



The world faces a new nexus between urbanization, development, environment, and inequality

Urbanization is associated with economic growth, but it's a fine balance before rural poverty simply shifts to the cities and the cities become too big to sustain development, sucking growth out of gross domestic product.

Economic growth and development, urbanization, and energy and electricity consumption are all closely linked, but economic progress does not equal economic development if the poor simply move from one state of poverty to another.

Increases in GDP per capita lower poverty and narrow rural–urban gaps. Initially, increases in urbanization lead to improvements, but at higher levels of urbanization, increases worsen poverty and rural–urban gaps.

The United Nations reported that global urbanization broke the 50 percent mark in 2009, and will absorb almost all the projected 2.5 billion additional people over the next 40 years. Most of the people expected to move to urban areas will come from less developed regions.

Many developed countries are already fully urbanized and some are trying to disperse their populations. Austria's urbanization level is 68 percent and Belgium's is 97 percent, but these levels have changed little since 1950, with the countries having struck a balance where rural and urban incomes are close to equal.

Two distinct patterns of urban development are emerging.

Most people are urban dwellers, who live in cities of various sizes, and many urban dwellers live in huge megacities, that is, metropolises of more than 10 million people.

Of the 36 such megacities, 10 are in Organisation for Economic Co-operation and Development or OECD countries and 22 are in Asia. Of the 21 cities with more than 18 million people, 15 are in Asia, and they are densely populated, with more than 170 people per hectare, creating another set of problems working against economic growth.

Nearly half of urban populations live in what the World Bank calls “slums”—houses that lack access to clean water, sanitation, sufficient living area, or durability.

More than 20 percent of urban people live below national poverty levels, but that is two to three times better than in rural areas.

In Asia, the share of urban people living below the poverty line is about half as large as that in Latin America or Africa.

Africa and Latin America experienced extended periods of urbanization that was unaccompanied by economic growth. Asia and Africa are at similar levels of urbanization, but Asia has a substantially higher GDP per capita. Latin America has only a slightly higher GDP per capita than Asia, even though Latin America is far more urbanized.

These relationships have led some to ask whether Africa and Latin America are over-urbanized.

Periods of sustained economic growth always appear to be accompanied by urbanization.

For low-income, predominantly African countries, economic growth increased urbanization, but urbanization slowed economic growth.

Urbanization and economic development tend to go hand in hand, in part because industrialization involves the migration of farm workers to urban factories.

Development can encourage urbanization, which can give rise to other opportunities besides jobs, such as access to culture, education, and health care.

Large cities can drive economic growth via advantages in economies of scale in infrastructure, capital, labor, and managerial resources.

And cities can benefit from a concentration of knowledge around specific industries or services that can attract investment from more advanced economies.

Urbanization has a “ladder” effect on economic growth: it has a strong negative impact on the poorest countries; a less negative to neutral impact on moderate-income countries; and a growth-promoting or reinforcing relationship for the wealthier middle-income and wealthiest countries.

Initially, increases in urbanization are associated with lower levels of inequality but, ultimately, increases in urbanization are associated with higher levels of inequality. While urbanization may be evidence of economic progress rather than a catalyst for economic growth, there is some evidence that poor countries are over-urbanized.

National urbanization levels don't indicate the density of cities. Asian cities, including those in the Republic of Korea and Japan, are substantially denser than OECD cities, and Asian cities are the world's largest.

Cities are disproportionately wealthy—likely a key reason why the world is becoming more urban. Increases in GDP per capita unambiguously lower poverty and narrow rural–urban gaps. But at higher levels of urbanization, increases in urbanization exacerbated poverty and rural–urban gaps.

Urbanization policies should be motivated by factors such as equality in health and educational access, not by encouragement of economic growth; and urbanization should not be the focus of economic growth.

This episode is based on [research](#) by Brantley Liddle, senior research fellow at the Energy Studies Institute, National University, Singapore.

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