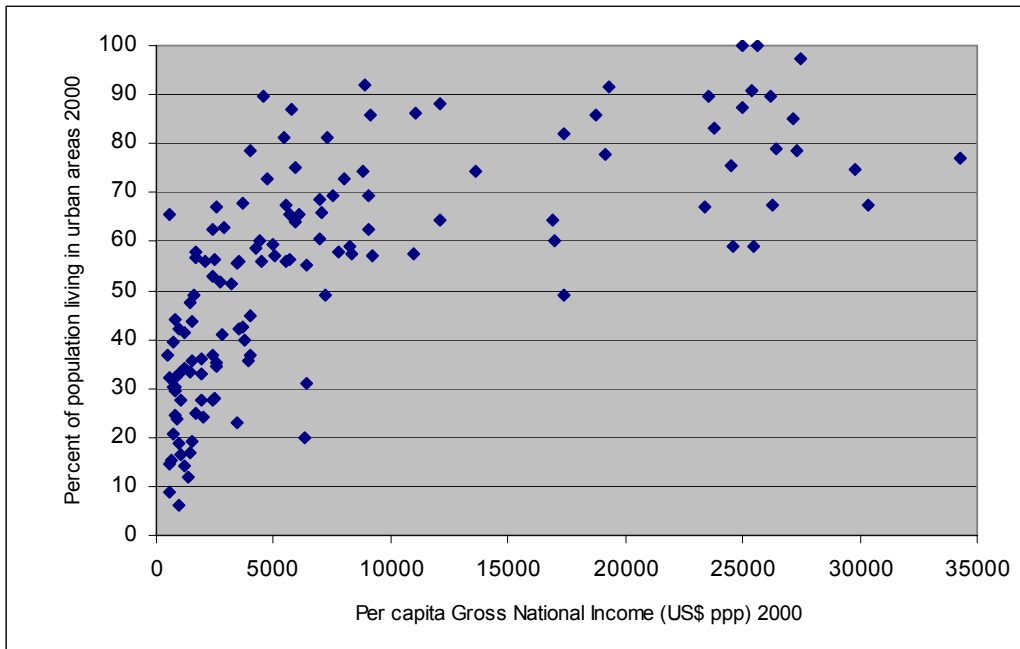


THE LINKS BETWEEN ECONOMIC CHANGE AND URBAN CHANGE

MYTH 1: “Cities are parasitic, growing everywhere without the economy to support them”

In general, the more urbanized a nation, the stronger and more productive its economy. The nations with the greatest economic success over the last few decades are generally the nations that have urbanized most rapidly.³ Most of those with the smallest increase in their level of urbanization are those with the least economic success. There is a strong association between nations’ average per capita incomes and their level of urbanization (see Figure 1) and all the world’s wealthier nations have high proportions of their population living in urban areas, because these concentrate most of their economic activities. Cities generally have a significantly higher concentration of their nations’ economic activities than of their populations.⁴

Figure 1: The association between nations’ per capita incomes and their levels of urbanization



³ UNCHS (Habitat) (1996), *An Urbanizing World: Global Report on Human Settlements, 1996*, Oxford University Press, Oxford and New York. This examined the association between that rate of growth of GNP and the scale of the increase in the level of urbanization up to 1990. A preliminary look at changes in nations’ level of urbanization during the 1990s for those nations for which new census data are available and their economic performance during the 1990s suggests that this association did not change during the 1990s. The comparison between nations in changes in levels of urbanization and changes in GNP is always going to be imprecise because of the differences between nations in the criteria used to define and measure their urban populations (as discussed in myth 5). In addition, within wealthier nations or the wealthier regions within nations, good transport and communications systems can lead to many industrial or service enterprises locating in ‘greenfield sites’ classified as rural areas and to many people who work in urban areas living in rural areas and commuting or telecommuting. Here, the distinction between rural and urban areas is no longer useful in distinguishing between those who make a living out of agriculture and those who make a living working in industry and services.

⁴ World Bank (1991), *Urban Policy and Economic Development: an Agenda for the 1990s*, The World Bank, Washington DC, 87 pages.

The link between economic strength and urbanization can also be seen in the concentration of the world's large cities in its largest economies (see Table 1). In 2000, the world's five largest economies (USA, China, Japan, India and Germany) had nine of the world's 16 largest cities (the so called 'mega-cities' each with 10 million or more inhabitants) and nearly half of all the cities with one million or more inhabitants. By 2000, all but two of the world's 16 mega-cities and more than two thirds of its million-cities were in the 20 largest economies. Similarly, within each of the world's regions, most of the largest cities are concentrated in the largest economies – for instance, Brazil and Mexico in Latin America and China, India, Indonesia and the Republic of Korea in Asia. Note that this association of large cities and large economies does not relate to the average income per person but to the total size of the national economy.

Table 1: The distribution of the world's largest cities among the world's largest economies in 2000⁵

NATIONS	No of 'million' cities	No of cities with 5-9.99 million inhabitants	No of mega-cities (cities with 10 m. plus Inhabitants)
The world's five largest economies			
USA	37	1	2
China	91	3	2
Japan	6	0	2
India	32	3	3
Germany	13	1	0
The next five largest economies (France, UK, Italy, Brazil and Russian Federation)	37	3	2
The next five largest economies (Mexico, Canada, Republic of Korea, Indonesia, Australia)	32	1	2
The next five largest economies (Turkey, Argentina, Netherlands, South Africa, Thailand)	17	2	1
The world's other 187 nations and territories	123	9	2
TOTAL (for the world)	388	23	16

There are certain features of urban areas that might be considered parasitic. For instance, they may concentrate a disproportionate share of public investment in infrastructure and services, so provision for water, sanitation, health care, schools and other key needs are better there – although this is not always the case – see the discussion under myth 7. Cities may be considered parasitic in an ecological sense, as they can impose high environmental costs on their surrounds, drawing resources and dumping wastes. This is not inherent to cities however, but is related to the actions of particular groups in cities and to poor governance. There are many positive links between rural and urban areas, especially between urban demand and the prosperity of farmers (see the discussion under myth 8). Certain groups that can be judged to be exploitative within each national population are usually concentrated in cities – the very rich, including large landowners and owners or shareholders in successful industries or service enterprises, corrupt politicians and civil servants – but it is not the city they live in that is exploitative. Certainly, there is a need for development patterns and governance structures that are less exploitative, that uphold poorer groups' civil and political rights, that build in transparency and accountability to undermine possibilities

⁵ Satterthwaite, David (2002), *Coping with Rapid Urban Growth*, Royal Institution of Chartered Surveyors. For population statistics, United Nations (2002), *World Urbanization Prospects; The 2001 Revision; Data Tables and Highlights*, Population Division, Department of Economic and Social Affairs, United Nations Secretariat, ESA/P/WP/173, New York, 181 pages. For the size of nations' economies, World Bank (2001), *Building Institutions for Markets; World Development Report 2002*, Oxford University Press, Oxford and New York, pages 232-233. Note that this was based on each nations' gross national income converted into international dollars using purchasing power parity.

of corruption, that ensure better working conditions and that prevent industries and urban concentrations passing on ecological burdens. But this does not imply a need for anti-urban policies.

It is still common to see “bright lights” theories used to explain rapid urban growth (rural migrants being attracted by cities’ bright lights) but more than three decades of careful research shows how most migration flows are rational responses to changing patterns of economic opportunity or social advancement (especially through education) – or simply rational responses to severe deprivation or exploitation. Assumptions are often made that urban poverty grows because poor rural migrants flock to cities and live in squatter settlements, yet most of the inhabitants of many squatter settlements are city-born.⁶ They live in squatter settlements because they cannot afford better accommodation, not because they have arrived recently from the countryside. And what goes unnoticed is the dynamism, innovation and investment that so many ‘poor’ people bring to cities. The ‘urban poor’ have been responsible for building most new homes and neighbourhoods in most cities in Africa, Asia and Latin America over the last few decades. The scale of their investment in the city as they build and develop their own homes and neighbourhoods (and often small enterprises) is generally far higher than the investments made by governments and international agencies. The total investment per person per year made by most urban governments is the equivalent of less than US\$10; it is often less than US\$1. The value of the investments made each year by most low income households who have managed to obtain land on which to build is considerably larger than this.⁷ The contribution of the informal economy in urban areas to nations’ gross national income is also likely to be greatly underestimated. So too is the importance of well-governed cities for nations’ economic success.

The world is less urbanised in 2000 than was expected and one reason why is the slow economic growth (or the economic decline) that many low and middle income nations have experienced since 1980. This helps explain slower population growth rates for many cities in Africa and Latin America. Part of this is related to structural adjustment policies that brought declines in employment, real incomes and urban welfare, and proved to be less successful than hoped in stimulating economic growth.⁸

The changing distribution of large cities around the world reflects changing patterns of economic advantage. Table 2 shows the changing distribution of the world’s largest cities by region over the last 200 years. The rapid increase in the number of ‘million-cities’ in Asia between 1950 and 2000 and Asia’s much-increased share of the number of the world’s largest cities reflects its much increased share of the world economy during this period.

The fact that what are often termed ‘developing countries’ now have most of the world’s largest cities is often raised as a cause of concern. But historically, these countries have always had many or most of the world’s largest cities;⁹ what is more unusual is the brief period during which first Europe and then North America came to concentrate

⁶ Hardoy, Jorge E. and David Satterthwaite (1989), *Squatter Citizen: Life in the Urban Third World*, Earthscan Publications, London, UK, 388 pages

⁷ Hardoy and Satterthwaite 1989, op. cit.

⁸ For sub-Saharan Africa, see Potts, Deborah (2001), *Urban Growth and Urban Economies in Eastern and Southern Africa: an Overview*, Paper presented at a workshop on African Urban Economies: Viability, Vitality of Vitiation of Major Cities in East and Southern Africa, Netherlands, 9-11 November, 19 pages plus annex to be published in D. Bryceson and D. Potts (eds), *African Urban Economies: Viability, Vitality or Vitiation of Major Cities in East and Southern Africa*;

⁹ Bairoch, Paul (1988), *Cities and Economic Development: From the Dawn of History to the Present*, Mansell, London, 574 pages.

so many of the world's largest cities. During most of the 8,000 years or so of recorded urban history and pre-history, Asia has had a high concentration of the world's urban population and most of its largest cities.¹⁰ In 1800, it had more of the world's largest cities than it has today (see table 2) although its share in the world's largest cities is increasing and is likely to continue increasing, reflecting its increasing share in the world economy. Many of Asia's largest cities today have very long histories as important cities, including Tokyo (and its historic predecessor Edo), Beijing (formerly Peking), Guangzhou (formerly Canton) and Istanbul (formerly Constantinople). By comparison, Calcutta and Mumbai may be relatively new – but they still have urban histories of several hundred years. North Africa has also had several of the world's largest and most important cities for long periods – Cairo, Alexandria, Fez and Tunis (formerly Carthage). Historically, what is today called Latin America has long had most of the largest cities in the Americas – both before and after the European conquests. In 1800, Latin America had three of the world's 100 largest cities and North America had none.

Table 2: The distribution of the world's largest cities by region over time¹¹

Region	1800	1900	1950	2000
Number of 'million-cities'				
World	2	17	85	388
Africa	0	0	2	35
Asia	1	4	31	195
Europe	1	9	29	61
Latin America and the Caribbean	0	0	7	50
Northern America	0	4	14	41
Oceania	0	0	2	6
Regional distribution of the world's largest 100 cities				
World	100	100	100	100
Africa	4	2	3	8
Asia	65	22	36	45
Europe	28	53	35	15
Latin America and the Caribbean	3	5	8	17
Northern America	0	16	16	13
Oceania	0	2	2	2
Average size of the world's 100 largest cities	187,000	725,000	2.1 m	6.2m

Some figures for city populations for 2000 are based on estimates or projections from statistics drawn from censuses held around 1990. There is also a group of countries (mostly in Africa) for which there is no census data since the 1970s or early 1980s, so all figures for their city populations are based on estimates and projections.

¹⁰ See Bairoch 1988 op cit; Chandler, Tertius (1987), *Four Thousand Years of Urban Growth: An Historical Census*, Edwin Mellen Press, Lampeter, UK, 656 pages.

¹¹ Satterthwaite 2002, op cit; the table is an updated version of a table in Satterthwaite, David (1996), *The Scale and Nature of Urban Change in the South*, IIED Working Paper, IIED, London. For 1950 and 2000, data drawn only from United Nations (2002), *World Urbanization Prospects; The 2001 Revision; Data Tables and Highlights*, Population Division, Department of Economic and Social Affairs, United Nations Secretariat, ESA/P/WP/173, New York, 181 pages. For 1900 and 1800, data came from an IIED database with census data and estimates for city populations drawn from a great range of sources, including Chandler, Tertius and Gerald Fox (1974), *3000 Years of Urban Growth*, Academic Press, New York and London; Chandler, Tertius (1987), *Four Thousand Years of Urban Growth: An Historical Census*, Edwin Mellen Press, Lampeter, UK, 656 pages; and Showers, Victor (1979), *World Facts and Figures*, John Wiley and Sons, Chichester, 757 pages. For Latin America, it also drew on a review of 194 published censuses.