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URBANIZATION, ECONOMIC DEVELOPMENT AND POLICY IN DEVELOPING COUNTRIES

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SUMMARY

1.The paper aims to provide an account of the economic significance of urbanization and of cities in the process of economic development in order better to understand the demographic transition to predominantly urban societies which will occur in developing countries over the next three decades. This is the background to a consideration of appropriate policy responses to this process.

2.The first section examines the strength of the correlation between the size and growth of the urban population and the level and rate of change in national output. It confirms the well known observation that the relationships vary considerably between Low, High and Middle Income countries, and between countries experiencing high and low economic growth.

3.The paper then discusses why the correlation exists, and the effects of economic development in creating patterns of territorial specialization, of which the distinction between urban and rural sectors is one. This is examined between countries, within developing countries and within metropolitan areas.

4.Economic development results in rising levels of productivity and this provides the basis for national growth, the differentiation of sectors and territorial areas.

5.The paper discusses trends in the world economy at present, including an examination of high growth developing countries and Sub Saharan Africa, in order to assess whether urbanization trends are likely to continue.

6.It then moves to examining the projections for the redistribution of population in developing countries - urbanization, the growth of larger cities and their internal organisation, migration etc.

7.The paper enumerates some of the resulting policy problems that confront governments in developing countries as a result of continued urbanization.

8.There follows an evaluation of the theory and practice of policy in the past in the field of territorial organisation in developing countries, and the emerging trends concerning the role of government.

9There is then a discussion of the role of aid in the context of urbanization.

URBANIZATION, ECONOMIC DEVELOPMENT AND POLICY IN DEVELOPING COUNTRIES

I. INTRODUCTION

The 1988 report of the National Commission on Urbanisation to the Government of India notes that, while India's urban dwellers have increased four times over since 1947 (from some 50 to over 200 million), public attitudes to cities have remained ambivalent:

"On the one hand, we see them as heroic engines of growth...On the other, these urban centres have also generated the most brutal and inhuman living conditions".

Later, the Report suggests that the second observation has more substance for "The urban centres... should be generators of wealth; instead, they have degenerated into parasites looking elsewhere for support"(1).

The Commission is not at all alone in this second opinion. In possibly the majority of developing countries, cities are commonly seen primarily as problems, whether of welfare or potential political instability; they are also seen as rich and unproductive. At this stage, opinion comes close to early mercantilist economics in Europe, seeing the urban sector as an unproductive parasitic force, draining resources out of the only truly productive activity, agriculture. However, while some such views lingered on in the nineteenth century (2), contemporary analysts have tended to draw a sharp contrast between nineteenth century urbanization in the now developed countries and modern urbanization in developing countries - then cities were supposedly productive, now they are not.

This paper is directed at arguing that, while the content and function of cities has indeed changed, their overall role remains much as it was in the nineteenth century. Nor is the poverty so apparent in the cities of developing countries today new. By the main measures available, social conditions of the urban poor are a remarkable improvement on those experienced in, say, British cities in the early nineteenth century. Furthermore, urban productivity is now so high, the contribution of the cities to national development is almost certainly greater than in the last century. It follows that, if this argument is valid, governments in developing countries and aid donors need to take the cities much more seriously.

II. ECONOMIC ACTIVITY AND URBANIZATION

The association of urbanization and changes in economic activity is not at all a simple one, both because of the complexity of factors underlying the physical concentration of populations and because of the formidable statistical problems at stake. Each country - and countries are of enormously different sizes - has a unique historical inheritance of settlements (for example, in some farmers have traditionally lived in towns; in other, manufacturing is traditionally rural-based), and a no less equally unique physical endowment (mountains, deserts, waterways and coastline, deserts etc.). We have no satisfactory single statistical measure of the structural change which a national economy goes through as it develops; changes in gross national product per capita or gross domestic product do not allow us to distinguish between the structural change implied by economic development, and economic growth (where no structural change is necessarily implied). Urbanization is beset with even greater problems, since it refers to the concentration of population (not the labour force) within quite arbitrarily established administrative boundaries, themselves subject to radical changes from time to time; there is no common international standard for the definition of `urban' in national censuses - at the extremes, urban can refer to settlements with 2,500 or more inhabitants or 50,000 or more (3). Moreover, there is no agreement on what should be properly grouped together as the urban economic unit - New York City or the New York Metropolitan Region, central Tokyo or the Tokyo Region (with 24 million inhabitants) (4).

Given these difficulties, it would be surprising if a very close relationship could be established. Nonetheless, a number of successful attempts have been made to express the association in comparisons between countries (5). Figures 1 to 4 in the Appendix illustrate the association with the most recent data available. Figure 1 compares gross national product per capita and the proportion of national population which is urban for 120 countries in 1987. On the same chart, the same relationship is presented separately for the 49 countries of the 120 which have populations of ten million or more ("numbered points" on the chart). The straight lines represent the trend in the relationship for the two series. As can be seen, there is a reasonably close association (the correlation is 0.6557), but with quite a wide scatter of "exceptional" cases. It is also apparent that the association varies considerably at low and high incomes - low income countries appear as relatively "overurbanized" (above the line), and the few higher income countries are "underurbanized" (that is, below the line). In the middle ranges, the fit is closer, but with a tendency towards the "overurbanized".

Figure 2(a)-(c) provides a bar chart for the same 49 countries as Figure 1, comparing now, however, rates of annual growth of gross domestic product and urban population for two periods, 1965-1980 and 1980-1987. The same general conclusion follows - there is a roughly ordered scatter with some wide divergencies (which may of course be due to extraordinary definitions or poor data rather than representing real deviations). Finally, Figure 3 presents the same relationship for the five countries in each income group (Low, Lower Middle, Upper Middle, and High) with the highest and lowest rates of growth of gross domestic product in the same two periods as Figure 2.

Stages of Development

It is apparent from the bar charts that, with high rates of economic growth, urbanization increases. However, at high levels of per capita income - which usually occurs where usually a high proportion of the population is already urban - the association is weak; urbanization is very slow, and relatively unresponsive to changes in economic growth (very roughly, the increase in urban population is always well below the rate of economic growth, and most commonly about half the rate). At the other extreme, low levels of per capita income (where usually a low proportion of the population is urban), the reverse situation seems to occur - relatively small increases in economic growth may produce disproportionate increases in urbanization. The fit between the two variables is closer in the middle ranges, but then fades as income rises.

However, in the low income case, where the rate of economic growth between the two periods declines, urbanization not only does not increase, the relationship may become perverse. In Figure 4, for the slowest growing group of Low Income countries, a low rate of growth of gross domestic product (averaging 0.8 percent annually) in the first period went with a growth of urban population of 5.5 percent per year; in the second period, a negative economic growth rate (-1.6 percent) went with an extraordinary urban growth rate of 7.5 percent. Thus, the relationship is non-symmetrical in the Low Income group (a point confirmed for some individual countries with high rates of urban growth and low or negative rates of economic growth - thus Tanzania with an urban growth rate of 11.3 percent, or Mozambique, 10.7 percent, but economic growth rates of 1.7 and -2.6 percent, all in the eighties). Of course, aggregation of the groups of five may have produced some of the anomalies, and even if this is not so, we have little idea of the lags in, or changing ratios of, changes in the output of goods and services and associated urban employment effects.

In both Low and High Income groups, immigration is an important source of growth in the urban population, but in the Low Income countries, relatively high immigration goes with high rates of natural increase. In the High Income, the rate of natural increase is low, so the proportion of migrants high. In the Middle Income countries, natural increase predominates, particularly where the urban population is dominated by young immigrants from the past phase of urban growth. The Middle Income countries, however, have also had much higher rates of economic growth, and this has generated significantly higher rates of urbanization than the High Income. The Lower Middle share features with the Low Income - high economic growth countries have maintained rates of increase in output well ahead of urban growth, but economically slow-growing countries have experienced a reverse phenomenon (even, in the eighties, matching a -0.8 percent product decline with a 3.5 percent urban growth). In the Upper Middle group, the trends approximate to High Income patterns, but with much higher rates of economic growth (but again, in the eighties, for the slow growers, a -1.4 percent annual decline in output with a 3.2 percent increase in the urban). For the Upper Middle Income group, the rural population is now small enough to decline absolutely with urbanization, indicating that urban labour markets (and migration between cities) dominates the national picture.

Thus, in sum, the association of economic activity and urbanization varies with the "stage of development". Of course, the generalization applies only to the years examined and is not meant to imply a historical relationship. Urbanization can decline sharply, and even the size of the urban population can shrink in certain circumstances (during war or extended periods of economic contraction). Furthermore, historically, the composition of gross domestic products has varied enormously, and so necessarily, the relationship of output to location. However, the rough generalizations hold for the type of national outputs characteristic today, despite a few striking exceptions (for example, China, governed by relatively strict migration controls before 1980 but not afterwards). The generalizations do not rule out very different patterns - from the very dispersed spatial pattern of Taiwan or Kerala, to the highly concentrated ones of South Korea and West Bengal.

III. TERRITORIAL SPECIALIZATION AND ECONOMIC DEVELOPMENT

The mechanism linking economic development and urbanization is the labour market. Economic development involves a sustained and radical shift in the composition of the national output of goods and services, from sectors of relatively low to high productivity (in the past, this has been seen as a change from traditional agriculture, handicraft manufacture and services to commercial agriculture, non-traditional manufacture and modern services). As a result of this change, employment is redistributed between sectors. Since different locations are or become the site for different sectors of production, so the labour force is also territorially redistributed. The physical concentration of workers appears to be an important initial phase in this process of raising the general level of social productivity; once concentrated, the workers and their families then become an additional element in sustaining growth in demand. Of course, the generalization is based upon a high level of abstraction, and, as noted before, historically the content of the process has been very different; and each country is in production terms unique (with, therefore, a unique relationship to markets abroad).

Thus, the economic significance of settlements lies in the physical bunching of the labour force (with supportive capital equipment, infrastructure) in response to the disproportionalities in the growth of output which is implicit in the process of economic development. Cities produce an output of goods and services where, in conditions of relative economic backwardness, productivity is disproportionately enhanced by physical concentration. Of course, not all urbanization is related directly to expanded output in the ordinary sense. Many other modern economic activities require some physical concentration of factors finance and commerce, wholesale trade, some high value retail trade, warehousing and markets, transport terminals. government, higher education and higher level health and cultural facilities. The reverse is also true: the transformation of some Types of output requires physical dispersal - for example, high productivity but extensive agriculture, some forms of manufacturing (for example, sugar refining, timber processing etc.). Furthermore, dependence upon the physical concentration of the factors of production varies widely relative to changes in technology, the adequacy of infrastructure, communications and a labour force with relevant skills outside the cities (or a willingness to move at acceptable cost). But it seems generally true that, the more backward economically a country, the more vital it is for national output if there is at least one major concentration of workers with infrastructure of a reasonably high standard.

In the study of international trade, a well known set of theories holds that, under conditions of relatively free trade, countries come to specialize - and trade - in particular goods and services, making different contributions to a world output. The theory of comparative advantage has even greater validity within countries where the barriers to trade are usually much less important (the market is freer). Such a separation of locality specializations would occur without economic development, but development considerably enhances the process (by unifying the territorial area economically, overcoming internal socio-political and physical barriers to domestic trade, reducing transport costs and local self-sufficiency, by expanding output as well as introducing many more new forms of output). In the stereotypical case, out of subsistence peasant agriculture emerges wheat growing districts, cotton tracts, sugar fields; the old market towns or traditional mining centres become heavy or light engineering cities, garment-making districts, administrative towns etc. In a competitive system, these specializations are not necessarily stable for long, but at any moment of time, they allow us to perceive the territorial interactions which go to make up the national output - and so the connections between a changing composition of output and spatial organisation.

1. Scale Economies

The productivity of cities during economic development depends upon the fact that the activities which begin or already take place in cities gain disproportionately from scale economies (6). These may be internal to the industry or the result of the urban agglomeration itself (or some combination of the two). They consist of many different types of economy - the low cost of the communication of innovations, market information etc. between firms; labour market economies in searching for and matching diverse and scarce skills to demand, creating combinations of skills, reducing the need to hold workers in offseasons; economies of specialization, so that firms can attain the highest levels of productivity through long runs of making only specialized inputs to the output of other firms; economies in the provision of common services - ports, transport, power, warehousing, financial and technical services, telecommunications, information stores, legal and trade associations, repair facilities, printing, consultancies, equipment leasing, professional schools and training etc. Furthermore, the urban command of transport networks offers the cheapest access to the largest market sizes and thus the potential for the greatest economies of scale in production.

The concentration of facilities makes for greater economies, but also for greater costs. City-based firms therefore have to utilize the factors of production more efficiently than those in non-urban locations or small towns in order to offset the higher costs. In some cities in the Developed Countries, there is evidence that in important sectors of manufacturing the scale economies of urban location are not able to offset the diseconomies of the metropolitan areas, leading to closure or outmigration (7).

Thus, the degree to which scale economies are possible in the newly created and changing output of goods and services of a developing country broadly determines the growth of the urban sector, the distribution of the urban population between settlements of different sizes and the patterns of specialization by locality. Of course, other factors affect the issue - for example, the availability of natural resources, the availability and pricing of infrastructure, transport costs (for the inputs to, and extra-city traded output of, the city), income and consumption patterns, government policy, trade relationships (8) etc.

As the output of goods and services changes from the traditional (natural fibre textiles, warehousing, processing and transport of agricultural and mining goods, food processing, leather and wood manufacture, printing and publishing, retail and personal services) to the non-traditional (heavy machinery, transport equipment, chemicals, synthetic fibre processing, electrical and nonelectrical equipment, pulp and paper etc.), so the roles and relative sizes of cities change. It may be - as Mills and Becker have noted for India (9) - that manufacturing proper is of declining significance within urban boundaries, but rapid industrialization, even when the factories are located outside the cities, depends heavily upon urban services related to manufacturing - from finance, markets and transport terminals to research and scientific support.

Settlement systems in countries with a long history of cities are usually very stable. The inherited system accommodates the new forces, or at least endeavours to do so. The cost of creating new cities is very high, and even when such cities are created, they are often quite unable to emulate the services of older cities for a long period of time. Thus, new settlements are not created at anything like the speed with which older ones are growing into larger and larger size classes, so producing a constantly more "unbalanced" distribution of settlements by size.

If the growth of cities in industrializing economies is a function of the changes in national output, then the disaggregated pattern of national output - which sectors and subsectors grow relatively more or less swiftly (with their respective employment multipliers) determines which cities grow fastest. The composition of the output of each city is as unique as that of a country, and the cities as a whole form a system of interdependent production locations (not at all the same as an "urban hierarchy").

Henderson (10) has made some important progress in identifying the patterns of territorial specialization in a number of countries (United States, Brazil, and China). In the case of the United States, he estimates that between 50 and 60 percent of the city labour force is engaged in the production of goods and services which are not traded outside the city (the proportion varies relative to, among other factors, how far transport costs lend a "natural" protection against imports from outside the city). The remaining forty percent of the labour force is engaged in the "export base", the specializations traded by the city. Of the 243 urban areas of the United States with a population of 50,000 or more in 1970, about half specialized in particular subsectors of manufacturing, while the rest were engaged in the provision of non-industrial services - from those pertaining to agriculture, to government, banking and commerce, medical and educational services, etc.

Henderson seeks to demonstrate that different population sizes of cities indicate different "peak sizes" for the complex of specializations in the city's externally traded output of goods and services. In particular, he argues, for example, that in the United States the peak size for one of the most rapidly growing sectors of economic activity, "business and professional services" is very high, suggesting that as the American economy shifts towards a greater share of this sector in its national output, an increasing proportion of he population is likely to live in, or spatially related to, the largest cities. The same factor may be, to differing degrees, at work in most large cities of the world, tending to increase the average size of large city in developing countries.

Henderson argues that the largest cities specialize in the production of those goods and services where the greatest scale economies are available. The radical reduction in transport costs in the period since the Second World War has perhaps increased the number of industries where such scale economies are exploitable, breaking down the former protection of activities located in smaller settlements (as for example, in the last century, the railways broke down the protection of village handloom weaving in India, and created a much larger market for Bombay mill output).

There are, of course, other forces enhancing the economic superiority of the largest cities in developing countries - for example, the important inheritance of colonially-created port cities, the economic necessity to concentrate the first major efforts in infrastructure, the availability of skilled labour in a situation of great skill scarcities, the dependence upon imported manufacturing inputs and services, all encouraging in the first stages a relative lack of territorial specialization between different cities (that is, many more specializations are located in one place, whereas in a developed country they would tend to be distributed in several cities). Furthermore, as is well-known, there are perverse effects of macro-economic policy and pricing in encouraging "excessive" growth of the largest cities (these are discussed elsewhere).

2. The Large Settlements

These may be some of the elements explaining the relatively high proportion of the urban population in developing countries living in the largest city (as compared to the More Developed Countries). On the latest figures (for 1980), 13 percent of the citydwellers of the Low Income countries and 31 percent of the Middle Income lived in the largest city (having increased from 11 and 29 percent respectively in 1960), compared to the equivalent figure for the High Income Countries, 19 percent (and 19 percent in 1960). The comparable figures for the proportion of the urban population living in cities of half a million or more people were: 43 percent (up from 30 percent in 1960); 47 percent (34 percent); and 55 percent (47 percent). For the United States, 39 percent of its urban population lived in cities of one million or more people in 1950, and 47 percent in 1970. Thus, it seems that the largest cities in all income groups are the more appropriate environment for the location of the characteristic forms of economic activity current today, but whereas this tends to be a multiplicity of cities in developed countries, it may be only one very large city in a Low Income Country; and this last result may be a direct function of the relative scarcity of resources.

However, in many countries, the largest cities (regardless of their absolute size) seem to be experiencing slowing rates of growth. In the More Developed Countries, urbanization continues (in the OECD group, the proportion "urban" increased from 72 to 77 percent between 1965 and 1987) as does the concentration of the urban population in cities of half a million or more people. When we examine the country data for the fourteen largest More Developed Countries, only five experienced a decline of population in half a million or more cities (and one stayed the same). Furthermore, despite some recent revival of growth, the very largest cities, particularly those heavily dependent in the past upon manufacturing, have lost population. The disproportionate decline in manufacturing employment in More Developed Countries has had exaggerated effects in the urban sector. However, just as it now seems that "deindustrialization" in fact concealed enhanced specialization in manufacturing (11), the byproduct of an increasingly integrated world economy which, if the theory is correct, must produce greater specialization, so "deurbanization" concealed not so much a decline of cities but rather enhanced territorial specialization within the sector of "quarternary producer and administrative services". Nor is the phenomenon restricted to the Developed Countries; Mills and Becker note that the contribution of large cities to differentials in manufacturing productivity in India is declining compared to medium-sized cities, and that this may have been a key factor in the relative stagnation of the largest cities in terms of population growth and the increasing role of smaller settlements (12).

Once the criterion of output is introduced in the study of cities, it is implicit that each city is unique, so there can be no "optimum" population size for cities in general. Indeed, other things being equal, each city can be assumed to be optimal for its particular output of goods and services. Or, to turn the proposition round, there are no grounds for assuming that the peculiar output of a particular city could be produced by increasing or reducing the population living within it. Cities cannot be other than temporarily "too big" or "too small", and there are a multiplicity of optima relating to different outputs. The largest cities may be, for certain historical periods, more efficient in the use of resources than small ones, but that is more efficient in producing a different output. In the same way, smaller cities are more efficient at producing what they produce.

It is implicit that the production functions involved are unstable, subject to sudden and swift changes, so that optima similarly cannot be assumed to be stable. Furthermore, although technologies are often relatively rigid in the combination of factors required to produce a particular output, the total social process of production can vary very widely - so that different city population sizes may, in different contexts, be based upon the same volume of output of goods and services at the same prices. In policy terms, we have no defensible grounds for asserting that one size of city or one combination of settlements is economically superior to another.

It is usually easier to identify the specializations of smaller cities. Larger cities are characterized not only by greater complexity but by a greater speed of change, making analysis difficult. However, in territorial terms, the same principles apply within metropolitan areas as apply to national settlement systems. The city's output is determined by the interaction of specialized but closely interdependent urban districts. The most evident of these is the Central Business District, usually with a physical identity (high rise buildings) which is the product of its specialization in banking, finance, investment and commerce, linked to wholesale markets and thus warehousing, transport terminals (trucking, rail, seaports, airports). In many large cities, the CBD is not necessarily distinct from the area of high income shopping stores, hotels, clubs and theatres. In developing countries, usually this central city complex is also closely interwoven with a mass of petty manufacture, trading and finance, the `informal' sector. The threads lead outwards from this central complex to other areas of specialized manufacture, servicing and repair, and specialized retail trade. In pre-industrial cities, patterns of territorial specialization have long been familiar - the quarters of silversmiths, of harness makers, of sempstresses etc. In the modern city, the same process produces the well-known differentiation of streets specializing in, say, truck wheels, sandal, furniture, toys, carburetters etc. However, the rapid growth and dynamic change of many urban areas in developing countries makes for greater instability in the formation of territorial specialization. Nonetheless, the principle remains the same, indicating that urban districts are not simply homogenous housing areas that ought to be provided with a standard package of consumer services, but interdependent and specialized contributors to a city output.

The possibility of territorial specialization enhancing productivity depends upon the openness of the trading system, a market economy. However, there are many well known reservations here. Public authorities intervene at many different levels and often without being particularly concerned with territorial issues. In a fully state-directed economy, it becomes a matter for research to identify how far spatial differentiation still emerges within the framework of public control. However, in that type of context, the generalizations advanced here may have to be radically amended.

3.Agriculture

The sectors of high productivity in a developing economy play an important role in forcing the pace of change in the rest of the society. The more dynamic sectors of agriculture have, other things being equal, multiple effects on the rest of agriculture and on the cities. Sectors of urban activity are similarly important for agriculture. This can be seen more clearly in the rural areas surrounding some large cities. Where the water supply, incomes, pattern of land holdings etc. are favourable, the most expansive part of agriculture, horticulture and livestock raising is related to the expanding urban market. The improving farmer can here develop the capital, credit and technical basis to experiment with innovative high value intensive cultivation, livestock and dairy farming. The presence of the city labour market may offer part-time work in the agricultural offseason for cultivators and full-time for some; some urban labour intensive activities are decentralized to rural locations. Increased rural incomes make possible further diversification. Thus, despite the frequent assertion that "trickle down" economic effects no longer occur, there is substantial evidence that this is not so.

Furthermore, there are economic effects in agriculture which are more general, not simply related to areas which are physically contiguous to a city. Concentrated urban markets with a relatively high growth of income provide expanding demand for agricultural outputs, and this forces the pace of agricultural specialization and helps to impel raised productivity.

City-related manufacturing may provide part of rural consumption as well as engineering, chemical and other inputs to agriculture. High levels of urban productivity today - compared to the developed countries in the nineteenth century - mean that enhanced national investment from urban savings can be available for direct improvement in rural areas (particularly in infrastructure).

In sum, the need for urbanization in developing countries as a means to modernize agriculture is today possibly greater than ever before. No feasible transformation of agriculture could conceivably employ the expected rural labour force, so that employment in the cities (including the cities resulting from the growth of existing small towns) and off-farm (non agricultural but rural) must be the main means to ensure some work for all. In sum, urban development is not an alternative to rural: each is necessary to the other.

4.Productivity

To summarize: the heart of the process of economic development is the establishment of mechanisms for a continuing rise in the productivity of the factors of production. This involves a radical change in the structure of an economy and the quality and composition of the labour force. The sharp differences in productivity between sectors and subsectors of the national output are key factors in producing or enhancing territorial differentiation (and territorial differentiation in turn enhances the growth of productivity). The sectorally different potential for scale economies generates and sustains different sizes of settlement.

Careful studies suggest that rates of natural increase in a national population have little relationship to the rates of growth of urban populations. Nor is urban growth related to capital transfers to cities nor rural land scarcity (13). Rural poverty does not in general drive people off the land (although, of course, there may be particular cases where this is true). Thus, changes in the rates of overall population growth or improvement in rural conditions (which may be desirable on other grounds), are unlikely to have significant effects on the growth of urban populations. Even lowering the urban rate of natural increase may make little difference to the growth of the urban population, for, if labour demand continues to be buoyant, increased immigration will make up any losses in population growth. The most important factor in reducing the growth of the urban population would be thus a sharp relative decline in urban productivity (of course, other things being equal).

Despite the perception of disordered and impoverished cities, urban productivity has become, by historical standards, very high today. So much so that the nature of economic development appears to have been changed - the growth of the contribution to gross domestic product of modern manufacturing and services can continue at high levels without substantial changes in the employment of the labour force in modern activities. By the output criterion, a number of Newly Industrializing Countries are now more "industrialized" than the industrialized countries, even though a sizable share of their labour force remains engaged in low productivity agriculture.

A related feature of this phenomenon is the growing and disproportionate contribution of the cities to national output in a number of developing countries. World Bank figures suggest that now nearly 60 percent of the gross national products of developing countries is generated in urban areas (by one third of the labour force), and 80 percent of the increment in national outputs (14). In Low Income India, the National Commission on Urbanization reports that the cities and towns contributed 29 percent of the gross domestic product in 1950-1951 and 37 percent in 1971-1972 (15). The equivalent figure for 1980-1981 has been put at 47 percent, with a projection for 1994-1995 of 58 percent. The same source estimates the differential in value added between rural and urban workers in India at 1:2.7 in 1970-1971, 1:2.87 in 1980-1981, with a projection to 1:3.34 for 1994-1995 (16).

In Middle Income Countries, the economic role of cities and towns appears to be even greater. For example, in Turkey, it is said that the urban contribution to gross domestic product is of the order of 75 percent (having risen from 19 percent in the 1950s and 50 percent in the 1970s). Of course, the methodology for these calculations is difficult, for they rest upon assumptions about rural and urban pricing and macroeconomic policy (including, for example, import protection and interest rate subsidization) which can easily distort the final outcome. However, without placing much weight upon the precise quantitative differences, the broad orders of magnitude are suggestive of the changed role of modern urban economic activities in national development, and thus part of the agenda for public action.

IV. TRENDS IN THE WORLD ECONOMY AND TERRITORIAL SPECIALIZATION

Given the unprecedented of economic growth in the quarter of a century following the Second World War and the simultaneous process of decolonization for the majority of developing countries, the great surge of growth in urban populations is hardly surprising. On top of the underlying rate of high economic growth has come an unprecedented expansion in infrastructure and industrialization, changing the world shares of these items. In the second case, up to 1980, when world gross manufacturing output (excluding the Comecon group) increased by something of the order of three and a half times, the share of developing countries grew from 12.7 to 17.9 percent.

1.Economic Growth in the Cities

Furthermore, despite the severe problems confronting many developing countries and affecting the growth in world trade in the eighties, a number have continued to experience rapid growth. In Table 1 (in the Appendix), the twenty developing countries with rates of growth of gross domestic product in the eighties of four percent or more are listed. They include eight Low Income countries, with three of the most populated countries in the world (China, India and Pakistan). In brackets is shown the rate of growth of manufacturing output for fifteen of the twenty - and eleven of the countries had annual average growth rates here of a remarkable eight percent or more. In exports, nine of the eighteen for which there is data also had rates of growth of eight percent or more. Furthermore, most countries had made substantial increases in the proportion of manufactured goods in their exports - in 1980, for the nineteen for which there is data, in the exports of eight of the countries manufactured goods contributed fifty percent or more of the total (including four of the seven Low Income group for which date is available); and for six, machinery and transport equipment, a rough surrogate for skill intensity, constituted ten percent or more of their total exports.

In Table 2 we look more closely at the 25 developing countries with annual rates of growth of manufacturing output of 4 percent or more in the eighties. Fifteen of the 25 experienced growth of eight percent or more. By 1987, the share of manufacturing in gross domestic product for nine of them was equal to or above that in the united States, and for then, the contribution of Machinery and Transport Equipment was equal to ten percent or more of the value of manufacturing output. Only in investment were there signs of economic slowdown (nine of the twenty for which there is data had negative rates).

Finally, Table 3 presents data on the twenty five developing countries with rates of growth of exports in the eighties of five percent or more. As can be seen, fourteen experienced annual increases of eight percent or more. As can be seen, fourteen experienced annual increases of eight percent or more; for nineteen, manufacturing contributed 40 percent or more of total exports, and for eleven, the export of Machinery and Transport Equipment contributed ten percent of more of total exports (17).

Thus, in sum, at this crude level of aggregation, we can see that the growth of manufacturing and of exports for a significant number of developing countries persisted through the eighties. For developing countries as a whole, manufactured exports increased on average by 12.4 percent between 1967 and 1973, by 11.3 percent between 1974 and 1979, and by 11.2 percent between 1980 and 1984. Furthermore, the increase in the skill content of manufactured exports has persisted - for the leading Newly Industrializing Countries, the manufactured exports has persisted - for the leading Newly Industrializing Countries, the OECD estimates (18) the increase in the skill content of manufactured exports as follows:

	"High"	**"Low"**	**Total Manufactured**
1964	2.2	15.9	100
1984	25.0	21.6	100

Of particular significance in this context is the fact that the two largest countries in the world in population terms are among the group of Low Income countries experiencing relatively high rates of growth of industrial output and manufactured exports. The relevant figures are shown below.

While China's breathtaking pace of growth may now be temporarily checked, India's much less dramatic increases may be slowly accelerating - in 1988 the Indian real gross domestic product grew by nine percent (18.8 percent for agriculture, and 9.3 percent for industry), with an expectation of between 6 and 7 percent for 1989 (by the two sectors, 6-7 percent and 9.5 percent). The implications of such rapid growth for both countries in terms of urbanization need hardly be emphasised.

2.Trade in Manufacturers

The content of the growth of developing countries, however, is in constant change. As the leading exporters seek to upgrade the skill intensity of exports, other less advanced developing countries replace them in important sectors or become the location for production firms from the original exporting country. In textiles and clothing, probably the sector governed by the fiercest competition, Taiwanese and Korean capital is now spreading to new locations in south east Asia; and it said that half the garment output of Hong Kong firms is now produced by some two million workers in south China. The case of Mauritius in Sub Saharan Africa is by now well-known; Hong Kong capital has been important in raising manufacturing production (in garments) to an annual growth rate of 11 percent per annum in the eighties, with manufactured exports

	China		India	
	1965-80	1980-87	1965-80	1980-87
Rate of Increase, p.a.				
a) Gross Domestic Product	6.4	10.4	3.7	4.6
b) Manufacturing Output	9.5	12.6	4.4	8.3
c) Manufactured Exports	5.5	11.7	3.7	3.6

rising from a rate of annual increase of 3.1 percent between 1965 and 1980 to 11.1 percent in the eighties. Furthermore, the growth of world manufacturing trade can continue to stimulate thegrowth of employment in new areas in countries which, in other terms, suffer from some of the worst macroeconomic difficulties; thus, while the Mexican gross domestic product increased by barely 0.5 percent annually in the eighties, employment in the in-bond plants along the border with the United States expanded from some 182,000 in the early eighties to nearly 400,000 today.

The major part of the continued growth of trade in manufactures is with the developed countries, and, in particular in the eighties, with the United States. Indeed, dependence upon OECD markets has increased radically for most exporters. The relationship is highly asymmetrical - thus, India, named under the so-called `Super 301' clause of the United States 1988 Trade Act, sends nearly a fifth of its exports to the United States (and receives 11 percent of its imports), whereas for the United States, imports from India constitute no more than 0.6 percent of total imports and exports to India, 1 percent of total exports. Many developing countries are similarly vulnerable to any increase in protectionism in the OECD group, and this becomes an important factor in understanding the forces at work shaping urban development.

Furthermore, while it is expected that the growth of world trade will slow after 1988 (a record for the eighties, when the volume of trade increased by eight and a half percent), there are still high growth prospects for particular exports. In the eighties, for example, office equipment trade increased by 15 percent per year; garments by 10.5 percent; motor vehicles by 9 percent; household appliances by 8.5 percent and machinery and transport equipment, by 6 percent (19). In 1987, garment exports, of particular significance for many Low Income developing countries expanded by an extraordinary 30 percent.

3.The Urban Implications

How does all this relate to cities? First, it would appear that many of the underlying forces which precipitate and sustain urbanization in developing countries retain their vigour. This is not simply a matter of continued high rates of growth of manufacturing - which, in the case of the formal sector, may be increasingly located outside the areas of the largest cities (but connected to them in ribbon development along major highways or in smaller cities within the region of a metropolitan area). But the urban effects of the growth of formal sector manufacturing may be felt in the expansion of associated activities - informal manufacturing, commerce and finance, business and professional services, and the growth of domestic communication networks. Furthermore, the long term trend for world trade to expand significantly faster than world production implies a disproportionate growth in the means of transport, the central networks of which are most often urban based, and which sustain a wider pattern of physically concentrated services - warehousing, handling yards, vehicle workshops etc. While this last point is of lesser significance for seaport facilities, since docks now tend to handle crude raw materials and have few multiplier effects for city activities, it is particularly important for one of the swiftest growing sectors of commodity movement, air freight. The tonne-kilometre growth of air freight rose from 3.4 million in 1960 to 31.5 billion in 1979 (and 58 billion by 1989). In developing countries, airport activity influences both the location of manufacturing (for low weight-high value goods, particularly garments) and parts of horticulture (flowers, fruit and vegetables). In the developed countries, the reduction in the size of stocks in the wholesale and retail trade as well as `just-in-time' stock systems in manufacturing also increase the flow of air freight. The growth of air transport more generally is also related to the continued rapid increase in international tourism and it is to be expected that this will also continue to influence urban development in developing countries.

Many of these forces assume that macroeconomic policy and pricing is favourable to the processes involved, and that governments do not pursue actions which, in particular, price labour at levels which nullify one of the comparative advantages of many developing countries. At present, the trend appears to favour realistic pricing and, in particular, floating or regularly adjusted exchange rates, as part of a general package of liberalization. This currently also includes widespread efforts to privatize activities formerly included in the public sector. While arguments concerning both liberalization and privatization are primarily concerned with relative efficiency - most frequently identified with lower costs the overall impact, if fully pursued, is likely to make market determination of activities more universal than probably ever before in the history of industrial society. The implication would be not only an increasingly trade-led pattern of specialization by country, but also, within countries, increasingly specialized cities. The process would limit the capacity of governments to shape the domestic environment independently of international prices as well as increase the need for local flexibility. This is possibly part of the background not only to privatization but also to the decline in traditional physical planning and measures of administrative decentralization and the taking on by voluntary or non-governmental bodies of quasi public functions.

In sum, then, the forces impelling population concentration in developing countries would seem likely to continue to be strong, particularly in Low Income countries. However, urbanization may now be marked by increasing differentiation of settlements by specialized function and increased dependence upon foreign markets. There seem to be several self-reinforcing processes at work here - liberalization of the external economic boundaries of countries (including floating exchange rates), increased export orientation, increased movement of goods, privatization and administrative decentralization. The development of quasi-entrepreneurial local authorities, on the lines of, say, the United States model, could then be seen as an important reaction to these changes. Urban management thus faces a quite new agenda of tasks - relating to the specific peculiarities of a city, rather than dealing with an example of an homogenous class of cities, defined by population size. Of course, governments are still groping towards a definition of the proper division of labour between national and local agencies in order to secure measures of intersubsidization between rich and poor areas in pursuit of common minimum standards, but whatever the final resolution of this question, it would appear that local government will be required to make radical changes.

4.Sub Saharan Africa

The increased heterogeneity of the developing countries is nowhere more apparent than in the contrast between the group of countries experiencing relatively high growth, discussed in the last section, and many of those in Sub Saharan Africa. Table 4 lists the 19 countries of Sub Saharan Africa which experienced rates of change of per capita Gross National Product between 1965 and 1987 which were negative or below 0.5 percent (or, in three cases, where the change in gross domestic product in the eighties was negative). The larger Sub Saharan group is, of course, heterogenous and includes eleven countries with higher rates of growth of product in the eighties (with the best performances for Botswana, 13 percent per anum; Cameroons, 7 percent; and Mauritius, 1.5 percent). It is also true that there are countries in other regions with negative rates of growth in the eighties (e.g. Haiti, Bolivia, Nicaragua, El Salvador, Guatemala, etc).

The second and third columns of Table 4 give some idea of the agricultural performance. Only three of the 19 had, by 1987 an average of negative rates of change of output (although this included the catastrophic Mozambique at -11.1 percent) since there had been an upturn in output in 1985; indeed, the growth rate between 1985 and 1988 was three times the average for the period 1970 to 1985 (20). However, only six countries were able to improve per capita food production on 1980 (but then Sub Saharan Africa was not unique in this -22 of the 42 Low Income country group were by 1987 below the 1980 level). Of the 15 countries where there was data, all except five experienced some growth in manufacturing. In exports, almost all experienced sever decline; only Sudan, Mauritania and Senegal attained substantial growth. For Sub Saharan Africa as a whole, the volume of exports increased by 16 percent in the eighties, but revenue declined by 10 percent (and debt reversed the trend of 1970-1984 by increasing its share of world exports. Finally, in gross investment, the picture is at its bleakest, particularly in Mozambique (-23.1 percent per year), Liberia (-16.7), Niger (-15.0), Nigeria (-14.8), Benin (-12.7), Zambia (-9.3) and Sierra Leone (-7.1). The effects here could be felt long into the future.

The different diagnoses of the origins of the economic crisis are well known but not relevant to the theme of interest here, the effect of this slump upon urban development. In this connection the key issues are public responses to the crisis in terms of the overall decline in the public sector, the slump in urban incomes from increased unemployment and cuts in real wages and salaries, as well as the contraction in manufacturing. The decline in development spending - halved, for example, in the first half of the eighties in Malawi, Ghana and Tanzania - and in public infrastructure maintenance, let alone new construction, has been disastrous. It has been made worse by the appropriation of an increasing part of reduced export earnings to service debts, so making it impossible to import key components or replacements for public infrastructure and equipment. The effects in agriculture - on irrigation dams, rural roads, railways, power generation etc. - could severely affect the capacity of countries to expand exports. A recent report on Zambia's transport network (21) illustrates the deleterious effects of the current difficulties upon a longer tradition of poor maintenance - the railway rolling stock and track halved, the stock of trucks disastrously reduced (private hauliers refuse to collect produce from the villages because the deterioration of rural roads now imposes too much damage on their vehicles), village storage facilities so depleted that there are heavy losses in a normal harvest etc.

The diagnosis of the sources of the crisis by the World Bank and International Monetary Fund placed primary emphasis upon excessive public expenditure, price biases in favour of non-tradeable goods and against the traditional exports of agricultural goods (exaggerated where governments maintained a public monopoly of the domestic trade in exported commodities), overvalued exchange rates etc. Structural Adjustment Loans were therefore designed to achieve staged reforms in these elements and shift the balance in favour of tradeable goods, and in particular, agriculture and exports. It was initially thought that the reform package would be fairly swift in effect and the Loan programme would be completed quickly. The resulting change in the balance between urban and rural incomes, it was thought, would reduce, end or reverse rural-urban migration. However, in practice, the length of time required to implement reforms has been extended almost indefinitely because of the difficulties in execution - as the World Bank has noted, "where economic structures have been in place for some time, the pain of adjustment can be enormous"(22).

Table 5 lists the 36 larger countries of Sub Saharan Africa, indicating those which have received a World Bank Structural Adjustment Loan. However, only six countries received a Loan before 1985, so that it might be considered premature to expect effects for the majority of countries after such a short period of time. Nonetheless, there is so far no correlation between accepting a loan and reduced urban population growth; indeed, 18 of the countries listed experienced increased urban growth rates in the eighties in comparison to the preceding period between 1965 and 1980, including four of the six in receipt of Loans before 1985. In a number of cases, urban wages have declined - indeed, they have been declining in many countries in real terms since 1970 - but without this apparently reducing the growth of urban population (in both Tanzania and Ghana where a substantial decline in real urban pay is recorded, there is an increase in urban population growth rates).

If the current trends persist, United Nations projections - also included in Table 5 - suggest that by 2025, there will be very large urban populations in a number of countries (for example, Nigeria, Zaire, Tanzania Kenya etc.). Furthermore, as the last column of the table indicates, seventy to over eighty percent of the growth in urban populations is expected after 1987.

Thus, it appears that for Low Income countries, a significant fall in urban incomes may not necessarily produce in the short term a decline in rural-urban migration. Of course, outmigration from rural areas is affected by many factors other than simply the income differential; for example, the size and distribution of land holdings and household incomes. Furthermore, changes in the differential between average earnings may not indicate the gap between comparable occupations. Enhanced rural incomes for the minority of farmers with a marketable surplus (provided the means exist to get the crops to market) could, with inappropriate pricing of farm machinery, lead to a reduction in rural employment; and the enhanced consumption of farmers could stimulate the urban production of goods and services. Certainly, Turkey - an inappropriate model in other respects for comparison with most of Sub Saharan Africa - offers a well-documented example where a high rate of urban growth coincided with a severe decline in urban wages and salaries (between 1979 and 1984).

In sum, it is too early to draw firm conclusions concerning the implications for urban populations of Structural Adjustment reforms in Sub Saharan Africa. However, because of the notorious complexity of factors at stake and the known high propensity of Low Income Countries to rapid urbanization even with poor rates of economic growth, a certain scepticism would seem appropriate in considering the prognosis of stability or decline in the rate of growth of urban population. Governments would be most unwise to frame their policy stance on such an assumption.

V. THE URBAN OUTLOOK

In the year 1800, the division of labour between urban and rural had produced, it is estimated, a world urban population of about 25 million people (or some three percent of the total). By the 1980s, this had become 1.8 billion (thousand million) or about 40 percent of the much larger total (23). In 1900, only in Britain was a majority of the population living in urban areas; now all the developed countries are in this situation - as well as 12 of the 18 Upper Middle Income countries, 15 of the 35 Lower Middle, but only one (Zambia) of the 42 Low Income countries.

Classifying countries by income level, however, is misleading. By regions, other important differences emerge - 70 per cent of Latin Americans are urban; between 25 and 27 per cent of Low Income Africa and Asia, and 37 per cent of East Asia. Furthermore, within regions, the range of variation is considerable - between 85 per cent urban in Argentina and 46 per cent in Paraguay (or 33 per cent in

Guatemala); 53 per cent in Zambia and 12 per cent in Ethiopia; or 69 per cent in South Korea and 13 per cent in Bangladesh. The picture is misleading for a different reason, for differences in the absolute size of population of countries is concealed in proportions. Thus, two countries - China and India - have a combined relatively low urban proportion (33 per cent), but, in absolute terms, they have between 616 and 620 million urban dwellers (or 12 per cent of the total world population), equal to 53 per cent more than all the inhabitants of Latin America, and 40 per cent more than the inhabitants of Sub Saharan Africa.

The magnitudes involved today are unprecedented, but the trends are not historically unusual. Even quite moderate rates of economic expansion thus seem likely to sustain those trends over the next thirty years. If this is so, then virtually all developing countries where at present a minority of the population is urban will make the transition to predominantly urban societies. At that stage, urban labour markets will dominate the whole society and rural populations will decline absolutely. The process is exaggerated today since the rates of economic growth in developing countries are considerably higher than those experienced by the developed countries in the nineteenth century, and the effects of this on urbanization seem to be greater. Further- more, there appears to be a long-term trend of redistributing the world's labour intensive manufacturing capacity to the less developed countries.

Projections rest upon changeable assumptions, inevitably incorporate errors of data (or estimates where data is lacking) and, in the case of the urban, non-comparable definitions. Furthermore, they provided spuriously exact population results for very complex processes which are imperfectly understood. The longer the period of projection, the greater the chance that minor errors at the outset become large deviations at the end of the period. Thus, inevitably, projections of the urban population could never be born out except by pure coincidence. Nonetheless, the broad magnitudes involved give us some sense of the possibilities.

In the past forty years, the urban populations of developing countries have grown at rates of between 3 and 5 per cent annually - from a total of 300 million people to 1.3 billion by 1980. In the 1970s, the numbers increased by nearly 300 million. Currently, cities and towns in developing countries accommodate on average some 45 million new inhabitants each year (compared to seven million in the developed countries). The United Nations medium-variant projections estimate that the urban total should reach 4 billion by the year 2020.

After 2010, it is projected that the rural populations in developing countries will decline absolutely. By 2020, over half all Africans will live in cities and towns; just under half all Asians; and over eight in every ten Latin Americans. In countries with large populations, this could produce - as we saw in Table 5's account of Sub Saharan Africa - absolutely very large urban populations:

Projected urban population (millions)

		1950	**1987**	**2025**
India		62	215	658
Bangladesh		2	14	79
Pakistan	7	32	119	
Indonesia		10	46	152

1.Big Cities

Existing large cities are, as mentioned earlier, tending to grow less rapidly than other classes of settlement, but an increasing proportion of urban inhabitants live in the largest cities since the faster growing smaller cities are joining the class of large cities. By the year 2,00.0, it is projected that just under half of all urban inhabitants in developing countries will live in cities of one million or more people. Accordingly, the number of larger cities may increase on an unprecedented scale. In 1950, there were 31 cities of one million or more people in developing countries (only five of them had a population of four million or more). By 1985, there were 146 in the one million class, and 28 with four million or more. Projected for 2025 are 486 and 114. Already, the world's largest cities are becoming a feature of developing countries rather than, as in the past, the developed.

In the smaller Low Income countries, this process of concentration in big cities often produces the growth of one city only, a phenomenon geographers have come to call "primacy". Table 6 indicates the increases and decreases in primacy for Low Income developing countries over the past two decades. The declines may reflect no more than reclassifications. As can be seen, large countries tend to score rather low in primacy, indicating that the issue is partly related to size of country. However, there are also some striking increases (as in Zaire, Tanzania, Uganda, Guinea, and wartorn Mozambique). The Middle Income countries have, interestingly, much higher scores than the High Income, suggesting that the sheer speed of urbanization may produce greater concentration today rather than the dispersal of urban growth points that occurred with slower urbanization in the developed countries of the nineteenth century .

Table 7 shows the concentration of urban population in cities with half a million or more people for countries which had at least one such city in 1960. Here the forces of concentration much more clearly illustrated, with, for example, a more than doubling for Bangladesh and Nigeria. It is striking that the Low Income countries, on this measure, were in 1980 approaching a comparable level to that of the High Income countries of 1960. In regional terms, Sub Saharan Africa moved from 7 per cent of its urban population in cities of half a million or more people to an astonishing 41 per cent in 1980.

However, simultaneously, the largest cities are spreading their populations to the metropolitan periphery and beyond, and almost all experience some decline of inner city populations (although most recently this process seems to have been reversed in the developed countries (24)).Smaller cities up to 100 kilometres from the old large cities seem now to be experiencing some of the highest population growth rates. The process must partly be related to the tendency for formal sector manufacturing to seek new low cost locations outside metropolitan areas, a process made possible by the extension of highways, communications and power supply to larger regions (25). Larger manufacturing plants, with standardized output, now tend to locate well away from built-up areas, leaving metropolitan districts to forms of manufacturing reliant on close proximity to rapidly changing market demand (most typically, high fashion garments), on linkages to other firms, and on innovation ("incubator" plants). In developing countries, much of this activity is in the informal sector. Furthermore, the disproportionate growth of services seems also to be affecting large cities in developing countries as well as those in developed. It now appears to be the case that, contrary to earlier estimates, new technology in information related industries is likely to increase concentration of activity rather than decentralize it by enhancing central control functions and making them more heavily dependent on locationally-specific information sources.

The more macroeconomic policy reforms permit increased competition between different settlements, the more likely is it that in Low Income countries, informal sector production will become competitive with sectors of modern manufacturing both domestically and in international trade. This may not necessarily mean operation in urban locations, for important sectors of informal sector manufacturing are based in villages (for example, bidi or match making in India). But the less traditional forms of petty manufacture are usually more dependent upon manufacturing linkages and services available only in the cities. Thus the sharpening of specialization of output by city as the result of trade liberalization could enhance the concentration of nontraditional informal sector activities in cities. Such a growth would take place at the same time as the development of modern knowledge and information processing industries in the metropolitan regions of developing countries, creating much sharper differentiation within the cities (the model here might be named after Los Angeles which combines a vigorous growth in both high-technology industries and backward black economy manufacturing, employing many illegal immigrants).

As mentioned earlier settlement systems tend to appear as exceptionally stable, although historically the functions and relative sizes of the constituent cities radically change. For example, it has been suggested that India possessed in 1586 some 3,200 towns and 120 cities (26), a total not far from the existing 3,245 urban settlements and 216 `urban agglomerations'. The stability is, of course, partly an illusion, but it indicates that the system does not recreate itself continually to accommodate new functions and forces, but rather, economic change is fed through an existing geography of settlements. The costs are high of starting afresh (as opposed to reutilizing and incrementally expanding the inherited capital endowment of existing settlements), but recycling the old settlements imposes rigidities on the process of change which frustrate both governments and inhabitants.

2.Migration

While the numbers of urban dwellers in developing countries continue to grow absolutely, the rates of growth have been falling consistently since their peak in the 1950s - from an annual rate of 5.2 per cent in the last half of the 1950s to 3.4 per cent in the last half of the 1970s. However, the decline reflects in the main the experience of Middle Income countries, and the overall results for Low Income countries have been transformed by the enormous surge of growth since 1980 in China (where the former tight migration controls were apparently relaxed). For the Low Income group, average annual growth rates have risen from 3.5 per cent between 1965 and 1980 to 8.8 per cent in the 1980s (with China's rate of growth in the eighties at 11 per cent annually). As we have seen, from a low base point, rates of growth in Sub Saharan Africa are also high.

Up to the early eighties, the components of urban population growth in developing countries as a whole were dominated by the rate of natural increase of the urban population itself, providing some 60 per cent of growth. Another 8 to 15 per cent was due to the redrawing of urban boundaries or the reclassification of settlements, and between 25 and 32 per cent, to net migration. However, the general aggregate figures are not very helpful since they cover such a range of diversity. Even within countries, the heterogeneity is marked. For example, the aggregate picture in Low Income India is: natural increase provides 41 per cent of urban population growth, migration 40 per cent, and reclassification, 19 per cent; however, the more urbanized States are closer to a Middle Income model in that nearly 70 per cent of migration is urban-to-urban, indicating that urban labour markets are more important for migration than rural-urban relationships; in the poorer States, rural-to-urban migration still provides nearly half the migration flows.

If we ignore the problems raised by reclassification and the definition of `urban' and assume that urban and rural fertility and mortality rates are the same, we can estimate the relative contribution of migration to urban growth in the Low Income countries. The results are presented in Table 8. The problem of including China in the aggregate figures for the Low Income group and for East Asia is immediately apparent, particularly given the low rate of Chinese natural increase - nearly ninety per cent of urban population growth now derives from migration (compared to 4 per cent between 1965 and 1980). However, there are other inferences. In general, the proportions of migration are surprisingly stable between the two periods for most countries, but span a very wide range. For Sub Saharan Africa, only five of the twenty seven countries increased the migrant proportion between the two periods, but this was sufficient to produce an increase for the region as a whole. However, for fourteen countries (and Sub Saharan Africa as a whole), the migrant share was fifty per cent or more in both periods (and for 11, between 20 and 50 per cent). For the nine Asian countries where data was available, five increased the migration share between the two periods (which produced an increase for both regions of East and South Asia), and in four cases, this was fifty per cent or more in both periods. Of course, it should be stressed again that omitting the effects of reclassification exaggerates the migration residual by possibly between 8 and 15 per cent, and that this is not systematic - it affects different countries differently.

The conditions of migration are very varied, so it is wrong to seek strong generalizations, particularly because there are few studies of the migrants who fail to stay in urban areas: we have data only on those who succeed. However, demographically one would expect migrants to do better than city-born natives after the initial learning process for they are an unbalanced population - concentrated in the active age groups, better educated, healthier and better motivated than average. The evidence is that three out of four of migrants who stay in cities improve their standard of living. Nor, it seems, does the migrant-nonmigrant distinction possess explanatory power in understanding urban poverty, housing conditions or employment, certainly not in comparison to age, sex and educational level.

VI. POLICY ISSUES

1.The Problems

The rapid growth of urban populations in conditions of great poverty can swiftly exhaust the capacities to meet the growing needs of the inhabitants. Urban life and, in particular, the maintenance of rising levels of urban productivity, rely heavily on an interconnected set of efficiently provided services - power, transport, communications, water supply and sewerage, housing, health and education. They are not easily scaled up as swiftly as demand when cities grow rapidly, particularly given an inheritance of weak financial and administrative management in many cities.

Yet, as we have suggested earlier, national economic development depends heavily, and increasingly, on the continued growth of urban productivity. To ensure this, the cities must be made to work efficiently and to do so within the severe resource constraints that characterize Low Income countries. However, enhancing the specialization of cities and rural districts raises some of the policy issues which are most difficult for governments to resolve. The consumption needs of a poor population are frequently in painful collision with what seems to make common sense in terms of the pursuit of production and productivity, and it is no consolation to the hungry to be advised that the reward for present abstinence is to be fed some time in the remote future. There are other major obstacles to sensible national spatial planning, for where the factory is to be located is not merely a contribution to national output, it is also a source of work and incomes for one group of people rather than another, and a source of political prestige for one official or deputy rather than another. Inevitably, real planning must be a continuous compromise rather than a unilateral rationality.

Furthermore, the spatial effects of macro economic policy are imperfectly understood. A whole range of publicly determined or influenced prices - exchange rates, tariffs, taxes, interest rates - influence the balance between urban and rural sectors, and between different settlements, but the magnitudes and final ramifications are unknown. Import substitution strategies of industrialization have been criticized for stimulating excessive urbanization (27), for institutionalizing `urban bias'(28), but again, short of abandoning such policies altogether, it is unclear how far they can or should be varied for spatial ends. The grounds for determining these policy choices are held to be concerned with much more important issues than simply territorial distributions; population redistribution then becomes no more than one incidental result. Other priorities - on infrastructure provision, on credit targeting and local authority finance - may likewise be decided on criteria which have little relationship to territorial distributions. Thus, inevitably explicitly spatial policy (regional, industrial location, city planning) can play no more than a marginal role in determining the final territorial outcome.

a)Poverty

Underlying many of the more obvious problems of cities is the endemic and seemingly obstinate character of poverty. It is not a separate issue from that of productivity, since a rising urban contribution to national development is profoundly affected by the ramifications of very low incomes - poor diets, poor health, poor housing, an inability to secure shelter or necessary services or contribute to adequate local authority provision etc. The standards of health of the young in urban slums are sometimes among the worst in the country, and thus predetermine in part the abilities of the future adults.

In absolute terms, the problems are set to get worse. As populations become increasingly urban, so the general problem of poverty will become predominantly an urban one. World Bank projections from 1980 suggest that there will be a decrease in rural households in the worst poverty up to the year 2,000 (from 83 million in 1975 to 57 million), while urban poor households will more than double (from 34 to 74 million). Thus, on this projection, the majority of poor households will be urban based by the end of the century. Of course, in urban areas generally there tends to be a reduced proportion of poor, so that the transition may also include a decline in the share (29).

Much work has been undertaken in identifying the nature and causes of poverty (30), and its relationship to urban labour markets. The central problems are often less associated with unemployment or underemployment (meaning that workers have more time to work if work is available) than with working for excessive hours at very low rates of pay. This in turn often reflects low skills, training, and capital per worker, as well as an excessive supply of workers competing for work.

It is thus hardly surprising to find that the poor have a particular demographic character. For example, in India - with officially between 51 and 57 million urban dwellers below the poverty line (or one in four of the urban population)(31) - a 1987 survey(32) shows that over two thirds of poor households consist of women and children; the households tend to be large (5.9 persons), and disproportionately drawn from scheduled tribes and castes and minorities. Programmes of poverty alleviation are frequently misdirected because they are aimed at increasing work that the poor cannot do or instituting programmes that are skew of the specific characteristics of the poor.

b) Problems of Growth

Other problems of the urban areas are painfully well known in the field of power provision, the availability of land and services etc. In transport, the capacity to move and move increasing distances speedily and at low relative cost is fundamental to the activity of the metropolitan area. As cities grow, movement tends to increase disproportionately (by some 10 to 15 per cent per year). The problems of expanding expensive physical facilities in this connection is compounded by the great difficulties in managing existing infrastructure road space and transport equipment, rail operations and rail stock, terminals etc. Subsidies to avoid the political problems of effective management can then spread what was initially a transport issue into the general field of public finance (33).

The problems of financial management and mobilizing adequate resources are daunting in countries with rapidly expanding cities. The sums involved in poor societies appear far beyond existing capacities. For example, assuming a per capita expenditure of no more than Rs 1,000, it has been estimated that Indian cities will require expenditure up to the year 2,000 of the order of Rs 300 billion (or US $25 billion)(34). Such calculations may be a useful input to long term perspective estimates of public expenditure, but they can be politically damaging and encourage people to believe that there must be some alternative to adequate urban provision. It might be analogous to estimate the food consumption needs of the expected increment in urban population without simultaneously estimating the increase in income generated by the new urban dwellers. For there can be no sustained urbanization without a continuing increase in urban labour demand, in jobs which, despite low levels of productivity by international standards, represent in aggregate an improvement in productivity for the country as a whole. Thus the incomes to support adequate infrastructure at appropriate standards is, in principle, generated with urban growth itself.

The real problem is less the absolute costs of the growth of the urban population, and rather establishing the political will and institutional mechanisms to raise part of the income increment for the provision of services.

The point has more general significance. For without effective institutions and competent staff, good ideas and sensible policies cannot be implemented. It is here that probably the greatest problems arise. It is becoming generally agreed that national governments are poorly equipped to deal with local problems, let alone foment local entrepreneurial initiatives and innovations appropriate to increasingly specialized settlements in a swiftly changing competitive environment. The local arms of national line agencies are thus frequently unable to do more than, at best, maintain routine functions, let alone cope with accelerated urban growth. Local authorities, on the other hand, have frequently been deprived of financial and managerial powers while being entrusted with additional responsibilities but impeded at every stage by tighter restrictions. The results are often corruption and inertia. Yet it is here that it appears the most important reforms are required if cities are to respond to their heightened role in national economic development.

2.Policy

Many governments in developing countries - like some of those in nineteenth century Europe - have frequently identified cities as first and foremost problems, challenges to national political power or concentrations of disorder and deprivation, rather than opportunities for economic development. Quite often the better off urban classes have identified immigrants as threats to "their" city, slums as threatening crime and violence, the poor as spreading epidemics, even street vendors and overcrowded streets as nullifying the benefits of private vehicles etc. Furthermore, the greater publicity afforded conflict in urban areas and the need for political leaders to take special measures to secure politically the cities encourages a belief that the urban inhabitants are greedier than the rural, exploiting a quasi-monopoly position to levy rents from the countryside. An anti-urban culture is at least as impressive among the urban upper classes as "urban bias".

a) Economic Anti-urbanism

Separately, a more sophisticated critique of urbanization also emerged. For example, the heavy debts of some Middle Income countries have been identified as resulting from the extraordinary investment programmes required for urban infrastructure (35). W. Arthur Lewis cites in this connection the fact that average per capita local government spending in Bogota is, he says, seven times that of the four municipalities of 50 to 90,000 population in the central region of Colombia, implying the use of the political leverage which derives from concentrated populations to achieve a privileged position. In fact, as a critical reply notes, very little of municipal spending is directed at servicing the resident population; it is rather a contribution to national economic growth (in ports, highways and transport terminals, warehousing, national markets, hospitals, universities etc.) (36). Its validity can only be assessed relative to the returns to the society, not simply average levels of cost by settlement. The same case is familiar in Europe where, for example, it is sometimes asserted that France subsidizes Paris when the evidence suggests the reverse (37).

A broader vindication of the critique of cities in contemporary developing countries has, however, gained much wider currency (38). Here it is argued (or implied) that the standard relationship between economic development and urbanization was established in nineteenth century Europe. Then, supposedly, as urban (and industrial) employment with rising average productivity and incomes expanded, workers were drawn off the countryside to urban opportunities and thus made possible simultaneous increases in rural productivity. On this account, the cities were then truly "engines of national economic development". By contrast, in the modern period, it is said, unprecedented levels of rural poverty, arising from dense populations and high rat s of population increase, drive the poor off the countryside to urban sanctuaries. The capital intensity of modern manufacturing makes it impossible to employ the stream of rural immigrants who then end up as unemployed. The cities become now welfare centres for the rural poor, who, with the urban masses, use their political leverage to secure even further benefits, now at the expense of the countryside.

Later the case was further elaborated. Poor unemployed migrants were driven to initiate informal sector activities where the marginal productivity of labour was close to zero (as indeed, it was said to be in agriculture). As mentioned, the critique of import substitution industrialization strategies added a further dimension. For the subsidization of interest rates and provision of other incentives for investment in manufacturing along with protection against manufactured imports were said to have lowered the returns to agriculture and so the levels of rural wages. The enhanced capital intensity of urban manufacturing reduced the potential rate of creation of urban jobs, but raised incomes for those employed. The resulting urban-rural wage gap encouraged excessive rural-urban migration to urban unemployment, and a neglect of the comparative advantage of cheap rural labour.

It was a powerful case that, in parts, had strong appeal for governments and seemed to correspond in some measure to the instinctive perceptions of the better off urban classes: neither the "City Beautiful" nor the urban engine had survived immigration. The case still persists in some contexts; thus, the Indian National Commission on Urbanisation observes in its report last year:

`The urban centres, with their concentration of diverse activities, should be the generators of wealth; instead, they have degenerated into parasites looking elsewhere for support" (39).

However, as more empirical evidence has accumulated, the argument has come to seem ingenious but, in certain key essentials, false. For example, the data on urban unemployment is in general rarely adequate to detect a secular trend to increase, nor does it show significantly higher rates for immigrants (but rather the reverse). Urban wages have experienced considerable fluctuations, and in Sub Saharan Africa, as we noted earlier, appear in many countries to have been declining since 1970 (40). There is no unequivocal evidence that the real level of urban wages has been or could be politically fixed. It is not the rural poor who migrate to cities, and, in many situations, urban-to-urban migration is more important. Rural incomes are not uniformly below urban levels - in aggregate, they are, but in comparisons of like occupations and allowing for a higher urban cost of living, the picture is often more ambiguous. Formal sector incomes and conditions are not systematically above informal ones, nor do the self-employed necessarily earn less than the employed. lndeed, in practice, the formal and informal are not very easy to distinguish (41). Peter Gregory has put together these elements, along with many others, in a powerful critique of the overall arguments as it affected macro economic policy in Mexico up to 1982 (42).

In fact, it appears that while the content of urban economic activity has changed radically, it still remains true that a growing and changing composition of output selects a particular type of migrant: urban labour demand sustains migration, not those expelled from impoverished agriculture. If macro economic policy and pricing accurately reflect real scarcities, we have no grounds for assuming, in general, that the volume of migration or the size of cities is economically wrong. And if policy and pricing do not reflect scarcities, the remedy is in the reform of policy rather than redistributing population.

b)Spatial Planning

Those entrusted with direct responsibility for planning cities and settlement systems came from a different intellectual tradition, but reached surprisingly similar conclusions. Physical planners saw as one of their central tasks the territorial distribution of population. It was argued that maldistribution was a primary source of deleterious "imbalances", both in absolute terms, the population size of large cities, and in terms of population densities. Together, these two imbalances were a primary source of the social problems of cities - the shortage of adequate services, congested streets, poor housing, squatting and slums etc. In general, big cities were bad, suffering from "overpopulation" or "population saturation", particularly in the form of one primate city. In sum, poverty and other manifest urban problems were, in an important sense, locational questions, and could be remedied, or at least ameliorated, through relocation.

The remedies flowed from the diagnosis. The control of land uses, the establishment of very aggregated functional zoning and population density targets within the city, went with attempts to decentralize economic activity and population to smaller settlements, sometimes in backward regions, and to encourage rural development to discourage migration.

Governments frequently found the case persuasive and committed resources and staff to implementation. Thus, for example, a 1981 United Nations survey of 126 governments in developing countries found that 123 "continued to be far from satisfied with their migration trends and patterns of population distribution, and many considered population distribution issues to be among their most important problems" (43). Three quarters of the governments concerned claimed to be pursuing policies to slow or reverse migration, as part of a strategy of decentralization.

Possibly, one of the most strict in this respect was the Government of the People's Republic of China, exercising in the 1960s both tight control over migration to the cities, periodic removal of urban inhabitants for relocation in rural areas, and directed redistribution of labour. Others pursued part of the programme. For example, both Tanzania and Indonesia sought at various times to control migration to the largest cities. The Government of the Philippines in the early sixties tried to charge immigrants to Manila a substantial fee for entry to public schools (free education was available only to existing urban residents). The measure proved difficult to enforce, weakened by corruption, and without observable effects upon the rate of immigration. Many other countries have, from time to time, tried to expel sections of the urban population, whether the unemployed or squatters (thus Congo, Niger, Tanzania, Zaire, South Korea, India etc).

Rural development schemes have often been vindicated in terms of their effects upon rural outmigration, but are rarely evaluated and even more rarely shown to have affected migration; indeed, there is some evidence that improvements in villages (particularly in rural education and communications) tend to increase outmigration, since both the average and marginal propensity to migrate increases with education (sensibly enough since the gains from migration rise with educational level)(44).

Many countries have introduced programmes to encourage the growth of small and intermediate cities as alternatives to the growth of large cities (Brazil, India, Peru, Thailand, China etc.). These may have had useful effects in improving the provision of services for hitherto neglected households, but there is no evidence that they have affected significantly the, growth of large cities. The same propositions apply to new towns which, in general, seem to have been "successful" where activity is redistributing itself spontaneously within metropolitan regions. Recent studies of industrial location policies affecting Seoul, Sao Paulo and Bogota-Cali(45) also encourage scepticism about the claimed benefits of decentralization measures. The policies appear to work only when spontaneous redistribution is taking place, in which case, the policies are superfluous. Furthermore, as an alternative to tackling the problems of metropolitan areas directly, such programmes have nothing to contribute.

In general, spatial policies have a surprisingly poor record in achieving their stated purposes (although equally surprising is the rarity of evaluation with any rigour or attention to opportunity costs). They can carry a high social and financial cost. The reasons for the poor performance are not obscure. Population size and distribution would not seem to be the source of either poverty in general or the specific problems of a city. These do not seem to be in general pre-eminently locational questions (although there may in some cases be locational issues at stake). Nor are there any clear criteria for what an improved, let alone optimal, population distribution would be. There are no self-evident reasons why urban primacy should be held to be deleterious, nor the growth of small and intermediate cities beneficial, to society at large. Some analysts have argued that the per capita costs of public services are lower in the second than the first, and in some respects (pre-eminently housing) this is correct. The few studies which purport to demonstrate that cost differences should be the basis for policy have sometimes become quite influential (46). However, before embarking upon such a course, a government would require to be reassured that rates of return to the society would not suffer as a consequence of relocation to a greater degree than any economies in expenditure. In general, it appears, that in the past the benefits have risen significantly faster than the costs as city populations increased; and in some cases, cities have even experienced declining costs per capita in the provision of social overhead capital because productivity has risen faster with increasing scale of provision.

Some of the same observations apply to regional policy and the assumption, so important for "growth poles", that physical contiguity has self-evident benefits (47). In a market system, governments have less chance of predicting future locations, which cities or towns will grow than they have of predicting the future output of the economy.

However, many governments have remained surprisingly loyal to an approach which suggests they have within their power the capacity to determine territorial distributions of population and activity, that this can be achieved at tolerable cost and will have self-evident economic and social benefits. There are still many people who believe that the distribution of public investment in a developing country can determine the territorial outcome (48), even though the evidence does not support such a proposition, and many of those who have examined the question most closely express scepticism (49).

The approach is doubly regrettable for a preoccupation with unrealizable population redistribution obscures the performance of those tasks which can and need to be undertaken. The speed of urbanization requires a national policy response in terms of ensuring the cities contribute to national development as effectively as possible, the timely provision of services and settlement management, programming public investment, evaluating and seeking to counteract the unintended and undesired spatial effects of national economic policy, ensuring the movement towards effective administrative and financial management, and removing the barriers to movement. Within the city, the need for a coherent approach to improvement and effective management is everywhere apparent.

c)Facilitation

The poor results of past action as well as the daunting scale of the problems of existing cities (in conditions, for many governments, of increased financial austerity) has encouraged attempts to rethink the appropriate role of government. This has led to efforts by some governments to withdraw from the direct provision of certain urban services and housing, and to concentrate on facilitating actions by private firms, non-governmental or self-help organisations. This has tended to shift attention away from one-off projects to medium term programmes and sector level policy reforms (including decontrol), from new additions to capacity to the rehabilitation and maintenance of existing capacity. There has been a comparable move away from the regulation of land uses and ambitious attempts to determine the territorial distribution of population to seeking to ensure the cities become increasingly efficient (whatever their population size), from an emphasis upon order to one on economic growth.

In the most ambitious version of this change, some countries are seeking medium term economic policy packages for a national settlement system, the heart of which is a projection and programme of investment needs for urban infrastructure with institutional mechanisms for the co-ordination of the public agencies involved (the UNDP-funded Indonesian National Urban Development Strategy is possibly the most ambitious example here, but other attempts have been made in Egypt, Pakistan, Malaysia and Peru).

d)Management

The emphasis on government as facilitator makes urgent the need for effective local government. Yet in many countries, this is one of the most notorious areas of government incompetence. Often, local authorities are burdened with large financial deficits (in extreme cases, equal to five per cent of the gross domestic product), but are unable to expand their revenue sources because of the pre-emptive claims of central government. In some cases, the local administration cannot even collect the revenue to which it is entitled. Often they have been given new responsibilities without changes in finance or staff. So bad has the problem become in some countries, central government officers despair of the possibility of reform and seek methods to bypass local government (through, for example, statutory development authorities).

Other innovations may include, as we noted earlier, measures to privatize some local government functions, provided the policy framework is conducive to this. Even then, in poorer countries, there may be difficulties because capital markets are limited, public agencies often have unattractive rates of return and specific services do not attract eager buyers who can sustain services at an acceptable standard and price. Nor is it altogether clear that privatization will result in the provision of services to poorer localities at present not supplied at all. There are also administrative problems in ensuring monopoly positions are not exploited. It is therefore still necessary to make local authorities and public utilities work more efficiently.

In the case of local government reform, greater financial and legal autonomy appears a precondition for effective financial management (50). Some governments are now beginning to move in this direction. Furthermore, other innovations are being introduced to support this process - the provision of stable automatic transfers from the centre on objective criteria, the possible establishment of municipal banks, an easing of the restrictions on municipal borrowing from private capital markets etc. With a strengthened financial basis, reforms of management systems, improved pay to recruit and hold competent staff, continuous training etc. become feasible methods of enhancing the capacity of local government to manage the process of rapid urbanisation.

VII. URBANIZATION AND AID

International aid to developing countries is a small element in total savings and investment (for example,in comparison to a total LDC investment in infrastructure and housing of the order of $100-150 billion annually), and it is important therefore that it is used to exploit the "comparative advantage" of the donor and to achieve the maximum effects. In the past, aid was often seen as primarily a capital transfer, a means to add to the capacity of an LDC, to relieve a critical bottleneck. The approach fostered some well-known problems - the highway built to standards and specifications that assumed, wrongly, a local capacity (in terms of finance, skills and institutions) to maintain it. Rapid depreciation of aid projects is sadly common in many LDCs.

This experience, as well as the rethinking of government roles by aid recipients, shifted attention to the importance of technical support, the facilitation of activities rather than the direct provision of capacity. This led in some cases to a shift from financing projects to sustaining medium-term programmes of self-reinforcing measures. In the urban field, this was part of the background to the World Bank's Urban Development Programmes which were directed at a locality and combined measures in the fields of housing, health care, education, employment stimulation, small business development, transport and land.

However, the programme, like the project, can still operate in isolation without much spread effect. The exemplary case too often proved no example at all. Thus, the World Bank's sites and service schemes not only proved poor in terms of cost recovery (they could not house the poorest people at costs they could afford), they were not replicated. The Bank now argues that the locality programme cannot be effective if the policy framework is wrong and if the implementing institutions are poor. Attention has shifted upwards to policy (finally resulting in general support for the balance of payments while structural adjustment is pursued), and downwards to the reform of institutions and their financial management, and the relationships to bodies outside the public sector. In the Bank's case, this has led to a reassessment of the original diagnosis: low incomes are not the result of a lack of employment but of the very low productivity of labour in the work that the poor do. Aid, it is concluded, must therefore make a shift of emphasis from the attempt to tackle urban poverty directly to efforts to improve urban productivity (as the only sustainable means to improve the condition of the poor).

This change of emphasis fits much more closely the comparative advantage of aid donors. For this is not in the absolute size of funds mobilized, but in the fact that they are foreign exchange and therefore provide exceptional access for LDCs to international experience. Thus, aid ought to become technical assistance-led rather than capital-led. And technical assistance is becoming less the transmission of well-codified techniques (local capacities for training in many developing countries are increasingly able to fill this need), and rather more the transfer of technical innovation, research results, policy reconsiderations and concerns less easily defined, organisation and management.

In the case of the urban sector, the weakness of public sector agencies has been described. If they could be strengthened (and their functions redefined), the effects would be much greater than that achieved by an aid donor substituting itself for an inadequate set of agencies (as, some might argue, the World Bank did in Calcutta through the Calcutta Metropolitan Development Authority (51)). An institutional approach encourages the combining of elements in complementary packages over the medium term - consultancy, research, training, the twinning of agencies, as well as supporting capital aid. One of the Bank's innovatory loans in this field combined training and consultancy to local authorities, with selected capital aid used as the incentive to undertake the programme.

There are problems involved in this approach. For the aid donor, it is much more politically exposed to be so closely involved with an agency. A capital project disposes of large sums in a form relatively easy for a donor to administer, and produces an output which can be politically and diplomatically impressive. Policy advice, training, enhancing the capacities of institutions are less easy to manage, monitor and evaluate, and involve much greater administrative inputs for the disposal of quite small sums of aid. Thus, if the change of emphasis is to be made effective, it will require not only changes in the organisation of the aid donor's administration but greater reliance on bodies outside the donor agency.

There has been considerable aid in the past which has had important effects in urban areas, although not classified as such. Aid to ports, manufacturing industry, suburban railway systems, bus systems, highways, water supply and housing, tourism and so on, may be predominantly urban in effect. But the urban has tended to be defined narrowly as old-style town and country or physical planning which, as has been argued earlier, is not the appropriate focus. On the other hand, the spatial economy, urban and rural, is a vital element in national economic development and is not primarily a matter of physical ordering. There is a case for aid donors more consciously putting together the elements of their activity which relate to the urban in order to see how far they can be mutually reinforcing, reveal gaps, the filling of which could have disproportionate development effects, and they allow the possibility of learning. There are also vital lessons from the experience of other donors, particularly affecting the new stress upon the role of agencies - thus, for example, the fifteen years in which Calcutta has been the centrepiece of the World Bank's urban lending provides an unrivalled set of lessons on the efficacy of the methods employed, the strengths and weaknesses, which in turn provides the basis for new policy directions.

We have endeavoured to show that urbanization in developing countries is going to be of increasing importance as the Low Income countries enter the demographic transition to predominantly urban societies. The role of government is of particular importance in utilizing the necessary increases in income which are one of the results of the process in order to create the means to ease this transition, and aid has a particular role in helping in the management of that process. An urban strategy - whether as a national economic policy framework for settlements or development plans for particular cities - is one of the means to assist governments to anticipate events which now appear inevitable, for concentrating the efforts of relevant public agencies in enhancing the productivity of cities and in seeking to minimize the damage to popular welfare which can result from rapid urbanization. The role of external assistance in implementing such a strategy can be of particular importance.

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NOTES

1.*Report of the National Commission on Urbanisation*, Government of India, New Delhi, Aug 1988, Vol 1, p 2.

2.See Lord Roseberry's comment on London as Chairman of the London County Council, March 1891:

"Sixty years ago a Great Englishman, Cobbett, called it a wen. If it was a wen then, what is it now? A tumour, an elephantiasis sucking into its gorged system half the life and the blood and the bone of the rural districts".

Cited by Donald L Foley in *Controlling London's Growth: Planning the Great Wen, 1940-1960*, University California Press, Berkeley and Los Angeles, 1963, p (vi).

3.See United Nations, *Methods for the Projection of Urban and Rural Settlements, Statistical Annex*, prepared by the Statistical Office, Department of Economic and Social Affairs, United Nations, New York, 1976;

Kingsley Davis, *World Urbanization, 1950-1970*, Population Monograph Series 4 and 9, Berkeley and University of California Press, Berkeley, 1972, 2 vols;

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4.Koichi Mera, An economic policy hypothesis of metropolitan growth cycles: a reflection on the recent rejuvenation of Tokyo, *Review of Urban and Regional Development Studies*, 1/1, Tokyo, Jan 1989, pp 37-46.

5.For example, see Chart I for 1966-1970 data (Degree of urbanization compared with GNP per capita), Annex 1, in World Bank, *Urbanization: Sector Working Paper*, World Bank, Washington D C, June 1972, p 73;

Figure 2.1 (Level of urbanization and GNP/CAP for 11 countries in 1975), in Bertrand Renaud, *National Urbanization Policies in Developing Countries*, World Bank Staff Working Paper 347, July 1979, p 16;

George S Tolley, Urbanization and Economic Development, and Allen C Kelley and Jeffrey G Williamson, What drives city growth in the developing world? In George S Tolley and Vinod Thomas (Editors), *The Economics of Urbanization and Urban Policies in Developing Countries*, World Bank, Washington DC, 1987, pp 15-31 and 32-35.

6.Edwin S Mills, An Aggregative Model of Resource Allocation in a Metropolitan Region, *American Economic Review 57*, 1967, pp 197-210.

7.David Keeble, The Changing Spatial Structure of Economic Activity and Metropolitan Decline in the United Kingdom, in H J Ewers, J B Goddard, and H Matzerath (Editors), *The Future of the Metropolis - Berlin, London, Paris, New York: Economic Aspects*, Walter de Gruyter, Berlin and New York, 1986, p 183.

8.Mills and Song identify Korean urbanization as larger than would be predicted (in the Chenery-Syrquin model) by reason of the unusually large international sector - particularly manufactured exports - in the generation of South Korea's gross national product. See Edwin S Mills and Song Byung-Nak, *Korea's Urbanization and Urban Problems, 1945-1975*, Harvard University Press, Cambridge Mass, 1979.

9.Edwin S Mills and Charles M Becker, *Studies in Indian Urban Development*, World Bank Research Publications, World Bank and Oxford University Press, 1986, Table 4-5, p 67.

10.See his The sizes and types of cities, *American Economic Review 64*, 1974, pp 640-656; Industrial bases and city size, *ibid* 73, 1983, pp 164-168.

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11.Robert Z Lawrence, *Can America Compete 7,* Brookings Institution, Washington DC, 1984.

12.*Op cit* (see reference 9), p 133.

13.See the model of Kelley and Williamson, in Tolley and Thomas, *op cit* (see reference 5), p 43.

14.Figures cited in Per Ljung and Catherine Farvaque, *Addressing the Urban Challenge: A Review of the World Bank FY87 Water Supply and Urban Development Operations,* General Operations Research, INU 13, World Bank, Washington, March 1988.

15.*Op cit* (see reference 1), Vol 1, p 2.

16.Rakesh Mohan, Urbanization and India's Future, *Population and Development Review* 11(4), Oct 1985, pp 619-645.

17.For an examination of an earlier period for the 22 leading developing country exporters, cf. A global manufacturing system, in my *The End of the Third World: Newly Industrializing Countries and the Decline of an Ideology,* Tauris 1986/ Penguin 1987, pp 93-117.

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26.Moonis Reza *et al*, India: Urbanization and National Development, in M. Honjo (Ed), *Urbanization and Regional Development,* Maruzen, Singapore, 1982.

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29.The generalization goes beyond the known evidence and may not apply equally to all countries or to the same country at all times. The data for the United States is reasonably clear for the periods studied.

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32.National Institute of Urban Affairs, *Urban Poverty Survey,* NIUA, New Delhi, 1987.

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34.Planning Commission, *Report of the Task Force on the Financing of Urban Development,* (mimeo), Government of India, New Delhi, 1985.

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47."To argue that growth transmission is mostly or fully restricted to the hinterland of a growth centre is to

maintain that regional or subregional city systems have a high degree of closure, ie a low degree of interaction with urban units situated elsewhere in the national system" - Alan Pred, *City Systems in Advanced Economies,* Wiley, New York, 1977, p.95.

48."It is precisely because we will not invest in a city such as Gwalior that Delhi still continues to grow; it is because Warangel is left undeveloped that Hyderabad is bursting at the seams..."; or again, `The Commission is confident that, if sufficient investment is made...then, by the end of the Ninth Plan, the urban settlement pattern of India would have substantially changed and the imbalances of the present metro-dominated system would have been greatly reduced" - *Report, op cit* (see reference 1), p 5.

49.For example, the contributors to: United Nations, *Population Distribution Policies in Development Planning,* Department of International Economic and Social Affairs, Population Studies No 75, United Nations, New York, 1981.

50.See the discussion in the *World Development Report 1988,* World Bank, Washington DC, 1988, pp 158-167, and on the decentralization of educational and health services, pp 131-141.

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