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# The Economics of Urbanization and Urban Policies in Developing Countries



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George S. Tolley  
Vinod Thomas

A World Bank Symposium

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George S. Tolley  
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The World Bank  
Washington, D.C., U.S.A.

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## Foreword

Urban problems in developing countries have become more acute in recent decades as people have flocked to cities, and the largest cities have been affected the most. In coming years, as population growth continues throughout the developing world, urban problems promise to become increasingly severe. This volume seeks to promote better understanding and evaluation of policies designed to cope with these issues.

To devise policies intelligently, we need to understand why urbanization has taken the forms we see today and what its future course is likely to be. Considerable progress has been made recently in the economic analysis of urbanization as a whole and its facets, including employment, housing, transport, pollution, and poverty. This book draws together studies of the causes of observed urbanization patterns and builds on them to provide a better foundation for policy analysis.

Almost all countries have grappled with policies to control urbanization and manage growing cities more effectively. This book reviews the accumulating experience in both market and centrally planned economies and provides a critique of successes and failures.

Urban policies are of two main types. The first attempts to influence the degree of urbanization and the distribution of population among regions and cities. In addition to surveying country experiences with such policies, this book provides methods for evaluating them.

A second type of urban policy attempts to make the best of urbanization by coping with the urban management problems encountered during economic development, particularly as they are aggravated by urban poverty. Policies of the second type must be based on sound economic analysis of urban functions and must

take account of practical difficulties in implementing projects and the realities of institutional settings. This book places the best in economic analysis alongside real-world problems, contributes to fruitful interaction between the two, and provides analytical tools for improving policies.

A unique contribution of this book is that the findings as a whole provide a unified framework for earlier work on urban problems. The studies build on progress to date to make new contributions that should be of value to policymakers, advisers, project analysts and other practitioners, academicians, and observers of urban problems.

The book consists of four parts, which are introduced by an overview. Part I provides the economic underpinnings for understanding urbanization. Comparative advantage in urban and agricultural production, the relations between urban and rural poverty, and the effects of total population growth are considered, and the ways in which these and other factors have led to observed differences in country urbanization experiences are brought out.

Part II provides a framework for policy analysis. Correction of market failures, redistribution of income, and other goals are considered as bases for policy. Policy approaches in both market and planned economies are reviewed.

The remainder of the book draws on the first two parts to derive tools for the evaluation of policies. Part III surveys national policies concerning urbanization and gives examples of policies that encourage or discourage concentration of a country's population in one or a few large cities. Experiences in Brazil, Colombia, the Republic of Korea, and Venezuela are evaluated. Part IV ex-

amines urban management problems, especially the provision of urban services and the maintenance of a good or at least tolerable environment in large cities. The emphasis is on techniques of quantitative analysis and on project management. Housing, transport, urban finance, and pollution control are considered. A concluding chapter draws policy lessons and makes suggestions.

The book, which contains several contributions that originated from work at the World Bank, distills the

Bank's accumulated knowledge of urban policy. It is based in part on a conference at the University of Chicago in 1983 in which experts from the Bank and from universities throughout the world participated.

*Anthony A. Churchill*

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Water Supply and Urban Development Department  
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*June 1986*



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*Note:* John Crihfield made a major contribution to the shaping of this volume.

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## *Abbreviations*

CEDE	Centro de Estudios para Desarrollo Económico (Colombia)
CETESB	Companhia Estadual de Tecnologia de Saneamento Ambiental (Brazil)
CFT	Corporación Financiera del Transporte (Financial Transportation Corporation) (Colombia)
CIS	Centro de Informacoes de Saude (Brazil)
DANE	Departamento Administrativo Nacional de Estadística (National Statistics Department) (Colombia)
EMPLASA	Empresa Metropolitana de Planejamento de São Paulo (Brazil)
FEDESARROLLO	Fundación para la Educación Superior y el Desarrollo (Colombia)
FSDVM	Fundación Salvadoreña de Desarrollo y Vivienda Mínima (El Salvador)
GDP	Gross domestic product
GNP	Gross national product
GSP	Greater São Paulo Metropolitan Area
IDRC	International Development Research Centre (Canada)
INTRA	Instituto Nacional de Transporte (Colombia)
ISIC	International Standard Industrial Classification
LCC	Lusaka City Council (Zambia)
MIT	Massachusetts Institute of Technology
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of Petroleum Exporting Countries
RDE	Representative developing economy
SEADE	Fundação Sistema Estadual de Analises de Dados Estatísticos (Brazil)
SEPLAN	Secretaria de Economia e Planejamento (Brazil)
TFFPG	Total factor productivity growth