

URBAN ECONOMY, ENVIRONMENT AND LIVELIHOODS: CLOSING THE LOOP

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Session I. Consequences of Economic Stress
Panel B. Economic Stress, Cities and Environmental Capital

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Outline

- The growth of cities
 - a ‘third world’ phenomenon?
- The city and the economy
- The city and its (non)-citizens
- The urban informal sector
- The ecology of cities
- The urban environment – two (conflicting?) views
- Closing the loop

The growth of cities

- 2008: more than half of humanity became urban (3.3 billion)
- 2000-30: 2.2 billion more people
- 2.1 billion in cities (rural population flat)
- 2.0 billion in cities in poor countries
- By 2050: 2/3 of people in poor countries—city dwellers

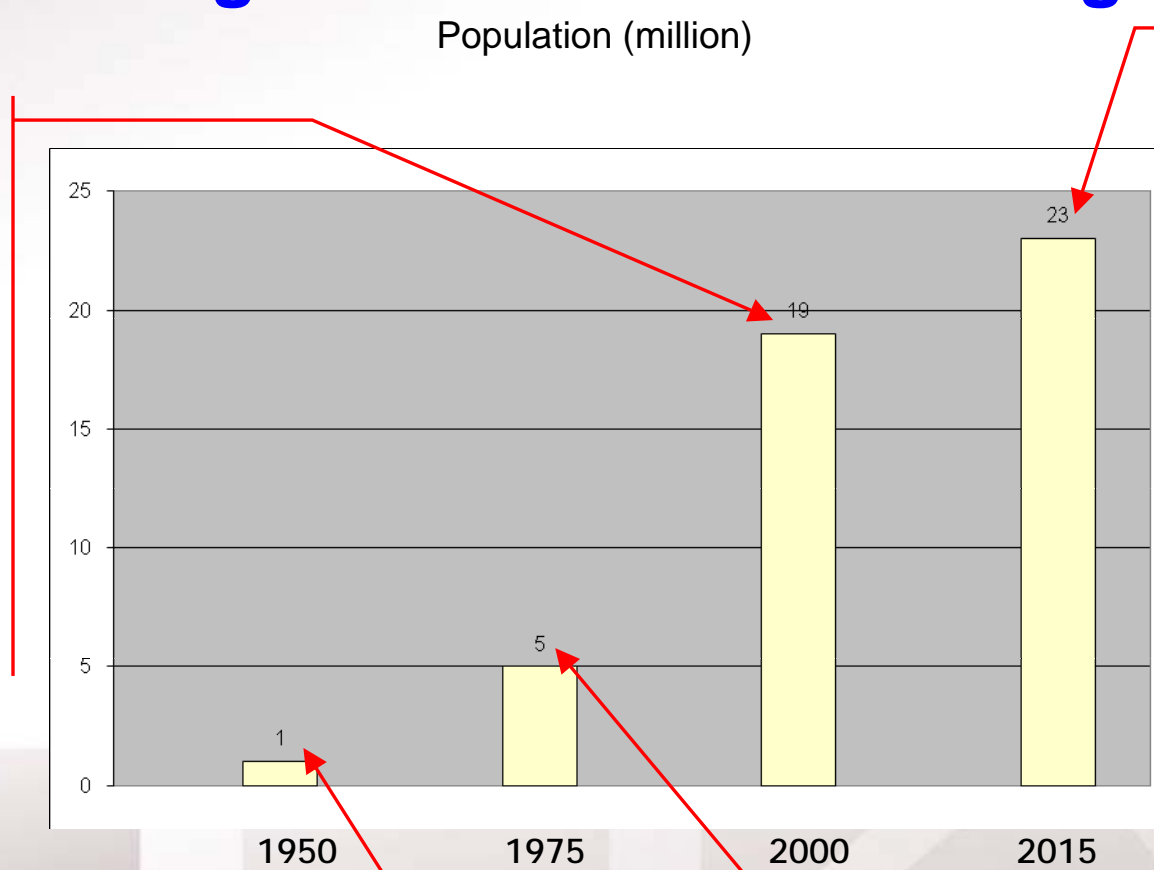
The growth of mega cities in the third world

- 1950 – 1 mega city (10million+)
- 1975 – 5
- 2000 – 19 (all but 4 in third world)
- 2015 – 23 (all but 4 in third world)
 - 12 in Asian developing countries
 - 5 of 12 world's biggest urban agglomerations in South Asia

The Emergence and Growth of Megacities

Population (million)

Tokyo	19.8
Mexico City	18.1
Bombay	18.1
Sao Paulo	17.8
New York	16.6
Lagos	13.4
Los Angeles	13.1
Calcutta	12.9
Shanghai	12.9
Buenos Aires	12.6
Dhaka	12.3
Karachi	11.8
Delhi	11.7
Jakarta	11.0
Osaka	11.0
Metro Manila	10.9
Beijing	10.8
Rio de Janeiro	10.6
Cairo	10.6



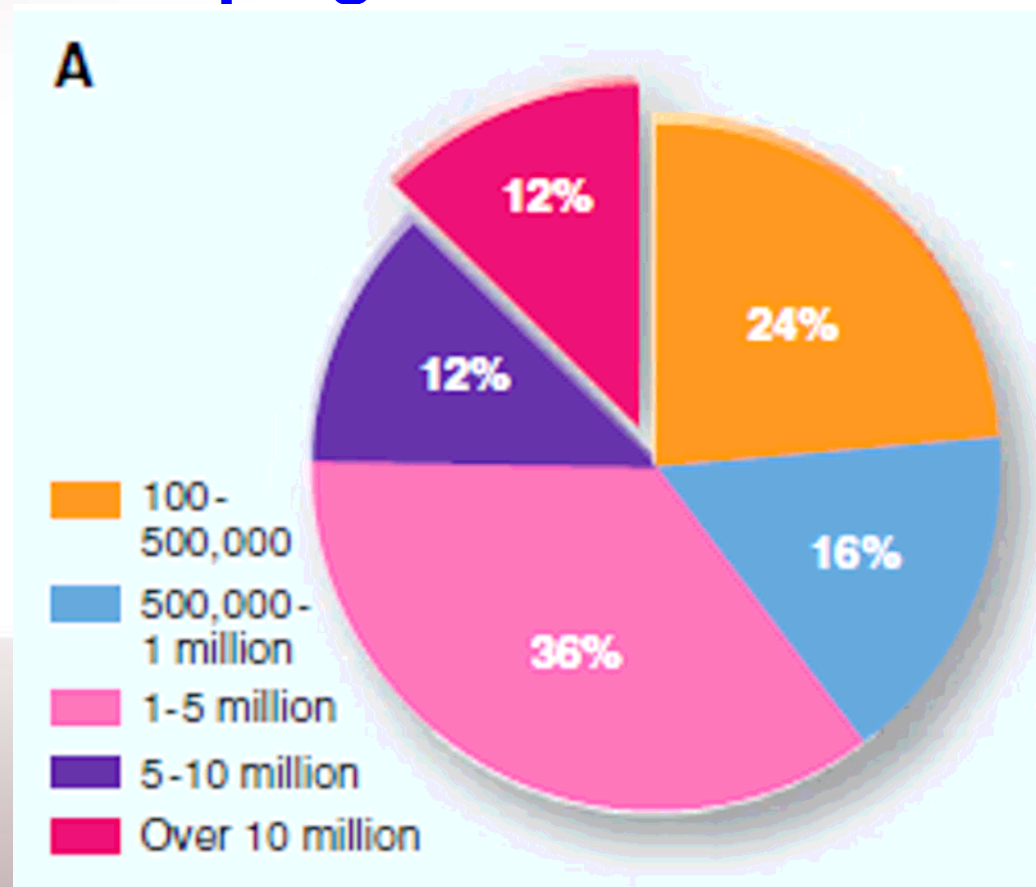
Tokyo	26.4
Bombay	26.1
Lagos	23.2
Dhaka	21.1
Sao Paulo	20.4
Karachi	19.2
Mexico City	19.2
New York	17.4
Jakarta	17.4
Calcutta	17.3
Delhi	16.8
Metro Manila	14.8
Shanghai	14.6
Los Angeles	14.1
Buenos Aires	14.1
Cairo	13.8
Istanbul	12.5
Beijing	12.3
Rio de Janeiro	11.9
Osaka	11.0
Tianjin	10.7
Hyderabad	10.5
Bangkok	10.1

New York 12.3

Tokyo	19.8
New York	15.9
Shanghai	11.4
Mexico City	11.2
Sao Paulo	10.0

Source: United Nations 2004

Distribution of urban population by city size in developing countries in 2000



The city and the economy

- “Urban areas must be seen as *engines of growth*, as places where there are economies of scale and scope and hence, as hubs of economic, commercial and social activity.”

- Indian Prime Minister Dr. Manmohan Singh

Dots on a map...are 'rich'

- In 2011 – cities will account for 65% of India's national income (30% of population)
- Karachi – 1/12th of Pakistan's population but 60-70% of national revenue and 40% of value added in manufacturing
- Metro Manila accounted for 32% of the Philippine GDP in 2007 (and 12% of the population)

Cities are more productive

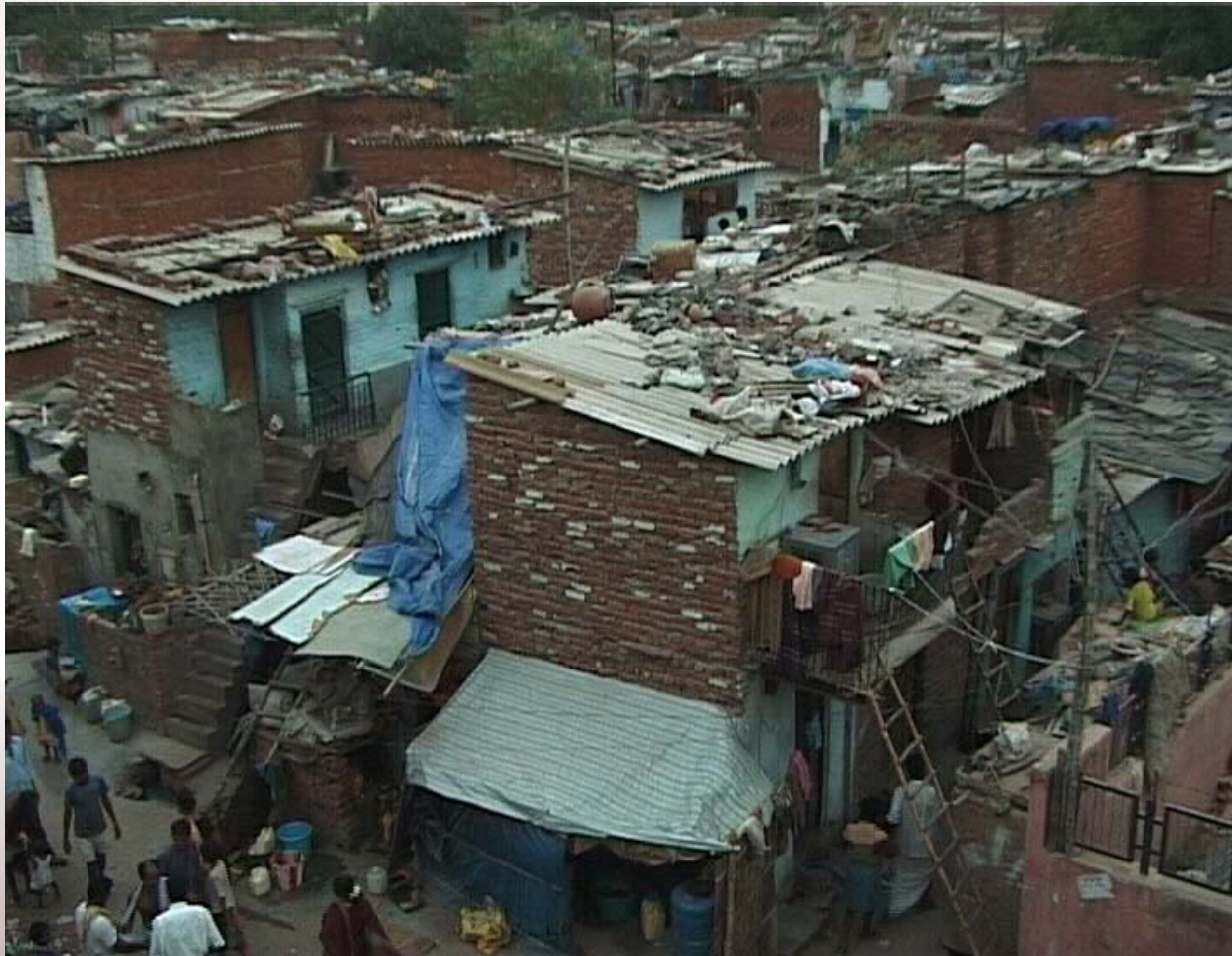
- Labor productivity increases with (optimal) city size
- The ratio of GDP per capita to national GDP per capita is
 - 3.5 for Bangkok
 - 3.7 for Shanghai
- These ratios could be higher if...
 - cities were made more efficient?
 - cities were made more inclusive?
 - ...?

Source: Urban Sector Strategy, ADB

The city and its (non) citizens



Close view of a slum



The urbanisation of poverty

- Urban share of the ‘\$1-a-day’ poor increased from 19% (1993) to 25% (2002) (Chen and Ravallion 2007).
- This is not just urban population growth.
- Given increasing urbanisation overall this implies the poor have been urbanising faster (in proportionate terms) than the population as a whole.
- Urban share of poor lowest in East Asia (6.8% in 2002 for \$1-a-day), highest in South America (59% in 2002).

The city and its (non)-citizens

- Urban poor
- Urban informal sector..
 - self-employed
 - wage labour
 - some of both..
- For ‘statistical purposes’ – unincorporated enterprises owned by urban households, i.e., production units which form a part of the household sector

An unincorporated household enterprise



Snack vendor outside Red Fort, Delhi

Daily wage workers



Main features of the urban informal sector

- Ease of entry
- Small scale of activity
- Self-employment
 - high proportion of family workers/apprentices
- Little capital and equipment
- Labour intensive technologies
- Low skills, productivity and incomes
- No access to organised markets, formal credit
- Activities are legal, yet ‘illegal’
- Unregistered but ‘on the radar’
- Don’t pay taxes but pay ‘rents’

Size of the urban informal sector

- Expansion of urban informal sector closely linked to the pace of urbanisation (and countercyclical)
- Employment in the informal sector (as % of total non agricultural employment)
 - North Africa 43.4
 - Sub-Saharan Africa (excl SA) 74.8
 - Latin America 56.9
 - Asia 63.0
 - India 73.7
 - Indonesia 77.9
 - Philippines 66.9
 - Thailand 51.4

The ecology of cities

- Cities account for < 3% of the earth's surface

Yet they account for:

- 78% of carbon emissions
- 60% of residential water use
- 76% of wood used
- Anthropogenic climate modification: urban heat islands

Source: Lester Brown, Eco-Economy: Building an Economy for the Earth (2001)

The urban environment – two (conflicting?) views

- The ‘amenity’ view
 - parks, lakes, bike paths, recreation, taking long walks, vistas (remove the slums!)
- The ‘necessity’ view
 - clean air, safe drinking water, sewage/sanitation
 - all of these have ‘market-purchased’ substitutes
 - disproportionate impact on health and well being of urban poor
 - affects their ability to earn a livelihood
 - ‘inputs’ into a household production function

The urban environment – two views: implications

- The ‘amenity’ view
 - environment is a luxury (income elasticity > 1)
- The ‘necessity’ view
 - income elasticity < 1 (maybe even negative)
 - demand/willingness-to-pay declines with income
- **VERY DIFFERENT POLICY IMPLICATIONS!**
 - Pollute now clean up later
 - Unaffordable for cities in poor countries

Poverty and the environment: two-way relationship

- Common wisdom – poverty causes environmental degradation
- Neglected link – environmental degradation causes poverty

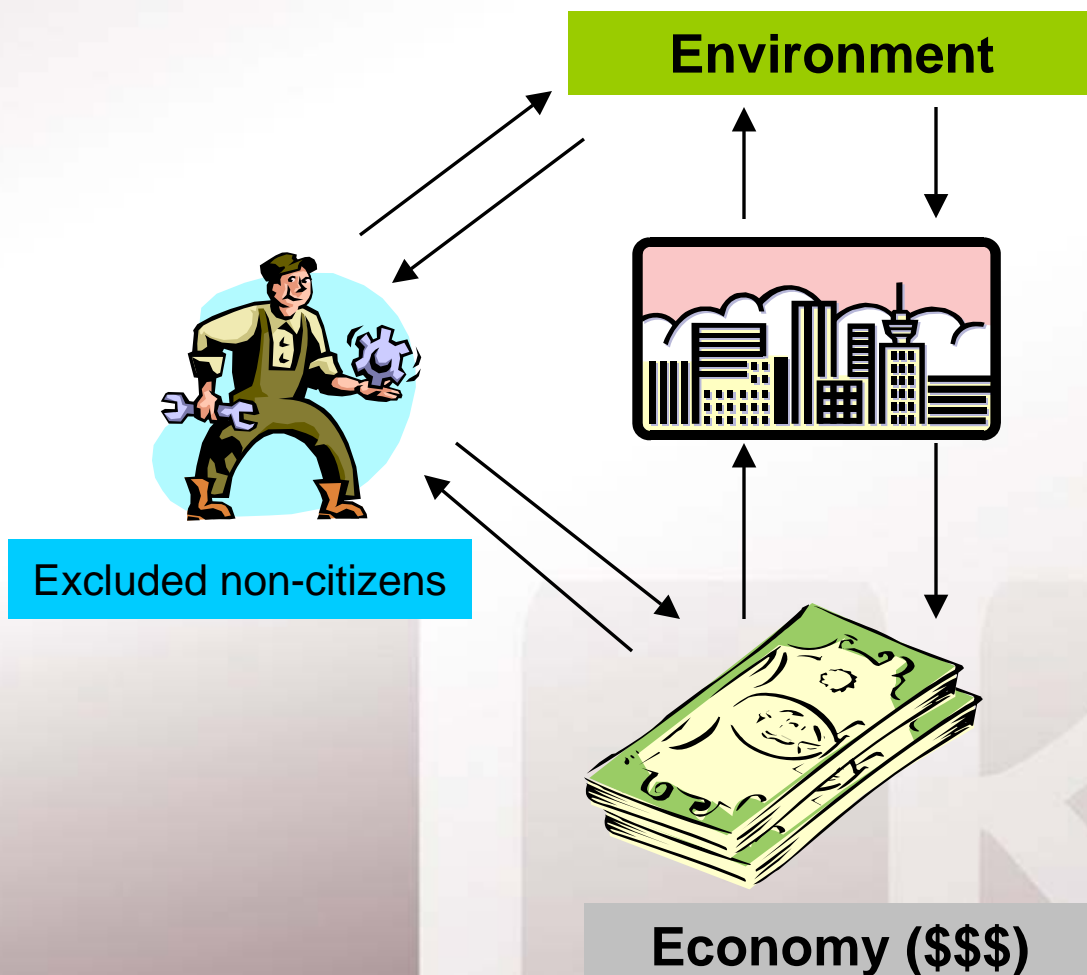


“Tackling environmental degradation is an integral part of lasting and effective poverty reduction.” (World Bank, DfID, UNDP, EC, 2002)

Urban economy, environment and livelihoods: the linkages

- Cities generate a heavy ecological footprint and are in turn impacted by the environment
- Cities are engines of economic growth but economic stress also impacts on cities
- Urban 'non-citizens' are impacted by environmental stress and also by the urban economy to which they are also major contributors

Urban economy, environment and livelihoods: closing the loop



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