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UPPER AND LOWER CIRCUITS IN THE CONTEXT OF URBAN-RURAL EXCHANGE RELATIONS*

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Introduction

In an earlier paper, I have attempted to examine the relationship between the urban poor and the macro-urban system in the light of an empirical study of a community of settled urban poor in the city of Colombo. (Hettige 1990). There I have examined the position of the urban poor against the wide-ranging conceptual discussions that have taken place in recent years. As was also mentioned there, the subsistence activities in which the settled urban poor are engaged reveal a wider system of exchange relations which extends very much beyond the boundaries of the city. So what Milton Santos called the "lower" and the "upper" circuits of the urban economy are by no means confined to the city economy.

The purpose of the present paper, therefore is to examine as to how these urban-rural exchange relations can be discussed in terms of the conceptual classification of upper and lower circuits. In doing so, I argue that rural urban exchange relations can be visualized as taking place at two different levels, namely those of the upper and the lower circuits.

The implication of the above argument is that the circulation process that links the village with the city and beyond is not simply dominated by large capitalist and state enterprises but gives way to a whole range of small entrepreneurs scattered throughout the country. This pattern has largely been the result of the nature of the urbanization process itself. It might, therefore be useful to have a brief look at the urbanization process as it has unfolded in the Third World with particular reference to Sri Lanka.

Urbanization in Sri Lanka

Urbanization in the context of developed Western countries was a process which was closely associated with industrialization. Even though the lower strata of urban society existed under appalling conditions during the early stages of industrialization in those countries, with technological advancement, increased productivity, social reforms and increasing international division of labour, conditions changed steadily and the disparities between the lower classes on the one hand and the more affluent strata of society on the other became increasingly narrowed.

As is well known, the process of Third World urbanization did not follow the above pattern. Urban growth there was not necessarily accompanied by industrialization. In other words, in the case of most underdeveloped countries, the "push factors" have been more important than the "pull" factors in the process of urbanization; population growth,

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rising unemployment, scarcity of land, etc. facilitated rural-urban migration. In the absence of large-scale industrialization, most Third World cities could not meaningfully absorb all those who left the rural areas. Those who were not absorbed by large urban enterprises either remained within the confines of what has been referred to as the informal urban economy or continued to live on crumbs of society. Given their sheer numbers and the specific interests, these people have become an important social and political force in many Third World countries (Hettige, 1991).

Sri Lanka's urbanization experience, while conforming to the general pattern of Third World Urbanization, has however been somewhat unique in the sense that it has been able to maintain its rural-urban balance. The share of its urban population has not recorded a substantial increase over the years and has remained around 20% of the national population. No doubt many factors contributed to this rural-urban balance. i.e. social welfare programmes, intra-rural migration facilitated by land alienation and peasant colonization, decentralization of industrial development, the development of a reasonably efficient public transportation system, etc.

In spite of limited urban growth, Sri Lanka's main urban centre, Colombo, has not been able to accommodate all its inhabitants within the "formal urban economy." In other words, a sizable segment of the urban population is dependent on informal income sources for their livelihood. So the urban economy remained polarized between larger establishments, both public and private on the one hand and those small enterprises and activists on the other.

With the expansion of urban-based economic activities over the last decade or so due to the liberalization of the economy, not only the larger establishments have expanded their operations, but the informal urban economy has recorded a considerable increase in its activities as well. Since most of the new and expanded informal economic and service activities are located in and around Colombo, the Colombo metropolitan region which includes the district of Colombo as well as parts of the adjacent districts like Gampaha, has attracted people from the other parts of the country. The resultant increased demand for consumer goods and services in the metropolitan region has created opportunities for informal activists engaged in tertiary activities such as personal services, retail trade, construction and transport.

An increase in economic activities in the metropolitan region has also meant an intensification of the flow of goods and services between the former and the rural hinterland. The concentration of a mass of wage earning people in the metropolitan region has led to a rapid increase in the demand for food which is mostly produced in the rural areas. The resultant increased flow of goods attracted not only formally organized, larger establishments but also informal activists. In other words, goods continued to flow not only through the upper circuit but also through the lower circuit. However, before an attempt is made to examine the relative significance of the two

circuits in the process of production and circulation, a brief look at the nature of rural agrarian production seems to be in order.

Nature of Rural Agricultural Production

In spite of significant changes in the composition of Sri Lanka's GDP over the last few decades, rural agricultural production continues to be the largest sector in terms of employment and subsistence in the country. The vast majority of rural producers are small-holding peasants engaged in the production of both food and cash crops. Given the fact that rural production units are mostly small-scale, those who man the circulatory process related to such production also tend to be largely informal small-scale operators who either wholly or partly man the chain of activities associated with the circulatory process. The actual composition of the actors depends to a large extent on the type of commodities produced and the nature of the production organization.

Nevertheless, it is possible to identify certain general patterns pertaining to the processes of production and circulation. As is well known, rural economic production in countries like Sri Lanka takes place in both plantation and peasant settings. The division is not simply a distinction between two types of produce as the same commodity may be produced in both settings i.e. cash crops such as tea, coconuts and rubber. It is also true that certain commodities are produced almost exclusively by smallholding peasants, i.e. vegetables, fruits and rice.

The situation at the other end of the national economy, namely the urban centre, is equally complex, Goods and services offered by the urban centre are handled by both large, formally organized establishments as well as small informal activists. While certain commodities are handled by both. This is true for production, supply, distribution and retail marketing of commodities.

The fact that a typical Third World city consists of two inter-woven sub-systems in economic, social and even cultural terms has been highlighted by many writers who have conducted research on urbanization in the underdeveloped countries. Elsewhere, the author has discussed some of the concepts that have been introduced by different writers over the years in their attempts to grasp the complex empirical reality involved (1990). As mentioned before, in the present paper, an attempt is made to make use of a particular conceptual classification, namely the upper and the lower circuits in order to examine the underdeveloped urban economy of Colombo with particular reference to its immediate external environment.

In the context of the present paper, no attempt is made to discuss the above concepts in detail as they have been elaborated by Santos himself in his book entitled 'The Shared Space' (1979). For the purpose of the present discussion, attention is focused on the following simple description of upper and lower circuits given by Santos.

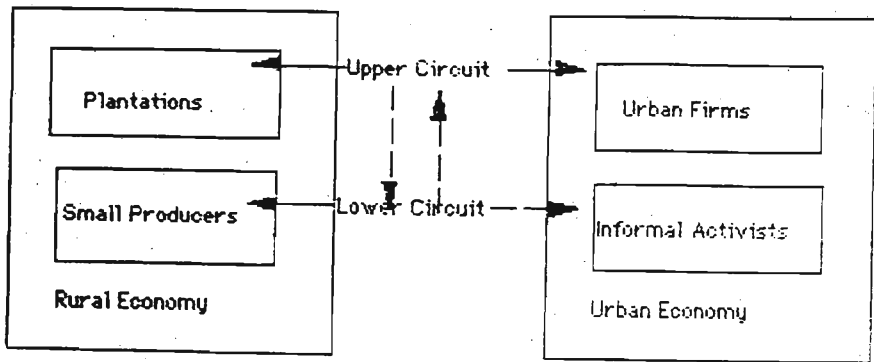
(*ibid* : 18).

Upper circuit consists of banking, export trade and industry, modern urban industry, trade and services, and wholesaling and trucking. The lower circuit is essentially made up of non-capital intensive forms of manufacturing, non-modern services generally provided at the retail level and the non-modern and small-scale trade.

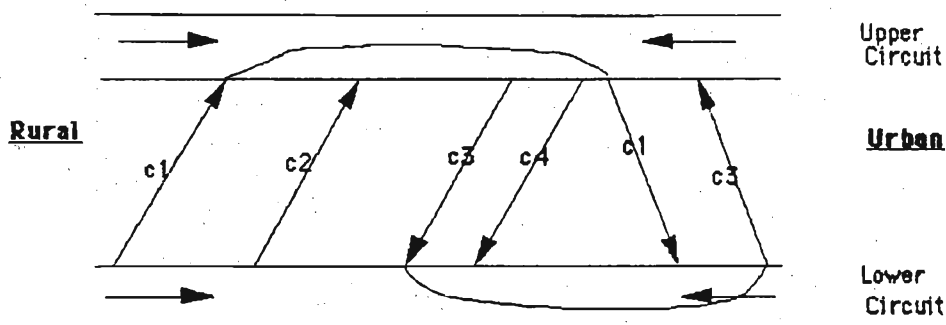
What appears from the above description is that the two circuits have many parallels with the other conceptual distinctions made by other writers such as formal and informal economy, firm-centered and bazaar economy, capitalist production and petty commodity production, etc. It can, however be argued that, more than the other concepts, the concepts of the two circuits can be applied to a much larger field than a single city or a town. It is essentially for this purpose these concepts are used in the context of the present paper.

The flow of goods and services between the urban centre and the rural economy is an equally complex process. Yet, it is not difficult to identify its main features in both empirical and conceptual terms. The following diagram is an attempt in this direction. (See Figure 1)

Figure 1 : Inter-linkages between Rural and Urban Economies



As indicated above, there are two channels through which goods and services flow between the urban centre and the rural economy. The two channels are not mutually exclusive as a certain amount of goods and services moves from one channel to the other at different points, of the chain. The interchange of commodities takes place due to various reasons such as processing requirements and problems associated with collection and distribution. The interchange of commodities between channels do not always follow the same pattern. (See Figure 2)

Figure 2: Interchange of Commodities between Circuits

C1, C2, etc. = Commodity 1, 2, etc.

If we take commodity 1 (C^1), it leaves channel 2, moves into channel 1 and then moves into channel one again. In this movement of a commodity, the latter may go through a transformation or remain the same throughout its journey from one end to the other, i.e. producer and the ultimate consumer. Examples for the former are tea, tobacco. The green tea leaves produced by the small holders reach modern, large factories either directly or through informal, middlemen. Factory produced tea is transported to the urban centre for bulk sale at public auctions. While a major part of it is purchased and exported by large trading firms, the rest is released to the local market. It is at this stage that part of the finished product enters the lower circuit and reaches the consumer through informal activists. When it goes through the lower circuit, it may be subject to certain minor changes such as blending and packaging.

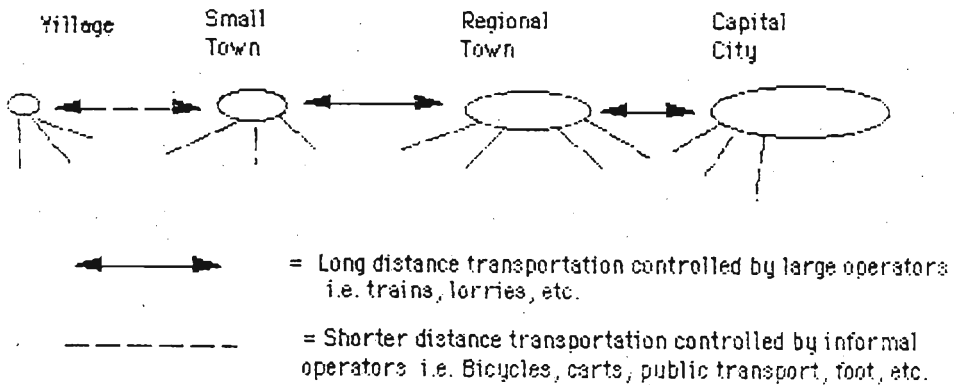
An example for a commodity which travels through the above channels, yet does not undergo a transformation i.e. processing, is vegetable. In underdeveloped economies like that of Sri Lanka, such perishable commodities go through the channels' quickly and reach the consumers without being subjected to processing or packaging.

A commodity like natural rubber, produced by both large planters and small producers, enters the formally organized, upper circuit and remains there until it reaches consumers as finished products. On the other hand, certain commodities remain within the confines of the informal economy from production to consumption. i.e. certain hand-made household utensils.

What is evident from the above is that the flow of commodities between the city and the countryside through diverse channels is a complex process. While commodity flows are largely horizontal, there is also a considerable vertical movement of commodities, between the large enterprises and the informal economy.

Since the flow of commodities between the city and the countryside is essentially a physical movement of goods, two decisive factors influencing the process are the distance and the nature of the means of transportation involved. Transportation of large quantities of goods between two points which are located far away from each other is beyond the means of those who do not possess heavy transport equipment such as trucks and lorries. On the other hand, short distance transportation of small quantities of goods is the prerogative of informal, small-scale operators. In this regard, it is also important to note that the type of commodity is also a major factor. A useful distinction can also be made between high value indivisible goods and low value divisible goods. (See Figure 3)

Figure 3: Urban Rural Commodity Flows



City of Colombo, the Circuits and the Rural Hinterland

Colombo as an underdeveloped city shares many features in common with most cities of the ex-colonial world. Its economy is polarized between modern, capital intensive production and service establishments on one hand and the informal urban economy on the other hand. Its social structure is characterized by a sharp distinction between the disadvantaged urban population concentrated in slums and shanties and the affluent social strata occupying the residential quarters of the city. In the absence of broad-based industrial production, the vast majority of city dwellers are compelled to subsist on tertiary activities largely focused on the urban informal economy. This is a major factor reinforcing the parasitic nature of the city which by and large generates its wealth by playing the dominant role in the circulatory process linking the rural economy with its external environment, both national and international.

Given the fact that the economy of the city of Colombo is essentially an integral part of a wider system of production and circulation, any conceptual model dealing with it should encompass that wider system. This is the rationale for the extension of the

analytical scope of the concepts of 'upper' and 'lower' circuits to deal with urban rural exchange relations. An empirical analysis of the city would also indicate the need for such a broad conceptual framework.

An analysis of the economic structure of the city, therefore should also focus attention on the wider system of production and exchange relations because an understanding of the former is virtually impossible in isolation of the latter. Similarly, the urban informal economy cannot be meaningfully examined in isolation of its environment. This fact was highlighted in an earlier paper referred to above which focused attention on a settlement of the urban poor in the city of Colombo. In the remaining pages of the present paper, an attempt is made to explore the above themes in the light of empirical data gathered by the author during the course of his fieldwork relating to the study on subsistence reproduction discussed elsewhere (Hettige 1990).

The structure of the urban economy is usually translated into local idiom in the context of grass-roots-level communities like Pansalawatta which is a settlement of the urban poor in the south-eastern quarter of the city of Colombo. Though such a community is certainly not a microcosm of the urban economy, its employment structure gives partial expression to the kind of urban economy that exists. (See Figure 4)

Figure 4 : Social Structure of a Community of Settled Urban Poor and Its Position in the Urban Economy

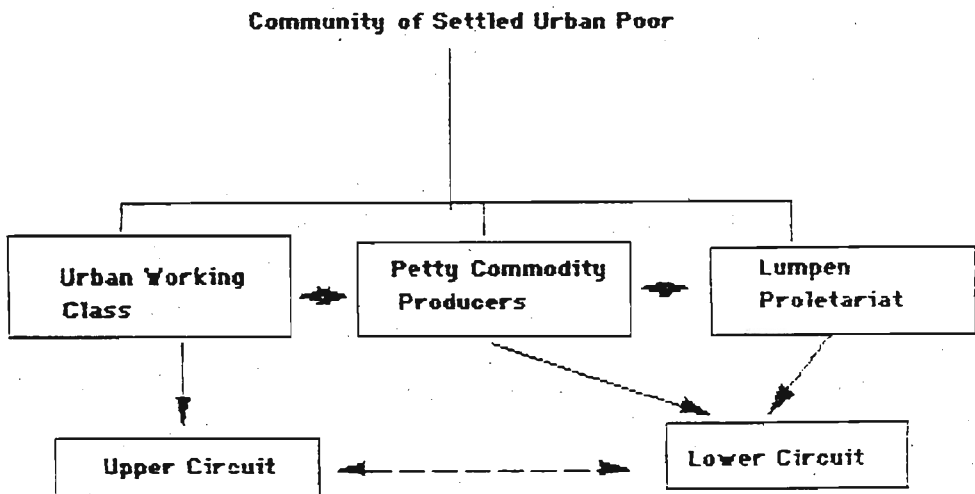


Table 1 provides data on the employment structure of Pansalawatta, a shanty settlement where the author conducted field research.¹ As is evident, the vast majority of the employed there belong to the informal economy.

Table 1: Structure of Employment at Pansalawatte

Occupation	Persons	Percentage
Wage Labourers		
State Institutions	67	19.7
Private Firms	18	5.2
Informal Economy	63	18.5
Self Employed		
Retail/Pavement Hawkers	98	28.8
Launderers (washers)	8	2.3
Others	11	3.2
Domestic Work (cleaning, washing, gardening, cooking, etc.)	33	9.7
Artisans (masons, carpenters)	6	1.7
Hotels and Restaurants	10	2.9
Clerical/Technical	7	2.0
Overseas Employment (Middle East)	19	5.5
T o t a l	340	99.5
Employed as % of the total population	(1055)	32.2
Employed as % of those who are over 15 years of age (N = 710)		47.8

Forty two percent of the employed are wage labourers belonging to the private and public establishments and the informal economy. The self-employed constitute the largest single category representing about 35% of the total employed population. About 10% of the employed, particularly women engage in domestic work for which the workers are often paid in both cash and kind. The few artisans at Pansalawatta usually undertake small work contracts. They also work for daily wages at times.

It is important to note that there is a sprinkling of white collar workers at Pansalawatta. Many of them are clerks and other lower rung office workers belonging to State and private establishments. In recent years, it has become common for a number of families to have one or more of their members abroad on contract employment, mostly in the Middle East.

As mentioned before, the above data relates to a particular settlement of the urban poor and therefore, does not necessarily point to a general picture relating to the employment structure in under-privileged urban communities. It is to overcome this

difficulty of generalization that we need to rely on supplementary sources of data. Table 2 thus presents employment data relating to 16 under-privileged urban communities or (lit. gardens) drawn from different parts of the city of Colombo. Once again, the picture that emerges is not very different.

The surveys conducted in the underdeveloped quarters of the city do not provide a complete picture of the urban economy because they tell very little about the people living in more affluent parts of the city. This does not however mean that we cannot paint a general picture of the city using such data. This of course has to be done within the overall context of urban growth over the last several decades.

The rate of population growth in the city of Colombo over the first few decades since independence has been low due to several reasons. The most significant among them have been planned and unplanned intra-rural migration, decentralization of industrial development, relatively more favourable living conditions obtained in the countryside due to widespread state subsidies and limited employment opportunities in the city.

Even though the city did not possess a large industrial base, the diverse private and public sector establishments dealing with exports, imports, transportation, wholesale and retail trade, storage, packaging, health, education, etc. accommodated a considerable labour force, both manual and white collar. Since the state continued to play a major role in the national and city economy both as an investor as well as a regulator, development of private enterprise was slow. This in effect reduced the competition for urban property, both commercial and residential thereby allowing diverse social strata to co-exist in the city ranging from landed proprietors through middle and lower middle class tenants to propertyless workers who squatted on undeveloped private and public land.

The above picture has changed substantially over the last decade or so. The post 1977 economic reforms stimulated private sector initiatives, import-export trade, monetary growth, rural-urban migration, urban property development, tourism, etc. The result has been the heightened competition for urban space leading to an enormous rise in property values in and around the city. This in turn has resulted in a restructuring of the city population.

Rising property prices and new investment and consumption opportunities invited many affluent people into the city. At the same time economically weaker sections such as the lower middle class and even sections of the middle class were compelled to leave the city, and move into the suburbs. Ironically, the poorer sections could consolidate their foothold in the city in the face of growing income opportunities and more favourable urban political alliances. Their access to urban space did not seem to have been adversely affected by the process of capitalization of urban property. This no doubt facilitated the swelling of the ranks of the poor urban dwellers concentrated in the slums and shanties.

Table 2: Patterns of Employment of Household Heads in Slums and Shanties of Colombo Community

Type of Occupation	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	Total %
1. Teaching	-	-	02	-	-	-	-	-	01	02	-	01	03	-	-	-	09
2. Clerical/Typist	02	01	10	02	06	-	02	01	03	01	02	04	11	03	-	17	65
3. Technical	03	03	08	03	09	02	02	02	03	06	05	-	12	04	09	16	87
4. Midwife/Nurse/PHI	-	-	-	01	-	01	-	-	-	01	-	-	01	01	-	-	05
5. Armed Forces	-	-	-01	-	-	01	-	-	-	01	-	01	-	01	02	03	10
6. Sales Assistant	01	-	-	01	02	01	01	-	04	01	01	-	01	09	02	03	27
7. Driver	04	06	08	01	03	01	01	01	03	04	02	01	06	03	04	09	57
8. Pensioner	01	01	02	04	05	02	01	-	02	03	04	-	05	05	02	08	45
9. Mason/Carpenter	07	01	-	01	-	01	02	03	01	01	01	-	-	04	-	-	22
10. Overseas	-	06	03	01	08	04	05	04	13	13	12	02	05	12	18	14	120
11. Trader	06	12	10	01	04	13	07	13	32	12	20	10	11	09	15	19	194
12. Labourer (Formal)	10	20	07	03	05	13	15	03	09	22	26	13	12	33	18	30	239
13. Labourer (Informal)	-	27	09	01	01	17	10	12	31	12	78	06	09	11	52	87	363
14. Domestic Work	09	01	02	-	-	-6	-1	-	-1	-	-	01	-	06	02	-	29
15. Leafy Vegetable Grower	08	-	-	-	-	-	02	-	-	-	-	-	-	-	-	01	11
16. Washerwoman	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	01	01
17. Tailor/Barber	01	03	03	01	01	-	-	-	03	02	-	02	03	01	04	05	29
18. Administrative	-	-	01	-	02	-	01	01	02	06	-	-	01	02	-	01	17
Total	52	81	63	20	46	62	50	40	108	77	154	41	80	106	128	215	1330

* Based on a household survey conducted by the author and others as part of the evaluation of the Community Development and Environmental Health Project of Colombo, Sponsored by UNICEF 1983.

The above restructuring of the city population has been accompanied by a corresponding growth of the suburban population surrounding the city of Colombo. A large middle and lower class population has moved into the suburbs. While most of them commute to the city daily for work, others rely on local income sources. The presence of a large mobile and stationary population in and around Colombo has facilitated rapid commodity flows across city and suburban boundaries. It is these rapid and constant commodity flows that have made the analysis of the city economy as an internal structure and process, an almost impossible task. A city economy does not exist. What exists today is a metropolitan regional economy which consists of the city and the surrounding suburbs which in turn function in constant interaction with the rural hinterland through regional towns. It is this empirical reality which compelled the author to focus attention on urban-rural exchange relations with the help of the concepts of upper and lower circuits thereby extending the analytical scope of the latter.

What is listed below are some selected commodities which flow between the city and the rural hinterland. While some commodities travel mainly through the upper circuit, others travel primarily through the lower circuit. While vegetables, fruits and other food items produced in the suburban areas surrounding Colombo reach the consumers in the city through small scale vendors, vegetable produced by small holding farmers in the central hill country and other outlying districts reach Colombo through large-scale collectors and distributors who own one or more trucks each. Once vegetables reach the Colombo wholesale market, part of it is re-distributed in the surrounding areas by small lorry operators. The major part of the vegetables reach the consumers in and around Colombo through a large number of vendors who often use public transport and bicycles to transport their goods to roadside markets scattered throughout the city and suburbs.

Sea fish is another commodity which goes through a similar process before reaching the consumer. Wholesale fish dealers who own transport equipment collect fish from numerous producers scattered in coastal fishing villages and transport it to wholesale markets in Colombo and other major towns. Hundreds of vendors who flock to the wholesale market purchase fish in small quantities and quickly disperse both within and outside the city to reach the consumers at either the latter's door-step or roadside markets. Larger fish-stall owners in suburban towns use small transport vehicles to transport their stocks. It is also significant to note that some small-scale fish vendors who operate on bicycles or foot also purchase fish from producers: they sell fish in the surrounding rural areas which are not served by permanent fish stalls.

The proportion of both the above commodities which reaches the consumers through modern retail outlets such as supermarkets is not very significant. The few supermarkets in the city caters to a small group of affluent consumers. This leaves considerable space for small scale informal operators.

Table 3: Production and Circulation of Selected Commodities

Comodity	Origin	Role of upper circuit	Role of lower circuit
Textiles	Urban	major	minor
Rice	Rural	minor	major
Vegetables	Rural	minor	major
Fruit	Rural	minor	major
Rubber	Rural	major	minor
Spices	Rural	major	major
Tea	Rural	major	minor
Tobacco	Rural	major	minor
Shoes	Urban	major	minor
Firewood	Rural	minor	major
Handicrafts	Rural	major	minor
Fish	Rural	major	major
Plastic Goods	Urban	major	minor
Agro-Chemicals	Urban	major	-
Bicycles	Urban	major	minor

The whole range of commodities including those listed above flow between the city and the rural hinterland through either the upper circuit or the lower circuit or both. Poverty of a large mass of people, both rural and urban, has facilitated the proliferation of petty commodity producers and other informal activists who fit into the production and circulation process dominated by the upper circuit and occupy various positions right along the spectrum between the city and the rural hinterland. However, unlike the formally organized large establishments, those associated with the lower circuit usually operate within a limited geographical area largely owing to the limited-scale of their operations. This compels them to rely on the agents of the upper circuit for their diverse needs such as transportation, raw materials and processing.

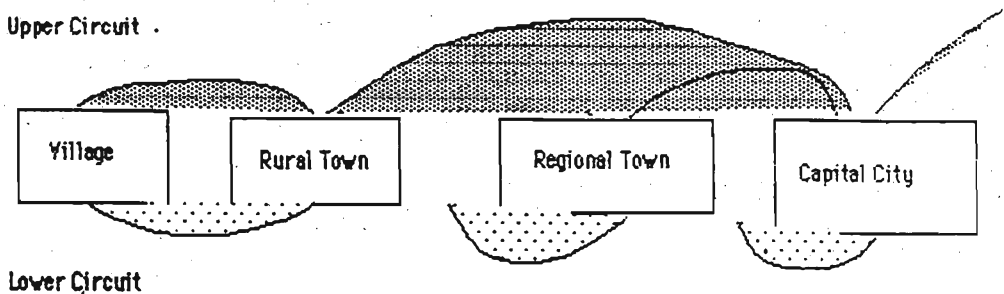
Pavement hawkers sell a variety of goods which come either from overseas or from distant areas within the country. So they obviously rely on either the importers or wholesale distributors. Petty commodity producers also have similar dependency relationships with the agents of the upper circuit i.e. they often obtain their raw materials from larger establishments. Street vendors often sell goods purchased from large firms i.e. sweets, cigarettes, news papers, soft-drinks, plastic goods, cloths. etc.

Small-scale producers and middle-men play an extremely significant part in the production and circulation process at the village level. This is evident even in the case of cash crops like tea and rubber. Petty traders collect agricultural and other goods from their producers and sell them to whole-sale collectors in the nearby towns. They also play a part in the supply of consumer goods to rural inhabitants. Rural poor themselves travel to the nearby towns to purchase some of their consumer goods and rely largely on

informal activists such as street vendors and pavement hawkers. The same pattern can be observed in larger towns and cities in a more elaborated form.

What is evident from the above is that the lower circuit encompasses an area which is much larger than an administratively defined city or a town. However, unlike the upper circuit, it does not represent an unbroken chain of relationships linking the capital with the regional town and the rural areas. It is in fact the upper circuit which brings together the otherwise unconnected lower circuits operating in urban and rural areas. (See Figure 5)

Figure 5: Articulation of Rural and Urban Economies through Upper and Lower Circuits



Notes

Pansalawatta is a squatter settlement spread along the bank of a waste-water canal running across the south-eastern quarter of the city. Author's initial field research at Pansalawatta was conducted in the early 1980's with a focus on its internal social and economic organization of the community. What became evident from this and subsequent research was that the people of Pansalawatta existed not only by constant interaction with the wider urban society in diverse terms but also in close association with a process of production and circulation which extended very much beyond the boundaries of the city of Colombo.

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