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Paper No. 40
information highways and byways: 
the rural-urban divide

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The views in this presentation are solely those of the author and do not necessarily reflect the views of the Board or management of the World Bank.
The "rural-urban divide" in the context of the global information infrastructure

- What are economic effects of disparities in information and knowledge?
- How can knowledge and information be used to reduce economic disparities?
- Public policy implications
- Some global initiatives to better understand these issues

Presentation outline
What does the "divide" refer to?

The global information infrastructure risks remaining incomplete because of:

- "information gaps" (scarce data, poor infrastructure)
- "knowledge gaps" (disparities in ability to exploit information)
of global disparities in information and knowledge

Knowledge and information gaps exist
- within countries
- between countries
- within urban areas
- between urban and rural areas
knowledge disparities

- Losses in efficiency
  - "incomplete markets" because of high transactions costs (e.g. agricultural marketing)
  - inefficiencies in logistics, production, etc.
- Worsening outcomes in income distribution
  - increased wage premia to educated, skilled labor vs. unskilled labor and global convergence of wage structures
information be used to reduce economic disparities?

- Remove monopoly power and rents by opening up marketing channels
- Aggregating micro-markets and creating new economies of scale and scope
- New marketing and export opportunities for small and medium-scale enterprises
- Extend and improve service delivery to remote areas by leveraging scarce assets (e.g. teachers, doctors, bank branches, etc.)
Public policy implications

- Encourage economic opportunities where the value of information exceeds the costs of producing and transmitting information.
- Key principle: allow information to create value, without creating distortions.
- Government should tackle market or policy failures which stunt development of infrastructure.
- In small, isolated areas, assist entrepreneurs and communities to complete markets through improved information.
- Ultimately, human capital, not physical capital, becomes the critical success factor.
Better understanding the role of knowledge and information in development: some initiatives


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