

BEYOND THE SECTORS
AN ANALYSIS OF ECONOMIC DIFFERENTIATION IN RURAL ECONOMY

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This paper analyses rural change in industrialised countries according to a long term economic perspective. From a structural point of view, the key feature of the current rural transformation is *productive differentiation*, that is the change in sectoral composition of the economy in rural areas due to the emergence of non-farm activities in an environment traditionally dominated by agriculture. Differentiation points out the presence of new actors in the countryside and innovative equilibria in the use of rural resources and, as a process, is at the source of a new form of productive and social organisation of the rural space, giving rise to new patterns of relations between sectors and actors (internally to the rural space) and new modes of integration of the rural world within the economic system.

The emphasis on differentiation discloses the limits of conventional approaches, which consider the current rural transition as a "renaissance" of the countryside or, alternatively, as a by-product of the restructuring processes which occur in the global economy. In one case, the emphasis is on the conservation and re-production of rural values within a sort of idyllic vision of the country life which embodies the long lasting isolation of the farm economy; in the other, the stress is on the subordination of rural world to the global system, implicitly assuming the countryside as an economic and, at the same time, as a spatial periphery. On the contrary, differentiation shows the capacity of reaction of rural areas to structural change in the economy through intersectoral linkages, and emphasises their integration with the socio-economic system: in a way, rural differentiation may be seen as the result of an interplay of local forces from rural areas and global forces from macro processes. Therefore, the investigation on differentiation patterns is a key to a wider comprehension of structural dynamics exerting an impact on the rural world.

The new form of economic and social organisation resulting from the interplay of local and global forces gives rise to the *rural economy*, which may be conceptualised as a socio-spatial system characterised by sectoral differentiation and spatial localisation. In this sense, the rural economy would be a sort of new sector differing from agriculture and industry for the scope and pattern of intersectoral relations, and from the urban sector for its links with the territory and physical environment. The rural economy is the subject of our analysis, which aims to explore its socio-economic organisation and its position within an advanced economic system.

The paper is organised as follows. The next section supplies the general framework for our analysis; this part is not intended to be a literature review, but rather a sort of review of relevant issues for the analysis of the link between rural change and economic growth from three complementary perspectives : the balance of the sectors in the economy and in rural areas, and the balance of functions between town and country. The second section investigates on socio-economic processes at the source of rural differentiation; in particular,

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we focus on three aspects of the rural change in industrialised countries: the impact of integration and adaptation of agriculture into the capitalist economic system (what we call the homologation process) on the use of agricultural resources; the dispersal of industry on rural space as a mover of local development processes involving agricultural resources; the emergence of new consumption patterns which support rural differentiation on the demand side. The third section summarises the whole argument and analyses the position of the rural economy within the capitalist economic growth. Here, we argue that rural differentiation is to be considered as an evolution of rural production relations and we show how our analysis supports this hypothesis; we also show that this conclusion does not necessarily implies that the rural economy represents a progress in life conditions in the countryside.

1. Rural change and economic growth

Economic growth is the main determinant of rural change. In the long run, socio-economic equilibrium in rural areas is shaped by the *structural transformation* of the economy, which consists of the change in sector proportion and the related impact on the organisation of social life and production within sectors and regions. The conceptualisation of structural transformation plays a central role in growth theory, and provides the analytical categories for the assessment of agriculture's changing role in a growing economy. The relevance of this issue, once a traditional one in economic literature, is now confined to the study of developing countries' performance, where agricultural backwardness represents a major constraint to growth; yet, in this section we recall this issue and we use the concept of structural transformation to build up a theoretical framework for the investigation on the links between rural change and growth in an industrialised country. Our intent is to adapt the classical categories to the case of an advanced economy, where the agricultural sector, far from being backward, is fully integrated within the market system.

In order to reach this result, we explore the literature in relation to three facets which supply complementary perspectives on the ongoing process of rural differentiation in industrialised countries. The first facet - the sectoral balance - outlines the steps of the structural transformation, starting from the "stylised facts" which characterise the evolution of intersectoral relations in the course of economic growth. The second facet investigates sector proportion within rural areas, from the combination of agriculture with industry, typical of the primary production stage economy, to the separation between the two, typical of an advanced country. The third facet introduces the discussion on the role of towns in economic growth; the rationale of this part is to emphasise the shift of function balance between country and town, according to the evolution of the socio-economic structure. For each aspect we point out the questions raised by the ongoing rural differentiation which are left unanswered within the literature on structural change.

1.1. The sectoral balance

The dynamics of intersectoral relations in the course of growth are represented in antagonistic terms (Dutt, 1988). In a sort of a common political economy approach to long term change, Marxists and Structuralists assume the opposition between town and country, on one side, and between industry and agriculture, on the other. For the Marxists intersectoral balance is strictly linked to the agrarian question (Byres, 1991) and to surplus extraction from

agriculture by means of the shift in the intersectoral terms of trade: sector antagonism takes the form of terms of trade intervention which is maintained on class grounds¹. Similarly, intersectoral resource transfer is the key-issue in Structuralist analyses. In the classical Structuralist model (Chenery and Syrquin, 1986), economic growth is defined as a succession of stages delimited by shifts in sector proportions, as a consequence of the intersectoral resource flow from the traditional to the modern sector. During this transformation, due to the increasing interaction among sectors, agriculture reduces its weight in the economy in terms of share on employment, value added, and exports (Syrquin 1988 and 1989; Panchamukhi, Nambiar, and Mehta 1989)². This process goes together with a change in the role of agriculture in the economy (Clark 1957); the sector progressively decreases its transfer of labour-force and capital and, as a consequence of the growth of agro-food industry and food imports, reduces its importance as a food supplier. At the same time, it becomes more and more important as a buyer of industrial goods and services.

Resource outflow is a consequence of differentials in factor revenue amongst sectors (Anderson 1987; Taylor 1989), which in turn is explained by differentials in productivity, due to sectoral structural features constraining actors' behaviour and their reactions to economic growth (Timmer 1988). Agricultural structural constraints - that are found in relation to land and environment linkages, to the links between family and farm, and to the specificity of food production - behave as a *friction* on structural transformation: market signals are filtered by the sector structure, the reaction to growth is slow and the sector keeps features which are considered, in turn, pre-capitalistic, backward, inefficient. The slowness in reaction is an important dimension of the peculiarity of agriculture in comparison to other sectors (its *distinctiveness*, as Timmer (1988) calls it), and is reinforced by the traditional *isolation* of the sector within the growing society, while the scope of socio-economic relationships is confined to resource supply. In these terms, agricultural distinctiveness explains the persistence of productivity differentials and the outflow of resources from the sector to the rest of the economy at any growth stage.

Two main outcomes of the structural transformation should be pointed out. The first is that, due to intersectoral productivity differentials, agricultural decline, even at the levels registered by contemporary European countries, is a physiological process. The second is that agriculture becomes a modernised capitalist sector employing specialised resources: the combination between sectors in resource use, which is specific to pre-capitalist rural areas, disappears with the penetration of the capitalist mode of production. A by-product is the progressive coincidence of the rural space with agriculture, by contrast with urban areas in which the industrialisation process is concentrated (Bairoch, 1978).

While there is a wide agreement within the economic literature on these outcomes, this framework seems inadequate to enlighten the future of intersectoral relations in an advanced globalised country. Two questions are left unanswered by the structural transformation approach: the first is related to the role of agriculture when sector contraction reduces the

¹ The relevance of this point appears from the debate on the socialist transition in 1920's Russia, where surplus extraction from agriculture was considered functional to primary socialist accumulation, which was thought to depend on small-scale private sector consisting mainly of farms (Mitra, 1977).

² Chenery and Syrquin (1986) describe three stages in economic growth: the transition from the first stage (primary production) to the second (industrialisation) is pointed out 'by the shift of the centre of gravity of the economy away from primary production and toward manufacturing' (*ibidem*, 72), and it is shown by the reduction of agriculture's share of GDP and employment; the transition to the third (developed economy) takes place when services perform the same pattern in relation to manufacturing.

amount of intersectoral resource outflow, and when the sources of food supply increase in number and variety; and the second is related to the evolution of the decline process, and in particular, to the eventual disappearance of agriculture in post-industrial countries or, by contrast, to the reasons why the decline should end. Moreover, the literature on structural transformation forecasts patterns of resource specialisation within sectors and regions which conflict with the evidence of the ongoing rural restructuring, implying that this framework cannot justify rural differentiation.

1.2. Separation and combination of industry and agriculture

A complementary view of the structural transformation is given by its representation as a process of progressive separation of agriculture from industry (Kautsky, 1959). In the stage of primary production, which identifies a pre-capitalist mode of production, the system of socio-economic relations shows its simplest form, and industry and agriculture constitute, together, what Lenin (1960) calls the "natural economy": the production and the processing of primary products coexist in the same production unit, the peasant family, where the combination of industry with agriculture is complete in space and in the resource use (Kautsky, 1959). The transition to the industrialisation stage is marked by three processes which characterise the capitalist development: intersectoral division of labour; spatial organisation according to the law of comparative advantages; industrial centralisation in urban centres (Saith, 1992).

The process of separation of industry from agriculture, till its final result, is observed for Europe starting from the XVIII century (Dobb, 1963a) and is usefully conceptualised with the help of the theoretical framework used by Lenin in his study on the development of capitalism in Russia (1960). Starting from the elementary combination represented by the natural economy, the scope of the combination of the industry with the agriculture varies according to socio-economic equilibria, which reflect the capitalist penetration in each sector. The first change is found with the emergence of artisan production, that is when market economy starts manifesting itself with commodity circulation in the form of artisan goods. The next step occurs when artisan production shifts to small-scale industrial production; here the scope of market transactions increases and the process of differentiation of peasants in different classes arises; this is the beginning of agriculture's capitalist transformation and the creation of the conditions for the emergence of wage labour. At this stage, industry is still combined with agriculture on the same territory, but the two show different levels of market integration, while employing the same human resources. The final separation occurs with the emergence of commodity production and wage-labour in both sectors: in this stage we observe the separation of labour markets and the space, with the progressive shift of industry to urban centres. Then in a mature market economy, sectors reach a full separation in terms of resources and space, and eventually growth paths.

During the capitalist transition the countryside shows signals of industrialisation; but this rural industrialisation represents a transitional stage between traditional agriculture and modern industry, and as such is bound to disappear with the full capitalist penetration. In comparison to capitalist industrialisation, this pre-factory manufacturing constitutes a sort of "proto-industrialisation" (Mendels, 1972), bound to expand and transform into the modern industrial sector; in this sense, rural industrialisation is a vehicle for primitive accumulation (Dobb, 1963c). But the transformation of rural industrialisation into the industrial sector is not an homogeneous process, depending on the features of the proto-industries. Saith (1992: p. 17) lists three categories: i) "genuine proto-industry", which will lead the capitalist transition, transforming itself into the industrial structure; ii) "inferior proto-industry", which is going to

disappear as a consequence of the expansion of the modern sector; iii) spurious proto-industry (mainly rural craft industry), which may survive or die, depending on its capacity to adapt to new production conditions and to new consumption patterns. Therefore, while in principle with the completion of capitalist transition the separation of industry with agriculture should be achieved, part of the rural proto-industry may survive with a performance which is constrained by its adaptation to the new prevailing rules.

The insertion of the ongoing rural differentiation into this framework raises a number of relevant questions. The contemporary stage of rural development succeeds the spread of the capitalist mode of production, and therefore no comparisons are possible with Lenin's natural economy, nor with other pre-capitalist modes of production; however, rural differentiation consists of the combination of farm and non-farm activities coexisting on the same territory, when not on the same production unit. Therefore the ongoing evidence conflicts with the previous theoretical framework, and needs to be explored in order to be located within the capitalist process. The features of non-farm activities spreading on rural areas may represent an important starting point for this exercise.

1.3. *Town and country*

The last perspective we suggest for the analysis of rural change focuses on town/country relations in economic growth. Town, as well as industry, is a product of the exchange economy, and since the dawn of urbanisation, its fate is strongly linked to socio-economic dynamics in the countryside, and *vice versa* (Dobb, 1963b).

As the exchange economy is based on agricultural and artisan goods, the country requires the town as a market-place to exchange its products; and, at the same time, the size of the agricultural surplus sets the pace for town growth. In the pre-industrial revolution period, agriculture represents the main bottleneck to urbanisation; for each country, agricultural surplus strictly determines the urbanisation path: at macro level, it defines the proportion of total population to be supported in towns; and at local level, it sets the limits to the demographic growth in every city³. So, if agricultural marketed surplus is at the source of towns, during capitalist transition, agriculture performance becomes the main constraint to urban growth; symmetrically, in the long run the town plays a major role for both urban and rural growth as a production centre for technology. There is a sort of balance between rural/urban and urban/rural transfer: food and labour force from rural areas are exchanged with manufacturing goods and technology from urban centres (Timmer, 1988).

The roles of towns evolve with urban economic activities; market-towns in pre-capitalist era are pre-industrial agglomerates, with a concentration of tertiary activities, in particular commerce, services and artisan production (Dobb, 1963b). Then, urbanisation and industrialisation go together: as centre of exchange, the town supplies raw materials, capitals and skills (Smith, 1993), and becomes an attraction pole for industrial activities⁴.

With the spread of capitalist mode of production, the town consolidates and widens its role as a multifunctional centre of "territorial control", covering three orders of functions

³ Bairoch (1978: p. 87) estimates that in the pre-industrial revolution period only 20/25% of the total population could be supported by the agricultural surplus in European towns, while, due to the improvement of agricultural techniques, this proportion exceeded 50% at the end of XIX century.

⁴ At the end of XIX century over 60% of urban population in European countries is employed in the secondary sector (Bairoch, 1978: p. 91).

(Roncayolo, 1988): i) the economic (industrial and commercial) function; ii) the political and cultural function; iii) the residential function. Some of these functions may not be exclusively performed by the urban agglomerates, but town identity is defined by their accumulation in a single physical place. There is nothing of deterministic in this process, in the sense that accumulation of functions in town does not depend (only) on the geographical properties of an area, but is linked to the overall growth process, included the particular form of intersectoral balance. This implies that, while the agglomeration of economic, cultural and residential functions is specific to the towns, a change in the hierarchy of the functions or a substitution within each group may be observed for particular towns, according to the needs of structural transformation⁵.

In the post-industrial economy, the spread of information technologies exerts a two-fold impact on town/country relation: it makes possible the territorial dispersal of economic activities, but also, due to the working of agglomeration economies, it brings about the concentration in leading cities of control functions, such as financing, banking and other specialised services for economic transactions. If telecommunications and globalisation do not "make cities obsolete" (Sassen, 1994), they change the distribution of economic and financial importance between small and large towns. While during the 1960s and the 1970s most European large cities experienced a counter-urbanisation process⁶, in recent years this trend has reversed. Since mid-1980s, three trends stand out and combine to change the urban/rural balance in European economies: the increasing weight of major cities, the contraction of intermediate cities, both in social and economic terms, and the shift of human and economic resources towards rural areas and small peripheral urban centres (European Institute of Urban Affairs, 1992, quoted by Sassen: p. 41).

Therefore, rural differentiation only gives a partial account of what is going on in European countryside, and it cannot be taken in isolation from other global processes which, together, lead to the redistribution of resources and economic activities between urban and rural areas. On the contrary, rural differentiation should be seen as a constituting part of a wider process leading to a construction of a "new geography of centrality and marginality" (Sassen, 1994: p. 119): resource and activity are polarised between leading cities - which strengthen their role as control centres - and rural areas and small urban centres - which become a sort of global periphery where industrial activity is located.

Since the urban/rural redistribution of resources goes together with a shift of functions between sectors, the new geography of centrality and marginality also implies an innovative distribution of functions between rural areas and small and large towns: a sort of a new geography of functions. The emergence of this new geography of functions supplies a complementary perspective to the analysis of the ongoing rural change, raising a number of questions on the functions performed by the countryside in an advanced economy. Two questions appear of some consequence: (i), on the capacity of the redistribution of activities to restore some of the prior functions to the agricultural sector, which has been emptied of its role by the structural transformation and by the emergence of alternative food suppliers; and (ii) on which functions would be decentralised to peripheral territories, that is rural areas and small urban centres.

⁵ The changing hierarchy of functions is shown by the spread of a wide typology of towns: from merchant, to mining, to industrial, to capital cities (Roncayolo, 1988).

⁶ That is an outflow of population and economic activities from large towns to rural areas (Robinson, 1994).

2. Rural differentiation processes

While productive differentiation as a major feature in a wide range of rural areas is explicitly mentioned in official documents (CEC, 1988, 1991 and 1992; Traill Thompson, 1995; The Cork Declaration 1996), the issue is not a central one to the debate on rural change in advanced economies, neither in economic nor in spatial terms; however, three processes leading to rural differentiation can be outlined from the experience of industrialised countries and from the literature on agricultural and rural change. The homologation process shows the adaptation of agriculture to the capitalist mode of production and enlightens the shift in the use of agricultural resources due to the integration of the sector in the economy; the industrial dispersal process points out the increase in the scope of intersectoral linkages in the country which is at the source of local growth patterns; the emergence of "rurality" amongst the characteristics qualifying the post-industrial consumption pattern supports a differentiated rural production through the demand. In what follows, we turn to these processes, showing their roles in rural differentiation.

2.1. Homologation of agriculture and rural resource use

In the course of economic growth, because of progressive interaction with the economy, agriculture is forced to adapt to prevailing rules; urban and industrial behavioural patterns, both in consumption and in production, spread to the countryside, bringing about a process of *homologation*, that is an internal transformation of agriculture leading to efficient use of resources and to resource specialisation by the spread of scale economies (Basile and Cecchi, 1994 and 1996). The process of homologation erodes agriculture's distinctiveness, removing any behavioural difference between sectors, and moves agricultural agents in search of productive and organisational solutions to release structural constraints, both in the family and in the farm. Homologation consists of two distinct but inter-related processes: resource transfer from agriculture to other sectors, and modernisation of agriculture. If intersectoral comparisons in terms of productivity, earnings and consumption are at the source of resource transfer from agriculture to the other sectors, the transfer itself is the main instrument of modernisation: progressively relieved from structural constraints, agriculture participates to modernisation with every aspect of its socio-economic organisation, from production, to market relations and life styles. In this sense, resource outflow and sector modernisation are the two faces of the integration of agriculture into the economy.

Then, in order to overcome structural constraints specific to the agricultural sector, homologation requires a major change in the use of agricultural resources. The intersectoral resource transfer is a *final change* and an answer to the internal inefficiency and to the lack of alternative employment opportunities within the sector; the experience of European countries shows that this final change is mainly observed in relation to labour and occurs in two different options: migration to urban areas - which has been the main experienced change in Italy, and probably in other advanced economies, in the last fifty years - or employment in other local sectors. Alternatively, a *flexible change* is possible when agricultural resources are shared with local activities belonging to other sectors; this change may involve both labour and landed capital, or a single resource at time. For instance, pluriactivity and rural tourism - which are classical cases of flexible change experienced in European countries in the last two decades - consist of a change in resource use involving at the same time labour and farm buildings (Fuller, 1991; Saraceno, 1992; Marsden, 1992).

In relation to the scope of the change in agricultural resource use, two extreme outcomes of

the homologation can be stylised. In homologous agriculture the external environment offers alternative uses for agricultural resources and farm organisation, and agents respond to market signals overcoming family constraints. In this case, part of farm resources (mainly labour) leaves the sector; as a consequence of the resources transfer (and of technical change made possible by labour outflow), the remaining agricultural resources reach productivity and earning levels comparable to other sectors. In non-homologous agriculture, agricultural resources are not attracted by other sectors of the economy (for their own characteristics or because attraction forces in society are not strong enough) and productivity differentials remain. In this case, agriculture does not fully integrate within the market economy and keeps part of its original distinctiveness, employing resources at sub-efficiency levels.

According to these outcomes, we may stylise the impact of homologation on the use of agricultural resources in terms of specialisation and differentiation. On one side, homologation promotes specialisation under the pressure of market integration and technical change; with homologous agriculture a two-fold result is reached: resource specialisation within the efficient farm economy, and resource differentiation, as a consequence of the freeing of agricultural resources which may be employed in non-farm activities, both within the farm and the local area, when they are not transferred to urban centres. On the other side, non-homologous agriculture keeps in a rural environment agricultural resources which provide the base for the emergence of the rural differentiation.

2.2. Industrial dispersal and local development

The industrial dispersal - that is the spread of small and medium manufacturing firms on peripheral non-urban areas - is linked to structural transformation, in particular to agricultural labour outflow and to the crisis of the factory system. Two basic forms of industrial dispersal are pointed out with reference to the experience of advanced countries⁷: decentralisation to peripheral firms and industrial district.

The decentralisation is a phenomenon involving urban peripheries and rural areas when "whole departments of production in large plants are handed over to small firms" (Brusco, 1990: p. 11). This process mainly involves the labour market. By the demand side, decentralisation is an answer to high costs of unionised labour in large plants and a solution which guarantees greater flexibility in production organisation. By the supply side of labour market, in the course of structural transformation, agriculture frees labour force which becomes available for industrial employment in the countryside. The industrial district, that is a physically bounded area where a large number of small specialised firms informally co-operate for a single production, is considered a form of industrial dispersal as the firms are spread all over the area and are spatially combined with worker residential units. The essence of industrial district is to be found, on one side, in an homogeneous system of values, such as ethics of work, reciprocity and trust, and family (Becattini, 1990; Fukuyama, 1996), which guarantee the vertical integration and co-operation, and on the other, in the specialisation by phase of competitive firms.

⁷ Industrial dispersal has been conceptualised by Italian scholars, like G. Fuà, G. Becattini and S. Brusco, who have developed original theoretical frameworks from the classical literature for the analysis of the Italian experience, which has been treated as an emblematic one. Some of these frameworks have been applied for the study of analogous experiences, in both industrialised and developing countries. The following argument rests on this literature.

The two forms of industrial dispersal find a common trait in the spread of small-scale enterprise, that is a production unit which easily adapts to the changing market conditions for organisation flexibility, labour force control and low wages. But, they differ for the position of enterprises in the hierarchy of the firm system. While sub-contracting firms are explicitly dependent from large centralised firms and their links with the final consumer are residual, the industrial district as a whole can be considered as an independent production unit, and its production is finalised to consumption markets.

In both forms, growth potentials of the industrial dispersal enterprises (in their initial phase) lie in the composite link with agriculture and in the existence of proto-industry in the rural environment (Fuà, 1988; Brusco and Pezzini, 1990). Pluriactivity of agricultural families ensures income integration and supplies farm resources for non-farm uses (as, for instance, residential uses); the presence of artisan production and cottage industry in farms constitutes a background for the development of small industrial firms on the basis of worker skills, on one side, and entrepreneurial behaviours, on the other side. Then, because of cost differentials and organisational flexibility, intersectoral combination in resource employment and backwardness of the industrial structure become the main attraction factors for the resources shifting from urban centres to rural peripheries. In this sense, the industrial dispersal is a way to overcome the separation of industry and agriculture which had been reached with the spread of the capitalist mode of production to the countryside, and can be seen as a transitional phase leading to the rural differentiation.

The industrial dispersal gives rise to two opposite evolution paths of the rural differentiation process. The first consists of the dependence of small and medium firms from a large company. In this case the interaction between industry and agriculture is confined to resource use (labour and possibly residential units), while is negligible as far as production organisation is concerned, and rural areas still keep their peripheral character (Brusco, 1990). In the second case, the relations amongst enterprises in a specific area generate specialised local systems at different level of autonomy. In this case, the local interaction amongst sectors constitutes the source of endogenous growth processes which guarantee the persistence of autonomy of the local systems themselves (Bellandi, 1994). When a local system is found on a rural area, the growth strengthens intersectoral integration and agriculture becomes a constituent part of the self-sustaining development process (Iacoponi *et al.*, 1993; Saraceno, 1994).

From the previous remarks, the interesting conclusion should be pointed out that homologation and industrial dispersal are complementary, consistent and convergent processes. They together provide a wide perspective on rural differentiation from the production side: on one hand, homologation explains the progressive separation between agriculture and industry in the course of economic growth and, at the same time, the persistence of farm resources in local agricultural activities at a sub-efficiency level; on the other, the industrial dispersal, in its two components of sub-contracting and industrial district, shows the ways in which these resources are employed in non-farm local activities, giving rise to an innovative form of combination between industry and agriculture. In other words, one can see homologation and industrial dispersal as the two determinants of the supply and demand of resources in the rural differentiation process.

2.3. *Consumption patterns and industrial/rural culture*

In order to assess the impact of new consumption patterns on diversification of production in the countryside, we assume consumption differentiation as a widespread and well known

phenomenon in advanced countries. The differentiation follows the homogenisation of consumption patterns induced by capitalist penetration, and as such, is closely linked to the crisis of the Fordist production system starting from the early 1970s (Piore and Sable, 1984; Lipietz, 1992). Consumption homogenisation in industrialised countries can be decomposed in two distinct processes of convergence in consumption patterns: between different income groups and between urban and rural areas. We are here concerned with the second which, together with agriculture homologation and separation between industry and agriculture, completes the contours of the spread of the capitalist mode of production to rural areas.

As Bodenstedt (1990) points out, from the demand side, capitalist growth can be seen as a process of progressive convergence of urban and rural ways of life, each one embodying a sector-specific consumption pattern. Therefore, while the pre-industrial society is characterised by two opposite consumption patterns, exhibiting rural and urban values, the industrial society, even in its rural component, features a single consumption pattern, which englobes urban values and promotes an undifferentiated demand for mass goods. Consumption differentiation, as a feature of the post-industrial economy, is an evolution of this situation and consists of the simultaneous access from the consumer side to an increasing number of goods differentiated for quality, price, and other specific attributes, but not necessarily for their function.

The current theoretical explanation of consumption differentiation points to processes originating on the supply and demand side: production differentiation is a necessary condition for consumption differentiation and represents the path followed by firms as an alternative to price competition (Tirole, 1988); and, at the same time, consumption differentiation is a result of the search of "variety" by consumers under the pressure of income increases, that is of the desire to achieve goods which are differentiated for their characteristics (Lancaster, 1991).

The spread of this consumption pattern supports rural production differentiation as it englobes rural goods which stand out for their specific characteristics. We may illustrate this point with reference to two traditional rural goods, food and environment. Rural food differentiation occurs in relation to production characteristics, such as the place of origin and the technology (as in the case of biological products) (Iacoponi, 1996; Gios, 1995). Similarly, rural environment is differentiated in relation to functions, such as recreational, health, and residential functions (Guglielmi, 1995; Cavailh es *et al.*, 1994). In both cases, we observe the transformation of segments of rural life and culture into characteristics of goods, according to consumer needs: a sort of commoditisation of rural space and values (By e and Fonte, 1993; Marsden *et al.*, 1993).

The transformation of rural values into goods' characteristics, within a metaphysical concept of rurality which identifies rural products on the basis of rural values (Kayser *et al.*, 1994, Pampaloni, 1988; Barberis, 1998; Almds, 1993), is completely consistent with the differentiated consumption pattern: it leads to the "production" and "re-production" of physical environment and to the extension of rural attributes to an increasing number of goods, and promotes production differentiation in the countryside by means of the increased consumption of differentiated rural goods.

While this point is made with reference to two specific and traditional rural goods, food and environment, it has a general significance, as it shows the participation of the rural world, by means of the production of rurality, to the post-industrial consumption pattern. In this sense, a conclusion of some consequence for our argument is that this contribution does not represent a signal of the rise of a new rural consumption pattern from the crisis of the Fordist model, leading to a renewed separation between urban and rural areas from the demand side; on the

contrary, the differentiation of rural goods consumption is a form of consumption differentiation in the post-industrial society and occurs within a single pattern.

3. The contours of the rural economy

In what follows, we restate and reorganise our argument in the form of answer to three broad questions related to the position of rural economy within a post-industrial country: in the first, we discuss whether the rural economy is to be seen as a response to the decline of agriculture in industrialisation, and whether it performs new roles which integrate and substitute the agricultural ones; in the second, we consider the implications of the ongoing rural restructuring on the redistribution of functions between rural and urban areas, exploring the participation of the rural economy to the construction of the new economic geography of centrality and marginality; in the third, we analyse rural differentiation as a new form of combination between agricultural and non-agricultural activities, questioning whether it should be understood as an evolution or an involution of the capitalist economic system. We deal with these questions by reviewing the individual differentiation processes shown in the second section, within the theoretical framework presented in the first section.

3.1. End of agricultural decline, or end of agriculture?

Resource outflow from the agricultural sector is at the core of the first question. As seen, agricultural decline goes together with a comprehensive reduction of sector distinctiveness and roles: adapting to industrial and urban behaviour within the homologation process, agriculture overcomes the constraints coming from its structure, and due to the increasing importance of alternative sources, loses its function as food supplier. Therefore, in an advanced economy, homologous agriculture cannot be considered distinct from other sectors, as it employs resources at efficiency level within an integrated market system.

We have seen that, while homologation involves the sector as a whole, the outcomes may differ: part of agricultural resources leave the sector for alternative - extra-sectoral and, possibly, extra-local - uses, and other remain in rural areas employed at sub-efficiency level. Then, as far as this aspect is concerned, homologation can be seen as a process which freezes agricultural resources, feeding the industrial dispersal from the supply side. We have also mentioned the link between agriculture and the proto-industrial structure, emphasising the role of the latter for the growth of rural industrialisation: as suggested, the scope and relevance of rural differentiation depend on the features of the proto-industrial structure and on the quality and quantity of agricultural resources locally available.

From the demand side, the rural world participates to the construction of a new consumption pattern, providing traditional values, which are englobed in a sort of metaphysical concept of rurality and translated into goods' characteristics. Again in this case, agriculture plays a major role, since, as we have stressed, the rurality concept has agricultural roots and embodies values belonging to the tradition of the sector, which are subsequently extended to new goods. The examples of food and environment show this point adequately, and emphasise both the agricultural origin and the old ingredients of this new recipe of rurality.

As it appears, this picture of the contemporary rural change provides contradictory signals: if on one side we observe the physiological decline of agriculture, with the complementary loss of roles, on the other, we see its active contribution to the territorial dispersal of industry, from the resource supply side, and a more indirect, but significant, contribution to a new

consumption pattern, with the lending of rurality attributes to new commodities. There is a sort of contradiction between the eventual disappearance of agriculture, as a locus of a specific commodity production, and its persistence as a cultural identity within the differentiated rural economy.

We suggest here that the emergence of the rural economy explains this apparent contradiction. In post-industrial era, agriculture disappears as a distinct and separate sector, flowing into the rural differentiated economy. Here, the relevance of boundaries separating sectors is progressively diminished: on the supply side, with the homologation, scale economies prevail and resource productivity differentials disappear, while agricultural frozen resources are contributed to non-farm activities; on the demand side, agriculture transfers its traditional values to the new consumption pattern. The rural economy appears, then, as a new composite sector, differentiated in relation to the productive structure, but homogenised in relation to lifestyles.

3.2. A new geography of functions?

But rural differentiation is only one aspect of a wider spatial restructuring of socio-economic organisation, which involves the urban side as well as the rural side of the economy. This restructuring may be described as a spatial redistribution of activities and resources: a shift of industrial activities from large and intermediate cities to small urban centres and to the countryside, and a concentration of economic and information services in leading cities. As said, this socio-spatial restructuring is associated with a redistribution of functions between rural areas, large cities, and small and intermediate urban centres. Since we are here concerned with the rural differentiation, our aim is to point out possible and substantial shifts of functions from urban centres to the country, linked to the reorganisation of production and social life.

The framework developed in the previous sections suggests the criteria to outline the new geography of urban/rural functions. Translated in terms of the three categories of functions introduced in the first section, resource and activity restructuring implies a two-fold redistribution of functions: on one side, the large cities reinforce and redefine their political function in order to take into account emerging interests and alliances; on the other, the country progressively takes possession of the functions traditionally performed by urban centres, such as the productive, the residential, and the cultural ones. While the productive function is explained by the industrial dispersal, the appropriation of residential and cultural functions is supported by the double role of rural space, which plays at the same time as a production factor - for the supply of quality goods with rural attributes - and as a consumption good - for recreational and leisure uses. Then, the new geography of rural/urban functions is not independent from the rhetoric of rurality which permeates the post-industrial consumption pattern.

Within this framework, the ongoing socio-spatial restructuring in advanced economies gives rise to a new geography of centrality and marginality which includes three broad distinct sectors:

i) the metropolitan sector, with control, political, and cultural functions for the management of the economy and information. The metropolitan sector may also include green belts surrounding city areas which are interested by iper-urbanisation processes involving "false" rural space: that is a space that performs only a residential function and receives the attribute of "rural" according to a concept of rurality in which the absence of conflicts and the presence

of green are the main ingredients.

ii) the urban sector, with economic and administrative functions for the management of the centralised industrial structure. The urban sector is emptied by the counter-urbanisation process of its residential and productive functions, and becomes more and more peripheral, as resources and activities shift to the metropolitan and the rural sector.

iii) the rural sector, with economic, residential and cultural functions for the management of decentralised industrial structure and services, of agriculture and environment, and of leisure space. The rural sector is not an homogeneous sector and differs from the metropolitan and urban sectors for its internal differentiation, which depends on the importance of agriculture, on the scope and features of non-farm activities, and on the economic and physical distance from metropolitan centres.

Then, from the functional perspective, the rural restructuring can be seen as a progressive enlargement of rural space to englobe small and intermediate urban centres in a single periphery which contrasts with the metropolitan sector. In this periphery, the rural economy, as a differentiated economy progressively englobing agricultural, industrial and service activities, performs an increasing number of differentiated functions, which go from the expropriated urban functions to the new rural functions.

3.3. *Evolution or involution?*

Two major consequences of structural transformation process have been pointed out: the complete separation of industry and agriculture on space and resource use, and the resource specialisation through the pursuing of scale economies within the farm sector. A deep contrast is then to be pointed out between this conclusion and the evidence of the rural differentiation which, as shown, consists of the territorial combination of industry and agriculture within a logic of flexibility in resource use and economies of scope⁸ in production organisation.

This contrast raises an implicit question on the significance of rural differentiation within the capitalist growth. This question, which at different levels imprints most contributions to the debate on current rural restructuring, can be made explicit in the following terms: does differentiation, with the non-specialisation in sectoral resource use and social and environmental constraints, represent an involution of the socio-economic structure, leading to backward equilibria in social production relations with pre-capitalist features; or does its flexibility in production organisation and its ability to face market changes show an innovative form of socio-spatial organisation, leading to an evolution of the capitalist production structure in rural areas towards efficient resource use and market integration?

We are supporters of the latter hypothesis, and we believe that our argument, while confined to few aspects of rural change, does support this conclusion.

From the production side we have stressed two evolutive processes. Internally to the sector, homologation represents an evolution of the farm structure: on one side, it obliges to overcome sectoral distinctiveness by means of technical change in commodity production; on the other, it allows the exploitation of resource specificity from a market perspective. Similarly, from an intersectoral perspective, homologation creates suitable conditions for the efficient employment of rural resources, easing the territorial spread of industrial activities by

⁸ That is by the use of same resources in different productive processes (Saraceno, 1996; Brunori, 1994).

freezing resources in the rural context to be used for the differentiated economy. Moreover, the rural economy presents evolutive features also on the consumption side, as it contributes to the post-industrial style-life with the production of "rurality". As rurality appeals to traditional rural values, this aspect, more than resource flexibility and sector combination, may appear as a signal of involution. However, as it has been recently pointed out (Marsden *et al.*, 1993; Brunori, 1994) in this context the appeal to rurality appears more as a fake than a return to tradition, as it inserts traditional values within an artificial framework in which they become characteristics of goods, which may be produced and reproduced, according to market signals. Then, we observe the paradox that the rural economy appears as a "modern" sector, which modernity is shown by features which remind backward societies. In this modernity, the appeal to rural values and the combination of farm and non-farm activities on rural space are facets of market integration, and are instruments to promote efficient allocation of resources by means of consumption and production differentiation.

This is a controversial point which recalls a value judgement on the perspectives of the rural economy.

In its premise, the Cork declaration points out the distinctive feature of the contemporary rural world as it appears from a vast part of the contemporary literature on rural change: "Rural areas ... are characterised by a unique cultural, economic and social fabric, and extraordinary patchwork of activities, and a great variety of landscapes" (1996: p. 1). In this premise, as well as in the whole Declaration, a positive judgement of rural culture is implicit, while at the same time it is suggested that rural areas are natural (and suitable) candidates for the recomposition of socio-economic disequilibria which becomes more and more difficult in urban centres (Iacoponi, 1996; Kayser *et al.*, 1994; Saraceno, 1996). In this image, absence of conflicts and social integration are the qualifying features of rural world, with an intriguing correspondence with the attitude shown by public opinion on the same aspect (Murdoch and Marsden, 1994). Moreover, in the Cork declaration as well as in an increasing number of studies, this attitude goes together with a description of social organisation expressed by the rural world in terms of "alternativeness": rurality is associated to a social organisation and to a way of life which represent an alternative, in turn, to the urban, to the Fordist, to the capitalist ones, or simply "alternative" tout-court.

In this paper we have tried to question this attitude from a long term perspective. We believe that the rural economy should be seen as a sort of new sector fully integrated within the capitalist growth: rural differentiation is a signal of a new phase in structural transformation, where sectors are not distinct because of differences in product typology or technical production conditions, but for the socio-spatial scope of production and market relations. This applies also to the recipe of rurality emanating from the rural sector, which is at the core of the current political and academic debate. This rurality is the result of an advanced form of capitalist development, where rural space, far from being neither a spatial nor an economic periphery, is inserted within a global restructuring which involves an increasing number of intersectoral and international relations; while, similarly, rural space, as a production factor and as a consumption good, has an active role in the building of the post-industrial economy.

In this sense, we understand rural economy as an evolution of the production relations in the countryside: this new sector should be seen not as an alternative to the capitalist organisation, but as a constituting and functional part of the capitalist system in the current phase of the development process.

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