets on both price and non-price interventions, he could not have *definitively* proved or disproved the existence of urban bias for as many countries as he covered in 1977. Much of his argumentation was based on drawing reasonable inferences from data, even when the existing data, in and of themselves, did not fully support the conclusions.[10]

In a realistic theoretical sense, which allows the analyst to combine inductive and deductive reasoning and permits reasonable inferences on issues on which conclusive data may not be available, we can both debate and learn from the urban bias theory. In a more demanding sense, urban bias threatens to become an image, not a theory.

## NOTES

1. See Krueger *et al.* [*1991*; *1992*], Singh, Squire and Kirchner [*1985*]; Tolley, Thomas and Wong) [*1982*]; Bale and Lutz [*1981*].
2. Given the amount written on town–country struggles in development, all attempts at reconstructing a history of ideas are necessarily selective. For other surveys, see Lipton [*1977: 89–144*]; Moore [*1984*], and Timmer [*1992*].
3. Gandhi, Ruskin, Tolstoy belong to this category. Also, writing at the time of the industrial revolution, romantic poets such as William Wordsworth lamented the coming decline of rural life and its simplicities.
4. Some more linkages should be noted. Agriculture can supply raw materials to industries. Moreover, the rural sector can also serve as a market for industrial goods. See Mellor [*1966*] and Timmer [*1992*].
5. One of the best reviews of the debate is Mitra [*1977*].
6. In 1930, 1931 and the first half of 1932, the free market was a black market. The benefits of free market prices accrued to the peasants and regions that had not yet been collectivised (Central Asia in particular).
7. Lewis won the Nobel Prize for his insight.
8. Also see Lindert [*1991*], and Hopkins [*1991*].
9. Though that response may still not be enough for a variety of reasons (Varshney, this volume).
10. Consider the various examples of Lipton's reasoning on India. On pro-urban expenditure-bias, Lipton's account was based on public investments, not on the fact that agricultural incomes were, and are, not taxed in India. His case on pro-urban price-bias, for example, was based on procurement price-fertiliser cost ratios and on the differential between the procurement price given by the state and the free market price for foodgrains. Putting together a fuller set of data incorporating not simply fertiliser costs but also other costs, Varshney (this volume, and forthcoming) demonstrates that plausible as they may have appeared at the time, Lipton's measures were partial and can be revised in the light of new data. In his response in this volume, Lipton argues that if price-bias has come down in India, expenditure-bias has not. Increasing gap between rural and urban infant mortality rate is the measure he primarily chooses. One can argue back and say: how about the waiver of agricultural loans by the Indian government? How about the continuing absence of a tax on agricultural incomes? How about the fact that just two subsidies (food and fertiliser) constitute a third of the total defense expenditure of the country? See Varshney (this volume). How do we incorporate them all and come up with a vector sum of all *and* over time? If such problems exist with respect to India where agricultural data are quite good, consider the difficulties in Africa (Widner, this volume). A combination of deductive and inductive reasoning, and reliance on inferences (as opposed to fully empirically established conclusions) are thus inevitable in empirical research. Lipton uses these measures as much as we or others do. Until he himself can provide a

complete accounting of all factors and show how to formulate their net effect on rural welfare, he cannot claim empirical validity for his criticisms.

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