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Urban economics for the developing World: An introduction

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ABSTRACT

This is an introduction to the special issue of the Journal of Urban Economics on "Urbanization in Developing Countries: Past and Present". We argue that the rapid urbanization and the rise of cities in the developing world demand new avenues of research and much more research to deal with the urban issues facing billions of people across the world that current work barely covers. This issue contains papers which move in that direction and signals a commitment by the journal to pursue this agenda.

1. Introduction

From the dawn of humanity to 1950, the world's urban population grew by less than 750 million people. According to the U.N., the world's urban population will increase by more than 750 million between 2010 and 2020. In 1899, Adna Weber wrote that "the most remarkable phenomenon of the present century is the concentration of people in cities." This claim seems even more applicable to the 21st century than for the 19th century.

Yet 21st century urbanization is different, most obviously because of the accelerated growth of cities in the world's poorer areas. Between 2000 and 2020, the United Nations projects a total increase in urban population of 1.48 billion, and of that 1.35 billion will come from "less developed regions." In 1950, Europe and the U.S. together accounted for 51.4% per of the world's urban population. By 2010, Europe and the U.S. account for 22% of the world's urban population.

Yet the pages of this journal, which reflect the interests of the wider community of urban economists, have been overwhelmingly dedicated to the cities of Europe and especially the United States for more than 40 years. In a sense, the geographic focus of urban economics has been profoundly backward-looking focusing on the cities that were dominant at the end of World War II, rather than the cities the will come to dominate the 21st century. We do not mean to minimize the contributions of early authors who focused on urban issues in developing countries like Harris and Todaro (1970), Malpezzi (1999) or many others.[1] But no one can deny the overwhelming orientation of our field towards western cities.

The focus of urban economists on wealthy world cities has created a knowledge gap. We know a great deal about rich urban areas but far too little about poor urban areas, where the policy problems can be far more severe. We do not want this journal to publish papers that are targeted only at the one-fifth of the world's urbanites who live in Europe and the U.S. This special issue on cities in the developing world signals a commitment of this journal to publish research on urban issues worldwide. We note with pleasure that we were able to assemble 13 very high quality papers on "Urbanization in Developing Countries: Past and Present." We emphasize that all of the papers were refereed and went through the same evaluation process as other papers appearing in the journal.

2. What's different about developing world cities?

The need for developing world urban economics is significantly reduced if we believe that models and facts established in the developed world also hold in poorer places, and in many cases, we think that is likely to be true. For example, the Alonso-Muth-

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[1] http://www.sciencedirect.com/science/article/pii/S0166046298000210. Glaeser also wishes to emphasize that his co-author was a particularly early advocate and practitioner of urban economics in the developing world (e.g. Henderson, 1988).

http://dx.doi.org/10.1016/j.jue.2017.01.003
0094-1190/

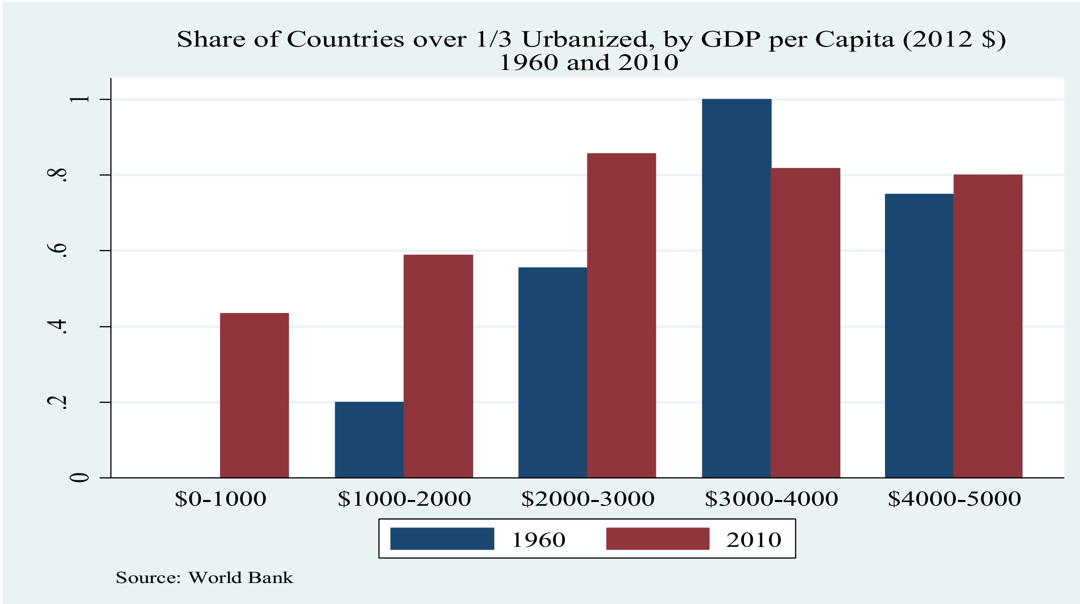

Fig. 1. Share of Countries by Income over 1/3 Urbanized in 1960 and 2010.

Mills model seems no less relevant in a mono-centric Latin American city than in a mono-centric North American city and the Fujita and Ogawa (1982) model of multi-centered cities and dispersed work places may have special relevance in certain developing country cities with transport infrastructure. And for national economies, transportation-cost based models of urban agglomeration (e.g. Krugman, 1991) seem more relevant in sub-Saharan Africa than in the U.S., because transportation costs are so much higher.

Yet there are many reasons to believe that the new urbanization is different from the old urbanization, primarily because of the related problems of extreme poverty and poor governance. Fig. 1 illustrates how different 21st century urbanization is from urbanization in the past.

Each bar captures the share of countries that is more than one-third urbanized within each income bracket, where incomes have been corrected for inflation. The one-third mark was chosen as a rough indicator of whether the nation has moved significantly down the urbanization path. The wealthier countries in this group have shown little change over this time period. For example, approximately 80 percent of countries with per capita incomes between four and five thousand dollars were more than one-third urban both in 1960 and 2010. The large gap occurs in countries with per capita incomes that are less than $2000. One-fifth of countries with incomes between one and two thousand dollars were more than one third urbanized in 1960 but more than one-half are significantly urbanized today. Today, more than 40 percent of countries with per capita incomes below $1000 are one-third urbanized. In 1960, no country that poor was significantly urban. Indeed, throughout all of history, poor countries were predominantly rural. Today, great metropolises, like Kinshasa or Nairobi, have grown up in places of desperate poverty.

Moreover, the few historic mega-cities of their time that existed in nations with low per capita incomes were all capitals of large empires, such as Rome, Abbasid Baghdad, and Kaifeng. These cities may not have been rich by modern standards, but they were the seats of great empires precisely because their governments were the most effective of their era. Consequently, Julius Caesar could address traffic congestion by banning wheeled vehicles from Rome during daylight hours and Cato the Elder could effectively protect the public water supply. One can visit a more typical city of the Roman Empire at its height, Pompeii, and see the imposed regularity of city layout, infrastructure provision, and traffic flows. It is hard to imagine Kinshasa's rulers being so effective today, and they also have to deal with much larger populations.

The great challenge of 21st century poor mega-cities is that they must fulfill the requirements of connectivity in production for businesses and address the negative externalities for consumers of density with extremely limited financial resources and public capacity. Cities may be dense but employment can be dispersed with insufficient clustering. Congestion can be so extreme with no public transport, that walking is the dominant mode of consumer trips, over 70% in Dar Es Salaam for example (IAPT, 2010). While this may in part reflect the problem of urbanization under such limited financial resources, there are other problems. Corruption is endemic. In some countries, both in Africa and in Latin America, the state does not enjoy a monopoly on violence. And urban institutions are weak: property rights are often unclear and poorly established. In the key slums in Nairobi, the majority of housing is controlled by landlords who have no legal claim to the land but are major political figures. Not only do they earn high economic rents, but they block redevelopment and formalization of the land to which they have no legitimate claim (Henderson et al., 2016).

Yet amidst these challenges, key leaders in certain developing world mega-cities are trying to address congestion, contagious disease, crime and high housing costs. In many cases, the experience of the modern west may be irrelevant and even misleading for them. Some experts argue that exporting western institutions to the poorer world has caused great harm. For example, Bold, Collier and Zeitlin (2009) argue that embracing the post-war European model of direct state provision of services was a mistake in sub-Saharan Africa. Brueckner and Lall (2015) remind us that extremely large minimum lot sizes in parts of sub-Saharan Africa are often "an overhang of colonial planning, notably the 1947 British Town and Country Planning Act," despite "the fact that African per capita incomes are less than five percent of British incomes." Over 90% of dwelling units in Dar Es Salaam fall below the minimum footprint regulation. While that might suggest that sometimes bad