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## Economic Problems of Increasing Urbanisation

by Dr Eberhard Thiel, Hamburg \*

**The economic problems of increasing urbanisation are presently the subject of active discussion — in other industrialised and in developing countries no less than in the Federal Republic of Germany. The following article deals with the special features of the development in the Federal Republic.**

**T**he concentration of the population in conurbations has made further progress in the Federal Republic of Germany during recent years. Between 1961 and 1970 the population density per square kilometre increased in these areas by 117 inhabitants, whereas in the other parts of Germany it rose by no more than 18 inhabitants; 45 p.c. of the total population are now to be found on 7 p.c. of the total area. At the same time all the big towns with more than 300,000 inhabitants, Munich excepted, are still losing substantial numbers of their German residents. The decline of the total resident population of these nuclear towns, however, is slowed down by an influx of foreigners; in some of them the total population is indeed on the increase.

### Density Axes

The principal reception areas for this emigration from the town nuclei are to be found in the rural districts around the big towns which are still within reach of the high-density areas. They experienced the greatest population growth in recent years. At the same time the density areas are spreading outward, forming density axes in the process. Nearly 60 p.c. of all towns with more than 60,000 inhabitants have also increased their population in recent years, a fact which is in many cases connected with the migration of foreigners. In rural areas outside the conurbations the population density is rising much more slowly than in the average of the Federal Republic; inside these areas the central localities have been recording the highest growth rates.

In toto there is thus an increasing concentration of the population in spreading density areas while

the big nuclear towns in these areas are currently losing residents. Apart from the conurbations, the centrally situated medium-size towns are registering relatively large population increases. The economic problems of increasing urbanisation in Germany seem to be fairly obvious against this background of regionally differentiated population trends. The reflections about urbanisation, however, cannot be confined to the towns themselves; the surrounding area and indeed the other regions as well must be taken into consideration.

The influx of large numbers of people over prolonged periods is creating a considerable additional demand for housing in the density areas. In previous decades the centres of the density areas had been the first to feel the population growth directly. In more recent years the trend has been as described, so that the outskirts of the large towns have now become the favourite residential districts. The main reason for this is that the need for housing accommodation can no longer be satisfied on acceptable terms in the town centres, where property prices and rents have soared in recent years, although some relief has come from State subsidies for certain sections of the population. Besides, there are still many old buildings and dwellings rebuilt immediately after the devastation of the second world war to be found in parts of the density centres; despite high prices they offer relatively little comfort.

In addition to the demand for dwellings, considerable competition for land and property is being caused in these districts by the demand for

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business accommodation. Business firms, as a rule, are more willing to bear the high costs, and so there is a growing tendency among town-dwellers to move to the surrounding areas. Moreover, the demand for owner-occupied houses and flats which has been encouraged in Germany by tax relief, has developed a dynamic of its own. The high rents and the general threat of continuing price rises has caused a flight into tangible assets among which land and property in density areas feature prominently.

### Infiltration of the Countryside

These factors together have caused the residential districts to spread and infiltrate into the surrounding countryside. Shortage of building land inside the towns, and increasingly also in the surrounding areas, has stimulated property speculation and led to large price increases in and near the town nuclei. More and more farming land is being turned into building land, which incidentally endangers the urgently needed open spaces inside the density areas. Some efforts are being made

to offer more residential accommodation in central districts but these are limited to high-price dwellings which only a small section of the population can afford. The functional changes in the town centres, which will be described later, certainly do not make them any more attractive.

Among the motives which cause people to migrate into the various districts in the density areas from other regions is the desire for higher quality housing, better educational and entertainment facilities, and the opportunity to earn more money. Originally it was the secondary sector which offered attraction of high earnings in density areas. However, the tertiary sector is now also offering improved opportunities for higher incomes because the demand for services has greatly expanded, especially in these areas. The centres have to undertake more and more central tasks for the growing population. Not only have competing claims on the land by industry and for residential purposes to be met, but there is besides growing competition between the secondary and tertiary sectors. With the total demand for accommodation expanding substantially, industrial firms are showing a tendency to move away. Some firms are moving to surrounding districts while others are transferring operations to rural regions away from the conurbations. This trend is partly due to the search for labour and besides improvements in industrial communications and transport systems which have lessened the dependence on some particular locality for many operations. The old argument about economically relevant contact benefits probably needs revising in this respect.

### Movement out of the Town Centres

The attractiveness of the removal of secondary sector enterprises has been somewhat lessened over recent years by the influx of foreign workers into the town centres. Most of these foreign workers are being housed in old buildings in the town centres or in more or less makeshift accommodations provided by their employers.

The characteristic feature of the density areas today is thus seen to be the transfer of the residential function to their outskirts and the progressive emptying of the town centres of which increasing use is being made by the services sector at the same time, while the manufacturing trades are also, in part, moving to the outskirts. The towns and their surroundings have thus undergone a far-reaching functional transformation.

The daily commuter traffic of town centre workers who live in the suburbs is a consequence of the progressive separation of residence and place of work. The movement of commuters has reached

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large proportions; in Hamburg, for instance, probably over 110,000 commuters are entering the central area on each working day. However, as some of the gainfully employed persons who formerly lived in or near town centres are not commuting, many firms on the outskirts are now able to draw on an additional labour reservoir.

The functional transformation and the changing population structure is not entirely due to private sector factors and processes in the market economy but in part attributable to the activities of the public bodies in the region. Conversely, the measures by state authorities are not unrelated to the needs which emerge in the private sector. It must be noted that the actual services and expenses of the public sector are absorbed into the output of the private sector of the economy and that this output is directly relevant to the financing of public activities. This functional relationship between the private and the public sector shows up very clearly in the municipal sphere.

#### **Infrastructure Requirements**

The tendencies traced here involve considerable structural changes in the local distribution and nature of the infrastructure requirements. The state has had to increase its services in the density areas substantially ahead of the demands which private households and business firms could be expected to make on them. Clear evidence of this is the peak-hour commuter flow with which the public short-distance transport system can barely cope. The required means of transport have very seldom been provided before or during the emigration to the surrounding areas, and their capacity was mostly inadequate. The unsatisfactory state of the transport facilities and the fashionable trend towards individual transport are imposing a heavy strain on the road network, and to cope with moving and parked vehicles in the conurbation centres very high costs must be accepted. Not only the nominal costs, but also the high opportunity costs for these projects have to be taken into account. Even so, heavy public and private expenditure has failed to prevent a lowering of the quality of life in the big towns, and the preference given to individual transport has been one of the reasons.

Other sections of the infrastructure, ranging from educational facilities and hospitals to the supply services catering for households and business firms, are also requiring great public sector efforts. As the population has been moving from the centres to the suburbs, so has the demand for some of these infrastructure services. It often happens that full use cannot be made of schools located in the former centres while at the same

time border areas are suffering from a shortage of educational facilities. The population influx into these areas was at first somewhat disorganised, and so was the supply of infrastructure facilities. The local authorities in the rural districts bordering on the central density areas were not properly prepared for such an expansion of infrastructure needs.

#### **Lack of Coordination**

The fact that public sector performance in this field has so far been inadequate and high social costs have had to be incurred is due to lack of temporal and regional coordination in planning, financing, and execution of all the work that has had to be done. A meaningful appraisal of the economic aspects of the development of the towns and their surroundings is only possible if this development is regarded as part of the general processes operating in the regional economy.

Many different authorities are concerned with the planning and financing of infrastructure facilities in Germany. For a long time coordination in planning between Federal Government, the Federal Lands and the local authorities and their consultations with the private sector was rather ineffectual, with the result that, especially where urban development involved an overlap between different territorial bodies, the financial resources of the various sectional bodies and the public sector in general were not properly concentrated on definite focal points. Many of the parishes on the borders of the density areas and development axes will have to be built up in future into focal points with special responsibilities for supplying surrounding districts. The services provided by them will definitely have to be coordinated with those of the old centres and other regions. Much will depend in future upon a rearrangement of the planning competencies. The administrative reform in some Lands of the Federal Republic with the object of merging smaller units into larger ones is to be thoroughly welcomed in this context. Many of the conurbations, the centres of urbanisation, are split by boundary lines, in many cases even by boundaries between the Lands. The sole remedy here is to redraw the boundary lines and to combine planning and financing competencies in larger administrative units.

If the density areas in general and the towns in particular are to be assured of equal and adequate services, the available financial resources must be concentrated selectively on the focal points. The tightness of financial and substantial resources at the disposal of the public regional bodies concerned has in the past been one of the

major bottlenecks, apart from the unsolved planning problems. Attention must not be focussed exclusively on finance for investments, but focal points in the public services as a whole, including general administrative services, will in future also require support.

The local rates and other revenue of local authorities are barely sufficient to finance the tasks involved in urban development. At present it even seems that the investment capacity of the local authorities is stagnating. It may be interpreted as a first step towards an ideal financing policy that by Federal Law the local authorities get parts of the income tax paid by their residents, but if this is done, it is necessary to match increased services to business firms by special levies. This bottleneck has not yet been eliminated through borrowings by the local authorities or grants and aids from their superior regional bodies. As the local authorities are providing an increasing amount of services for neighbouring districts, there is a need for systems to be developed which ensure that the beneficiaries of such services make a larger contribution to the financing of the focal points.

#### Urban Development Policy

This coordination of planning and financing should serve to bring about a gradual transition from the town building policy proper to an urban development policy. The measures to attract industry and the housing policy must not be treated as unconnected with the projects for town centre rehabilitation and the overall development of the density areas. The concentration measures must follow a meaningful plan. To avoid too great economic disadvantages, the target should be a functional mixture in the town centres and in the newly settled areas as well. Excessive concentrations of any one function in one locality involve substantial infrastructural measures, as is clearly exemplified by the short-distance traffic. Thus the main task is to assign the individual economic sectors to their proper local area in relation to each other and to the residential districts, to leave room for open spaces, and to provide recuperational facilities in the vicinity. Whether it will be possible to make residence near the town

centres more attractive by rehabilitating the central areas will largely depend on the future operation of the Town Building Promotion Act (*Städtebauförderungsgesetz*) and the implementation of new proposals for the reform of land legislation.

#### Comparison with other Countries

The tendency towards urbanisation in Germany and its economic problems cannot be compared with similar developments in other countries without some substantial qualifications. In the USA such concentration moves began much earlier; suburbs were long ago already spreading deep into the countryside. The functional changes in the town centres and the concentration of service industries in them had at the same time the result that poor people took over the old residential districts. It may be feared that an analogous development, involving the foreign workers, will occur in Germany. In less advanced economies similar problems arise in a somewhat different form. In these the towns are proving very attractive because they form centres for the service and production sector. In contrast to the development in Europe and the USA, the mistaken belief that the large towns offer unlimited job opportunities led at first to settlements on the outskirts of the large towns. This flight from the land is still continuing and confronting the supply services of the central towns with insoluble tasks.

There are many examples to demonstrate that the functional changes and economic problems of the towns must not be viewed in isolation from the other regions. When large numbers of people concentrate in some areas and leave others empty, substantial costs are bound to arise for the whole economy. They should in each case be proportionate to the benefit for private households and business firms. The main problem for all urban regions in future will be that, bearing the particular circumstances in mind, those concerned should make an appropriate contribution to the financing and inauguration of a development policy. The urban development policy of the future will not be an exclusively economic problem even though great economic resources will have to be brought to bear on it.

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