

Part II

A Framework for Urbanization Policy

The explanations of urbanization suggested in part I provide a framework of economic development within which to discuss problems connected with urbanization. The policy issues addressed in part II are presented in the context of overall development and the macroeconomic settings of countries. Tolley (chapter 4) goes to the economic sources of widely noted urban problems, Renaud (chapter 5) discusses policy experiences from broad countrywide and cross-country perspectives. This broad approach is intended not to minimize the urban-specific sources of various urban problems, but to bring out some important and sometimes neglected overall considerations which have pervasive effects on the urban economy. Parish (chapter 6) examines urban problem-solving in China's centralized policy framework.

Urban Problems and Policy Implications

The most basic urban problem, as noted in chapter 4, is poverty. The extent of urban poverty, in the first instance, can be understood in the context of the rate and nature of economic development and the generation of employment. Given the level of development, rural-urban migration helps to reduce differences in real incomes between urban and rural areas and bring about an increase in urban poverty. Sustained and rapid development is in most instances a necessary, although not always a sufficient, condition for alleviating urban poverty. Attention to the distribution of the benefits of development is also essential.

This is not to deny that urbanization can itself contribute to problems, including poverty. Many countries face excessive urbanization and the associated problems of overcrowding and deplorable living conditions. In economic terms overurbanization occurs when negative

externalities such as pollution and congestion cause cities to be seen as "too big." Measurement of these effects, however, reveals that the net economic costs of overurbanization (compared with the alternatives) are surprisingly small. Furthermore, these externalities are best dealt with directly rather than by trying to control urbanization or city size. A more satisfactory size distribution might also come about in the absence of urban biases and such incentives as protected employment and special subsidies in urban areas.

In developing countries the disproportionate concentration of populations in big cities makes the scale of overurbanization more dramatic than it has ever been. One reason for urban concentration is that transport costs within cities are lower today than when the developed countries were undergoing rapid urbanization. Because economies of association can now be realized more cheaply within a city, it is easier to locate ancillary local production and the needed housing in the city. Infrastructure planning and construction may also contribute to disproportionate expansion in cities that are already large, as growth feeds on growth.

The Scope of Urbanization Policy

Chapter 5 provides an account of the range of analytical and policy problems that arise in the context of developing-country urbanization, with examples drawn from different continents. The author also examines the differences between the urban policy problems that confront the developing countries and those that the developed countries face. Two structural changes in the developed world help explain the differences: the slowing and eventual end of urbanization, and the emergence of yet another industrial revolution, this one

based on new technologies and less tied to concentrated manufacturing centers.

Problems in developing countries that are associated with urbanization include spatial inequalities, such as amenities as congestion and pollution, and the need to create employment and provide services. Urbanization policies actually followed by developing countries can be classified as national economic policies, explicit spatial and regional policies, and city management. Their relative importance varies widely from country to country.

Problems of congestion, pollution, and internal city inefficiency are best addressed directly through good city management. The attempt to control city population directly is an inefficient and costly way of dealing with those problems. At the same time it should be recognized that national economic and sectoral policies often have spatial biases. Reversal of such biases, particularly those that hurt rural production, will minimize pressures to control city population directly. Explicit spatial policies may seem desirable, particularly in situations in which the nation's economic policies have, intentionally or unintentionally, produced urban biases. The efficacy of direct spatial initiatives must be reviewed carefully, however, particularly since experience with them is not encouraging.

A Case of Central Planning

Chapter 6 uses data from a variety of sources to piece together a view of modern cities in China and sheds light on some major goals of Chinese urban policy. One goal has been balanced city size distribution and stability. In the 1950s investment funds and activities were channeled from coastal cities and reinvested in the interior. Tough migration laws and near-total control of social institutions by local and central authorities furnished the necessary muscle. The study offers a detailed review of recent urbanization in China, which contrasts with that in most developing countries.

Another goal has been secure, productive urban employment, guaranteed by the state and devoted to centrally defined output objectives. Several reasons are cited for the rise in the employment rate of the nonagricultural population: the eviction from cities of unauthorized people, the increasing employment of women, the sharp drop in urban birth rates, and efforts to create new urban employment opportunities. The largest employers of the urban population are the various levels of government, and state employees in China seem to enjoy greater benefits than do workers in other developing countries. In the smaller employment sectors, collective enterprises and the private work force, wages are lower, benefits are fewer, and employment is less secure than in the state sector.

The distinction between urban work in China and elsewhere has been highlighted by differences in the distribution of nonagricultural labor: the Chinese have emphasized work in manufacturing, mining, and construction and have downplayed consumption-related activities. The consequences have been less varied and less plentiful consumer goods and rationing and queuing. An additional problem has been the unemployment, especially among young people, that has accompanied investment in capital-intensive heavy industry. Many educated young workers were sent to the countryside to relieve urban unemployment, and unemployment rose to 5–11 percent of the nonagricultural labor force. Reforms after 1978 loosened investment policies and restrictions on work opportunities and made public education more responsive to the needs of industry. By the end of 1981, outright unemployment had fallen to 2.4 percent of the nonagricultural labor force.

Another aim has been to provide adequate urban services. The authorities have displayed ambivalence toward urban services and have agreed only that there should be an equitable distribution of basic needs. Medical services have grown steadily and are of higher quality than in other developing countries; infant mortality is lower and life expectancy higher. Urban housing has received less attention, partly because it has been considered a consumption good, but Chinese urban housing compares favorably with that in other developing countries. The study discusses the unintended side effects of rent control and the recent sharp increases in state funds to remedy shortcomings in housing.

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