

Choking cities

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GREAT IDEAS, GREAT MINDS—PEOPLE'S EMPOWERMENT

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Cities are as old as settled human history. This is abundantly clear in South Asia, with Harappa and Mohenjodaro being early indigenous examples and Varanasi representing a living embodiment of this tradition.

In contrast, however, pervasive, large-scale urbanisation is a very recent phenomenon. Estimates put the total urban population of the world in 1900 at around 250 million, less than India's urban population today.

Over the course of the 20th century, urbanisation became increasingly widespread. Today, in 2008, half of humanity lives in urban settlements. Barring a major catastrophe, cities and towns represent the future. They cannot be wished away.

While geography and other physical endowments clearly matter, increasing urban share of population has been associated with rising affluence. Poorer countries are typically less urbanised than richer ones.

According to the United Nations, of the world's 10 most populous countries, the urban share of population in 1950 ranged from 64 per cent in the United States to 4 per cent in Bangladesh. At that time India was estimated to be 17 per cent urban (out of a population of 357 million). China was just 12 per cent urban.

In the next 50 years, most countries had increased their urban share while India's urbanisation ratio was less than what most demographers had projected, even though the overall growth of the population was almost on target.

Despite this sluggish evolution, the sheer size of India's population means that India already has the second largest urban population in the world. Slow urbanisation also means that there is every prospect of rapid growth in this population. A conservative current estimate is that India would be 45 per cent urbanised by 2050.

As pointed out in a recent joint publication by the National Council for Applied Economic Research (NCAER) and Future Capital Research, this could imply that 379 million people will be added to India's urban spaces over the next 40 years: more than the entire population of the United States today.

It also implies that India would account for a fifth of the increase in the world's urban population till 2050—more than any other single country. Even at this level, India would still be less urban than Japan in 1950, or Indonesia in 2000. Before I explore its implications, it may be helpful to provide a few definitions.

The Census defines as urban "all places with a municipality, corporation or cantonment or notified town area" as well as other places which satisfy the following criteria—a minimum population of 5,000 and at least 75 per cent of the male working population engaged in non-agricultural activities and a population density of at least 400 per sq km.

It is clear from this definition that the urban share of the population can increase either through increased density within existing urban boundaries, or through the reclassification of areas, previously defined as rural, that exist on urban borders.

Urban India needs new land-use laws to prevent the spread of slums.

Equally, the urban population increases through a combination of natural growth in its population and also through rural to urban migration.

It is generally believed that the slower than projected growth of the urban population since the '70s is primarily due to slower migration.

This runs contrary to the belief that India's cities are being overrun by rural migrants. Nor is there a clear consensus among economic and demographic professionals on whether this is a welcome or an unwelcome trend.

On the negative side, it is argued that slow migration indicates a failure of cities to produce attractive jobs. As a consequence, labour remains stuck in low productivity agricultural activities with limited opportunities for increases in productivity and income.

A more hopeful interpretation points to the fact that rural wages have continued to increase steadily, and infers that slower than expected migration is a sign that the differences in real standards of living between the town and the country have been narrowing. Only additional research, including data from the next Census, will settle these debates conclusively.

What we do know, based on the Planning Commission's estimates of the population below the poverty line in 2005, is that adjusted for differences in price levels (between states and between urban and rural areas), there is a negligible difference between rural and urban consumption poverty rates, both close to the all-India estimate of 22 per cent. NCAER's own estimates show a slightly wider gap, with the urban poverty rate three percentage points lower than the rural.

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So, a rising tide of urbanisation awaits us. The challenge is to ensure that this tide lifts all boats, rather than overwhelming us in a tsunami of poverty, congestion and urban decay.

Our policies need to be driven by three broad concerns—improve linkages between the city and its hinterland; make our towns a productive setting for growth, entrepreneurship and innovation; and develop a distinctive approach to addressing issues of urban poverty with the same energy we have traditionally devoted to rural poverty.

Of course, beyond a point, cities cannot generate growth by themselves. They depend on outside impulses, such as trade, to provide the initial spark. What they can do is reduce transaction costs and increase the multiplier benefits of whatever demand impulse is created by broader national policies.

Within this framework, one can distinguish the following challenges: urban governance and politics; land-use policies; financing urban infrastructure; improving energy efficiency and addressing urban poverty.

A subsidiary set of concerns lies in the area of human capacity, both in building trades, and municipal management. To a surprising degree, these issues are inter-related.

Our existing pattern of urban development has been both energy-inefficient and anti-poor, while the pattern of urban public finance and land taxation has made it difficult to finance needed urban infrastructure. In turn, patterns of taxation are intimately linked with the political governance arrangements for urban areas.

Despite the 74th Amendment in 1993 (creating urban local bodies symmetric with panchayats in rural areas), taxation and spending decisions in urban local bodies are still dominated by the bureaucracy and state politicians rather than local leaders.

We have not yet seen in India the phenomenon that is common in the more urbanised environment of the Americas (North and South) and increasingly in China, where local performance is an important stepping stone to higher political office.

Presumably, as with rural panchayats, the practice will evolve differently in different states, but cities as large as India's metros will not indefinitely tolerate the lack of representation and transparency in urban governance.

Land-use regulations are among the most important policies distorting the development of India's urban spaces. As revealed by the continuing saga of sealing and destruction of commercial space in Delhi, the attempt at planned development through metropolitan development authorities (such as the Delhi Development Authority) has signally failed to respond to the fast-changing, mixed-use needs of a dynamic economy and has merely succeeded in raising the price of land, reducing competitiveness and forcing activity into neighbouring states.

The same effect has been achieved in Mumbai by restrictions on building heights through a much lower floor-space index than is common elsewhere in the world.

The effect of such restrictions is two fold- commuters are forced further away from the central business district and it encourages the development of slums and squatting on public land.

Lack of fiscal autonomy and of an active market in land (inhibited in part by high stamp duties) makes bond-financed urban infrastructure infeasible, leading to inefficient fee-based mechanisms for financing urban infrastructure projects.

Nobel laureate Sir Arthur Lewis once observed that what is expensive in economic development is not industrialisation but urbanisation. Enormous investments are going to be made in urban infrastructure over the next 30 years.

It is imperative to introduce urban reforms now, so that the infrastructure that is laid down reflects a competitive, sustainable spatial pattern rather than the ugly sprawl that is so often seen today.

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