

## How to Best Classify Rural and Urban?

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**Abstract:** While “agricultural and rural development” is one of the key policy areas, there is no universally accepted way on how to classify urban and rural. On one hand, dissatisfied with the OECD approach in which a “rural area” is defined merely based on the population density, there has been a rich literature in the statistical discourse and policy debate on what other variables should be considered and included for the urban-rural typology. On the other hand, according to the rural areas observed in OECD countries, where the population has migrated to the urban and agricultural production has become less important, some people argue that the traditional way of thinking “rural” as the same of “agricultural” is not true anymore for the developed countries and the same transformation is going on in the developing countries. The salient feature of this paper is to apply an econometric logistic regression model to two datasets for Italy, an OECD country, and for China, a non-OECD country. The results of the model unambiguously demonstrate that, first, to classify the rural and urban, a multidimensional approach by taking into account both economic activities and geographic dimension along with population density is more appropriate; and second, agriculture is still highly relevant to the rural and thus an important determinant factor in defining the rural area.