

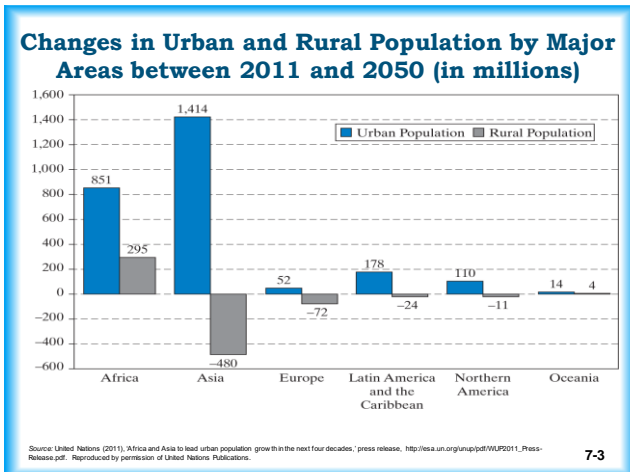
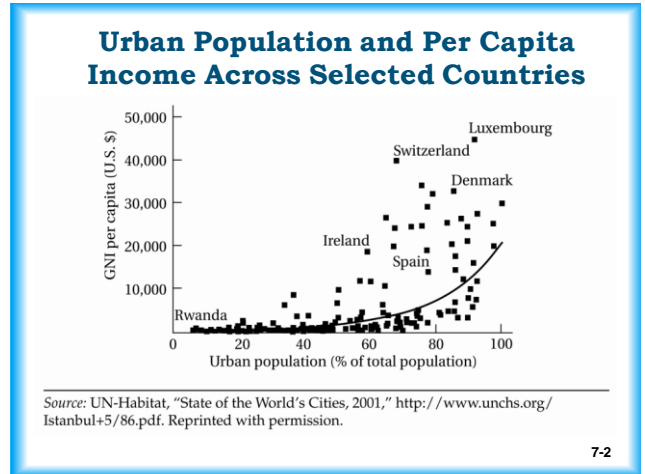
Chapter 7 Lecture - Urbanization and Rural-Urban Migration: Theory and Policy

ECON 211 – 70: Economic Development

Chapter 7 Lecture - Urbanization and Rural-Urban Migration: Theory and Policy

PUSH **PULL**

1



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Urbanization - Context and Issues

- **What is urbanization?**
 - Urbanization is the agglomeration of population in cities:
 - Growth of the proportion of the population living in cities.
 - Demographic process:
 - Urban population growth (natural increase or migration).
 - Infrastructure process:
 - Expansion of urban infrastructures and land use.
 - Economic process:
 - Creation of secondary, tertiary and quaternary sectors.
 - Creates a society where values and lifestyles are urban.

4

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Context and Issues

- **Causes of urbanization**
 - Increased social interactions.
 - Institutions representing and supporting a society.
 - Linked with agricultural surpluses.
 - Increased economic efficiency.
 - Specialization, economies of scale and economies of agglomeration.

7-5

5

Context and Issues

- **The urban explosion**
 - Urban population growth is the most important change in population geography.
 - About 50% of the global population, 3 billions, lives in cities.
 - Almost all the population growth between 2000 and 2030 will occur in cities.
 - By 2050, 6.2 billion people will live in cities, more than the current (2000) population.
 - Much of this growth will come in the world's poorest countries.

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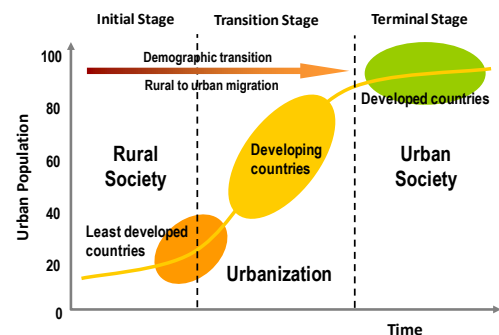
Context and Issues

- **Developed countries**
 - Developed countries are already urbanized.
 - Passed through the rural - urban migration process.
 - Concurrent with demographic transition and industrialization.
- **Developing countries**
 - Going through a major phase of urbanization.
 - Urbanization mainly occurs in developing countries.
 - Will account for 93% of the 2 billion increase in the global urban population between 2000 and 2030.
 - Latin America and East Asia is farthest along.
 - The rest of Asia is a little further behind.
 - Africa is urbanizing more slowly than the other world regions.

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7

Stages of Urbanization

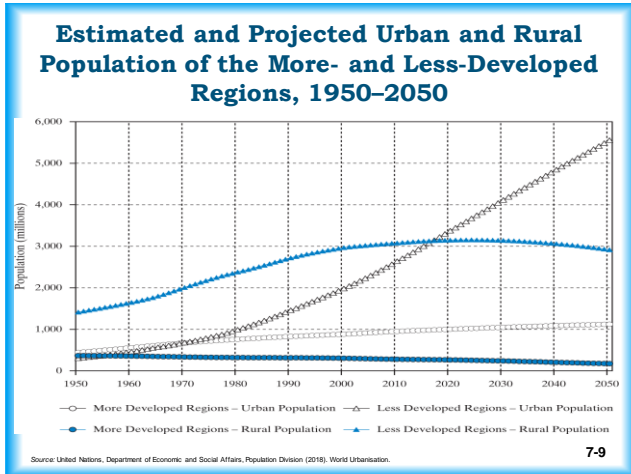


Source: Adapted from Peters and Larkin, Population Geography, 1999.

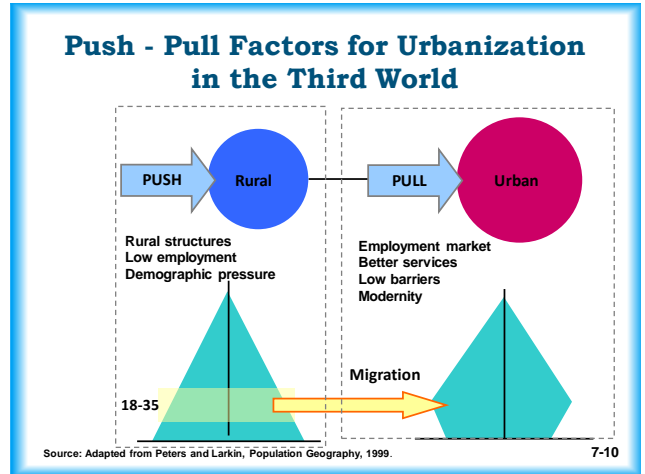
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9



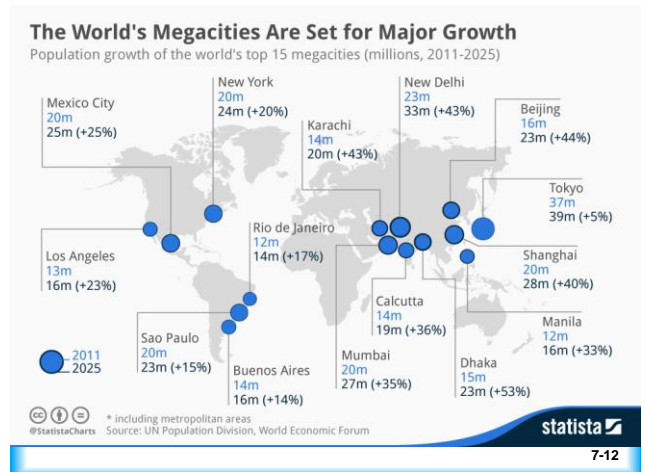
10

Population of Major Cities

Rank	Geography	Urban Area	2010 or Base Year		Base Year	Square Miles	Density (Note)	Square Kilometers	Density (Note)	Base Year
			Year	Population						
1	Japan	Tokyo-Yokohama	35,200,000	#	35,200,000	3,350	10,500	8,677	4,100	2010
2	Indonesia	Jakarta	22,000,000	#	22,000,000	1,000	22,000	2,590	8,500	2010
3	India	Mumbai, MAH	21,255,000	#	17,386,000	300	64,400	777	24,900	2001
4	India	Delhi, DL-HR-UP	20,995,000	#	15,626,000	550	33,300	1,425	12,900	2001
5	Philippines	Manila	20,795,000	#	19,375,000	550	36,500	1,425	14,100	2007
6	United States	New York, NY-NJ-CT	20,610,000	#	19,712,000	4,349	4,500	11,264	1,800	2000
7	Brazil	Sao Paulo	20,180,000	#	19,893,000	1,450	13,800	3,756	5,300	2008
8	South Korea	Seoul-Incheon	19,910,000	#	19,500,000	750	26,300	1,943	10,100	2002
9	Mexico	Mexico City	18,690,000	#	18,100,000	975	18,900	2,525	7,300	2005
10	China	Shanghai, SHG	18,400,000	#	18,400,000	1,125	16,400	2,914	6,300	2010
11	Egypt	Cairo	17,290,000	#	16,250,000	660	25,400	1,709	9,800	2008
12	Japan	Osaka-Kobe-Kyoto	17,000,000	#	17,000,000	1,240	13,700	3,212	5,300	2010
13	India	Kolkata, WB	15,535,000	#	13,217,000	340	42,300	881	16,300	2001
14	United States	Los Angeles	14,775,000	#	13,828,000	2,244	6,200	5,812	2,400	2000
15	China	Shenzhen, GD	14,470,000	#	14,000,000	550	25,900	1,425	10,000	2008
16	China	Beijing, BJ	13,955,000	#	13,545,000	1,275	10,800	3,302	4,200	2008
17	Russia	Moscow	13,675,000	#	13,250,000	1,750	7,700	4,533	3,000	2002
18	China	Guangzhou-Foshan, GD	13,245,000	#	12,600,000	760	17,000	1,988	6,600	2007
19	Turkey	Istanbul	13,135,000	#	12,739,000	490	26,400	1,269	10,200	2007
20	Pakistan	Karachi	13,085,000	#	12,130,000	340	37,100	881	14,300	2007

Source: <http://iranreporting.com/na/2010/07/21/auklands-population-density-killing-off-the-myths> **7-11**

11



12

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The Role of Cities

- **Agglomeration economies:** Urbanization (general) economies, localization (industry or sector) economies
- **Saving on firm-to-firm, firm-to-consumer transportation**
- **Firms locating near workers with skills they need**
- **Workers locating near firms that need their skills**
- **Firms benefit from (perhaps specialized) infrastructure**
- **Firms benefit from knowledge spillovers in their and related industries**
- **(Also: consumers may benefit from urban amenities)**

7-13

13

Industrial Districts and Clustering

- **Quality of clusters, or Industrial Districts, is a key to sectoral efficiency**
- **Unfortunately, a majority of developing countries have made only limited progress**



7-14

14

Urbanization Costs, and Efficient Urban Scale

- **But, cities also entail “congestion costs”**
- **Economically efficient urban scale (from point of view of productive efficiency) found where average costs for industries are lowest**
- **Generally, differing efficient scales for different industrial specializations imply different city sizes**
- **More extensive (expensive) capital, infrastructure required in urban areas**
- **Smaller cities may be expected in labor-intensive developing countries**

7-15

15

The Urban Giantism Problem

- **There may be general urban bias**
- **Cities are capital intensive so may expect large cities commonly located in developed countries**
- **But urbanization in developing countries has taken place at unexpectedly rapid pace**
- **Huge informal sectors in shantytowns, favelas**
- **Large fraction of workers outside formal sector**
- **Much urban growth is in mid-size cities, but urban bias remains a serious issue in many developing countries**

7-16

16

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The Urban Giantism Problem

- There may be First-City Bias (favoring largest city)
- Import substitution industrialization: less trade, incentive to concentrate in a single city largely to avoid transportation costs
- “Bread and circuses” to prevent unrest (evidence: stable democracies vs unstable dictatorships)
- Hub and spoke transportation system (rather than web) makes transport costs high for small cities
- Compounding effect of locating the national capital in the largest city

7-17

17

The Urban Informal Sector

- Why promote the urban informal sector?
 - Generates surplus despite hostile environment
 - Creating jobs due to low capital intensity
 - Access to (informal) training, and apprenticeships
 - Creates demand for less- or unskilled workers
 - Uses appropriate technologies, local resources
 - Recycling of waste materials
 - More benefits to poor, especially women who are concentrated in the informal sector

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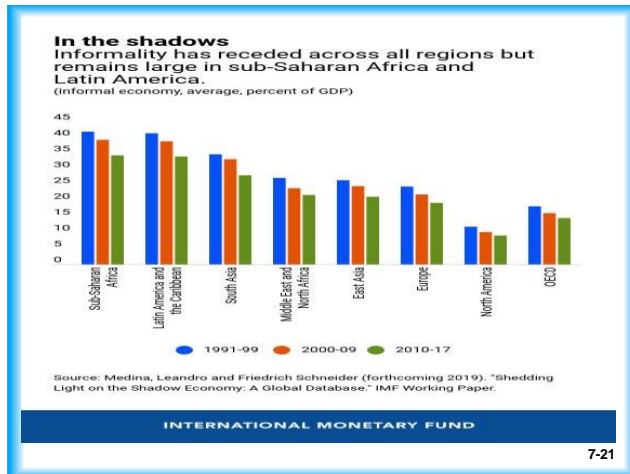
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20

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21

The Migration and Urbanization Dilemma

- As a pattern of development, the more developed the economy, the more urbanized
- But many argue developing countries are often excessively urbanized or too-rapidly urbanizing
- This combination suggests the migration and urbanization dilemma
- Rural-to-urban migration was viewed positively until recently
- The current view is that this migration is greater than the urban areas' abilities to
 - Create jobs
 - Provide social services

7-22

22

Migration Issues

- **Types of Migration**
 - What are the major forms of migration?
- **Selective Migration**
 - Why migration can be considered as a selective process?
- **Brain Drain**
 - What is the extent of movements of skilled labor?

7-23

23

Types of Migration

- **Emigration and immigration**
 - Change in residence.
 - Relative to origin and destination.
- **Requires information on:**
 - People and conditions.
 - Two different places.
 - Two different times.
- **Duration:**
 - Permanent.
 - Seasonal / Temporary.
- **Choice / constraint:**
 - Improve one's life.
 - Leave inconvenient / threatening conditions.

7-24

24

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Migration Theory

1. Push - Pull Theory

What are the major “push” and “pull” factors behind migration?

2. Economic Approaches

How can migration be explained from an economic perspective?

3. Behavioral Explanations to Migration

– How can migration be explained from a human behavior perspective? (Leave this up to the Psychologists)

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25

Push - Pull Theory of Migration

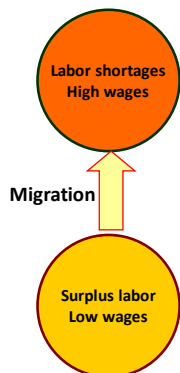
• Context

- Migrations as the response of individual decision-makers.
- Negative or push factors in his current area of residence:
 - High unemployment and little opportunity.
 - Great poverty.
 - High crime.
 - Repression or a recent disaster (e.g., drought or earthquake).
- Positive or pull factors in the potential destination:
 - High job availability and higher wages.
 - More exciting lifestyle.
 - Political freedom, greater safety and security, etc.

7-26

26

Economic Approaches



- Labor mobility
 - The primary issue behind migration.
 - Notably the case at the national level.
 - Equilibrate the geographical differences in labor supply and demand.
 - Accelerated with the globalization of the economy.
- Remittances
 - Capital sent by workers working abroad to their family / relatives at home.

7-27

27

Brain Drain

• Definition

- Relates to educationally specific selective migrations.
 - Some countries are losing the most educated segment of their population.
 - Can be both a benefit for the receiving country and a problem to the country of origin.
- ### • Receiving country
- Getting highly qualified labor contributing to the economy right away.
 - Promotes economic growth in strategic sectors: science and technology.
 - Not having to pay education and health costs.
 - Often begins with one’s experience as a foreign student.

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28

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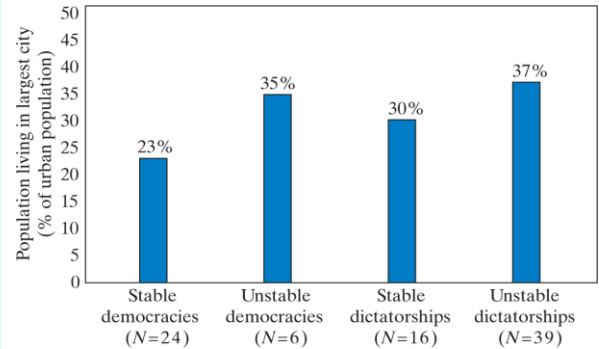
Brain Drain

- **Country of origin**
 - **Education and health costs not paid back.**
 - **Losing potential leaders and talent:**
 - **Between 15 and 40% of a graduating class in Canada will move to the US.**
 - **Long term impact on economic growth.**
 - **Possibility of remittances.**
 - **Many brain drain migrants have skills which they can't use at home:**
 - **The resources and technology may not be available there.**
 - **The specific labor market is not big enough.**
 - **May eventually come back with skills and connections.**

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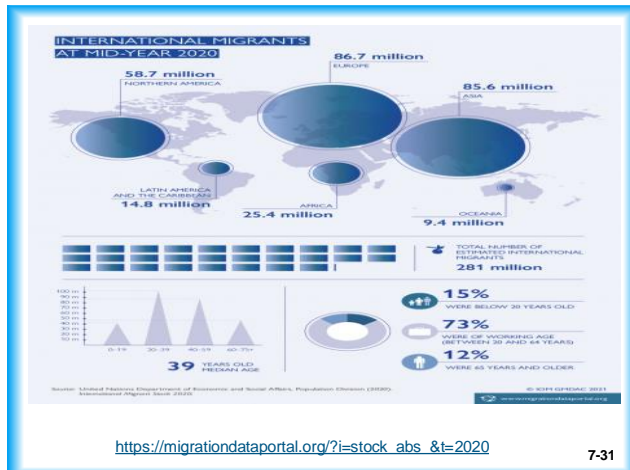
Politics and Urban Concentration



Source: Data from Alberto F. Alesina and Edward L. Glaeser, "Trade and circles: Explaining urban giants," *Quarterly Journal of Economics* 110 (1995): 196. Copyright © 1995 by the President and Fellows of Harvard College and the Massachusetts Institute of Technology.
Note: N = number of countries in group.

7-30

30



7-31

31



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32