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The Nature of Urbanisation in LDCs

by Barkat Alam, Glasgow*

The urbanisation experience of the less developed countries shows distinct differences to that of the industrialised countries. What are the reasons for this and what are the implications for development policy?

Urban growth in less developed countries (LDCs) is often termed "over-urbanisation", meaning that the growth of population in urban areas is much greater in speed and scale than anything experienced by the industrialised countries. The employment opportunities, on the other hand, are not increasing in sufficient numbers to absorb the growing labour supply in these centres; also, this increase in numbers is putting pressure on the already inadequate urban services. The increased concentration of population in urban centres also influences priorities and diverts resources away from rural development, which harms development efforts in general. Urbanisation is held responsible for all sorts of problems including increasing and perpetuating poverty, neglect of rural development and increased foreign debts etc.

This concern with urbanisation in LDCs stems from the experience of the industrialised countries, where this process has been associated with economic development and general improvements in living standards. The experience of LDCs seems to suggest an altogether opposite situation. The population in urban areas is growing at a very fast rate and so is poverty and unemployment, which is more visible in urban centres and does not show any sign of slowing down.

This rather different experience has prompted a very vigorous debate among economists in particular and social scientists in general about the role of urbanisation in the process of development in LDCs.¹ The debate focuses on two aspects. Firstly, it suggests that the process of urbanisation is in some ways different in nature from the one experienced by the industrialised countries and secondly, and perhaps more significantly, it throws doubt on the positive role of urbanisation in the

process of development as far as the LDCs are concerned, as urbanisation puts serious obstacles in the path of development.²

This paper examines the factors which could throw some light on the nature of urban growth in LDCs. This, hopefully, can contribute to explaining the differences, apparent or real, between the two experiences, which can help our understanding of the "over-urbanisation" phenomenon.

An important feature of urban growth in these countries is that it is highly concentrated in and around a few very large cities which are growing at a very fast rate, both as a result of population growth in general and also by attracting migrants from rural areas and other parts of the country.³ The number of large cities varies from country to country depending on its size and geographical position and also on its history. For example, India has more large cities than Sri Lanka or Kuwait. However, by and large there are only one or two cities and the difference between the largest and the second largest is very substantial.⁴

Cities in the Third World are rapidly replacing the cities of industrially advanced countries in terms of ranking. In

¹ M. Lipton 'Why Poor People Stay Poor. Urban Bias in Economic Development, Temple Smith 1977; also, W. A. Lewis 'The Evolution of the International Order, Discussion Paper No. 4, Princeton University, Woodrow Wilson School, Research Programme in Development Studies, 1977, pp. 39-40

² J. F. Linn 'The Cost of Urbanisation in Developing Countries, in: Economic Development and Cultural Change, April 1982, pp. 625-648.

³ M. P. Todaro, J. Stilkind 'The Urbanisation Dilemma, in: M. P. Todaro (ed.): The Struggle for Economic Development, Longman 1983.

⁴ A. B. Simmons 'A Review and Evaluation of Attempts to Constrain Migration to Selected Centres and Regions, in: M. P. Todaro (ed.), op. cit; see also G. Beier, A. Churchill, M. Cohen, B. Revend 'The Task Ahead for the Cities of the Developing Countries, in World Development, Vol. 4, No. 5, May 1976, pp. 363-409.

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1950 eleven of the world's fifteen largest cities were in developed countries. This number will be reduced to 3 by the year 2000. The population of the largest cities in LDCs will be enormously large. Mexico City will have 31 million people. London, which was the largest city in 1850, will disappear from the list of the 15 largest cities in the world altogether.⁵

Urbanisation and Economic Development

Urban growth has been associated with industrial growth, particularly with the growth of manufacturing in the early stages of development. It involves the transfer of resources from the primary (rural) sector to the modern (urban) sector. The reward of (wage) labour is determined with reference to its marginal productivity in the agricultural sector, which is very low and can even be negative.⁶ The transfer process, according to this argument, comes to an end when wage differentials are equalised and agriculture is also modernised. This puts upward pressure on wages in the agricultural sector, as it has to compete for labour with the modern urban sector. This then results in a much lower concentration of population in rural areas and a relatively high concentration in urban areas. Urban population is stabilised when it accounts for about 75% of the total population with a higher income level.⁷ All this should lead to reduced rural to urban migration, too, by removing the economic incentive, which is an important feature in the early stages of development. Any growth after that is due to the natural population growth in urban areas. This is borne out by the experience of developed countries. Urbanisation thus is a necessary condition for achieving economic development.

The positive role of urbanisation in the process of development was acknowledged very early on by scholars and social scientists. While it is true that modern-day industrial cities are very different from their counterparts in the mercantilist and earlier periods, they all display common features such as their function as centres of modern and non-agricultural activities and as centres of learning, art and culture. The growth of urban centres is thus related to the growth of non-agricultural activities, which in turn puts pressure on agriculture to improve and expand. This relationship is important and is based on sound economic reasoning as urban

centres offer opportunities as well as competitive advantages to firms by allowing the clustering of activities such as repair and maintenance, transport and communication, storage, banking and insurance etc. This clustering itself is instrumental in generating externalities⁸ which create further possibilities of expansion in other sectors of the economy. This kind of development is not possible in a rural agricultural setting and probably not needed either in the same form, particularly when subsistence farming is predominant.

This concentration of industrial activity gives rise to substantial external economies and the possibilities for realising such economies by allowing indivisibilities to be overcome, and thus encourages investment in projects which otherwise would not be economical. It also generates possibilities of employing sophisticated technologies which offer significant economies of scale and whose realisation depends on the size of the market.⁹

This industrial concentration works as a "pull" factor as far as the population is concerned and gives rise to the concentration of population by at least generating expectations of employment,¹⁰ thus ensuring not only a large and varied supply of labour but also a ready market for the variety of goods and services that the urban industrial sector produces.

Urban growth also contributes to the process of development in yet another important manner through innovations and inventions, as the process cannot continue without them and the urban setting is the proper one for initiating and developing new ideas and techniques.¹¹ This is not to suggest that urbanisation does not bring its own peculiar problems but these are the problems of growth and development.

Historical Experience

It is instructive to examine the whole problem of urban growth in an historical context to help to clarify the relationship between urbanisation and economic development and to establish the pattern of urban growth in the development process. Table 1 shows the

⁵ United Nations: Patterns of Urban and Rural Population Growth, New York 1980, p. 58.

⁶ I. Myint: The Economics of Developing Countries, Hutchinson, London 1964, pp. 53-68; W. A. Lewis: Economic Development with Unlimited Supply of Labour, in: Manchester School, May 1954.

⁷ H. Chenery and M. Syrquin: Patterns of Development, World Bank, 1975, p. 54.

⁸ S. Lall: Transnationals, Domestic Enterprises and Industrial Structure in Host LDCs: A Survey, in: Oxford Economic Papers, Vol. 30, 1978.

⁹ T. Scitovsky: Two Concepts of External Economies, in: Journal of Political Economy, August 1954, pp. 143-151; A. P. Lerner: The Economics of Control, New York 1970, Ch. 15 and 16.

¹⁰ M. P. Todaro and J. R. Harris: Migration, Unemployment and Development, in: American Economic Review, March 1970, pp. 126-138, 141-142.

¹¹ E. E. Hagen: The Economics of Development, Illinois 1975, pp. 101-161.

distribution of urban population as a percentage of total population for the world as well as for more developed and less developed regions separately covering a period of 125 years from 1800-1925. This is an important period in world history, which saw the expansion of capitalist Europe and at the same time the creation of the Third World. Most of today's fastest growing cities in LDCs were either established or gained importance during the colonial period which was then at its zenith.

These figures clearly point to an upward trend in the percentage of population living in urban areas over time. In 1800 5.1 % of the total world population was resident in urban areas, and this figure increased in the next hundred years to 13.3 %. By 1925 about one fifth of the world's population was already living in cities and towns. This process is noticeably faster nearer the end of the period covered by the table.

The same tendency is also observed in the two world regions. There is a steady increase in the percentage of population resident in urban areas in both the regions. The more developed regions, which started from a

bigger base, initially show a faster growth of urban population. In the less developed regions, the percentage of population in urban areas was much lower in 1800 (4.3) and did not register any noticeable change for the next 50 years. The change is felt from 1875 onward and follows the same pattern. By 1925 9.3 % of the population in less developed regions was resident in urban areas, compared to 39.9 % in the more developed regions.

Table 2 shows very clearly that although the percentage of population in urban areas has tended to increase in the world as a whole as well as in more developed and less developed regions, there are significant differences in the rate of increase itself, which can throw an important light on the whole process of urbanisation and its relationship to economic development. The first 25 years (from 1800-1825) show a growth of 5.6 % in the share of urban population in the world as a whole while the rate of growth in more developed regions is much faster (11 %). The less developed regions did not register any growth at all during this period. During the next 25 years (1825-50) the share of urban population for the world as a whole shows an increase of 16.7 % whereas more developed and less developed regions indicate an increase of 39 % and 2.3 % respectively. The trend in the rate of increase in the share of urban population flattens off substantially after 1850 in the more developed regions. During 1850-75 these regions show an increase of 50.9 % followed by an increase of 51.7 % in the next 25 years. On the other hand, in the less developed regions the rate of increase of the share of urban population gathers momentum after 1850. It shows an increase of 13.6 % in 1850-75, 30 % in 1875-1900 and 43.1 % during 1900-25.

It is worth noting at this point that although the rate of increase of urban areas was gathering speed in less developed regions the overwhelming proportion of the population there was still living in rural areas. For example, although the rate of increase in the last quarter covered by the table was 43.1 %, only 9.3 % of the total population was in urban areas. It is also important to note that the rate of increase in the share of urban population in more developed regions showed a rapidly growing trend in the earlier period, which reached its peak during 1850-75 and started slowing down around the end of the 19th century.¹² In the case of less developed regions the situation is the reverse. It was very slow in the beginning and shows an increasing pace with the passage of time.

¹² It is interesting to note that London appeared as the largest city in the world around 1850 to be replaced by New York in 1875; cf. United Nations, op. cit., p. 5.

Table 1
Urban Population as a Percentage
of Total Population 1800-1925

Year	World	More Developed Regions	Less Developed Regions
1800	5.1	7.3	4.3
1825	5.4	8.2	4.3
1850	6.3	11.4	4.4
1875	8.8	17.2	5.0
1900	13.3	26.1	6.5
1925	20.5	39.9	9.3

Source: John V. Granman: Orders of magnitude of the world urban population in history, in: United Nations Population Bulletin, No. 8, 1976, quoted in: United Nations: Patterns of Urban and Rural Population Growth, New York 1980, p. 7.

Table 2
Rate of Increase in the Share of Urban Population
1800-1925
(Percentages)

Period	World	More Developed Regions	Less Developed Regions
1800-1825	5.6	11.0	nil
1825-1850	16.7	39.0	2.3
1850-1875	39.7	50.9	13.6
1875-1900	51.1	51.7	30.0
1900-1925	54.1	52.9	43.1

Source: Table 1.

The Current Situation

This trend still continues, as can be seen from the evidence in Table 3 which shows average annual growth rates of urban population in selected countries in 1970-80. It classifies countries according to per capita income level using United Nations classifications¹³ for low income, middle income and industrialised. Centrally planned economies have their own separate category.

As shown in Table 3, the rate of growth of urban population is substantially higher in low and middle income countries than in the industrialised countries. In some cases it is very high, such as in Kenya and Bangladesh where urban population is growing at 6.8 % and 6.6 % respectively. In most low and middle income countries the growth rate is between 3 and 5 %. The rate of urban population growth is substantially lower in

Table 3
Average Annual Growth Rates of Urban Population
in Selected Countries, 1970-80
(in %)

Country	Urban Population Growth
Low Income	
Bangladesh	6.6
India	3.3
Sri Lanka	3.7
Pakistan	4.3
Kenya	6.8
Indonesia	3.6
Middle Income	
Egypt	3.6
Ghana	5.2
Thailand	3.5
Philippines	3.6
Nigeria	4.9
Malaysia	3.5
Korea, Rep. of	4.8
Algeria	6.4
Mexico	4.5
Brazil	4.3
Venezuela	4.2
Industrialised	
Italy	1.3
United Kingdom	0.3
Japan	2.0
France	1.4
United States	1.2
Sweden	1.0
Centrally Planned	
China	3.1
USSR	2.2

Source: World Bank: World Development Report 1980.

industrialised countries with the exception of Japan where it is growing at the rate of 2%. All the other countries in this category show a growth rate of less than 1.5%. In fact it is as low as 0.3% in the case of the UK. As far as the centrally planned economies are concerned the trend is upward, though it is lower in the case of the USSR (2.2%) than in that of China (3.1%).

Although it is hazardous to attempt intercountry comparison as the definition of "urban area" differs,¹⁴ research has established that urbanisation in terms of population growth slows down with development. This is also confirmed by Table 3. Urbanisation in terms of concentration of population is fairly well advanced in Latin American countries where the majority of the population is resident in urban areas (65-80%). These countries are nearer the upper end of the middle income group of countries as far as GNP per capita is concerned. This is also true of oil-exporting countries like Algeria. Centrally planned economies also suggest a similar pattern. The rate of urban growth is faster in the case of China, which has a lower per capita income than the USSR.¹⁵

The available evidence thus supports the view that urbanisation is related in some positive way to economic development. In advanced stages of development a move away from the cities is also found.¹⁶

Urbanisation in LDCs

First of all, the growth of urban population may appear to precede industrial growth but it is not a cause of it. It is industrial growth and its possibilities which create the climate for the concentration of population in the urban areas to start with. This in turn helps the industrialisation process, which further increases urban growth and thus the two processes become indistinguishable. In short, urbanisation, though necessary, is not a sufficient condition for achieving industrialisation and development.

The factors which induce the rapidly growing concentration in a few large cities can be divided into two distinct groups. Firstly, the "pull" factors, which encourage migration from other parts into these large cities; and secondly, the "push" factors, which force population to migrate particularly from rural areas.

¹³ World Bank: World Development Report 1980.

¹⁴ United Nations, op. cit., pp. 121-124.

¹⁵ World Bank, op. cit.

¹⁶ B. J. Berry (ed.): Urbanisation and Counterurbanisation, in: Urban Affairs Annual Reviews, Vol. 11, Sage 1976.

These two groups of factors reinforce each other. One cannot possibly operate without the other.

As has already been pointed out, the concentration of population in urban centres follows industrial concentration, particularly the processing and manufacturing which is an important area of activity in the early stages of development. This is the most important "pull" factor, as it generates expectations which induces migration into these centres.¹⁷ Almost all LDCs employ import substitution and export promotion strategies in various degrees to achieve economic development. Both of these strategies favour urban concentration.

The strategy of import substitution can lead to industrialisation "working its way backward from the 'final touches' stage to domestic production of intermediate, and finally to that of basic, industrial materials".¹⁸ However, the possible backward vertical linkages are limited by the minimum economic size of many intermediate and basic industries, so that this form of industrialisation is concentrated mostly in the largest cities both for demand and supply reasons. Urbanisation and import substitution are positively related.¹⁹

As far as the export promotion strategy is concerned, although the potentials for forward linkages are much greater in practice their realisation is severely constrained by very low domestic demand. These economies are mostly based on one or two primary products and thus have a very limited scope for generating vertical linkages, particularly backward ones. A major proportion of output is exported in semi- or unprocessed form. Industries are located in urban areas, which are strategically placed primarily to facilitate exports. They do generate externalities but these are, again, confined to the rapidly growing cities.

Development policies based on such strategies have an "outward" orientation which not only favours the siting of plants in existing urban centres but also encourages the clustering of activities which serve industry. The dispersal of industrial activity thus is a function of inter-sectoral linkages within the economy, particularly vertical linkages, both backward and forward. The wider the inter-sectoral linkages the more dispersed is industrial location and thus the more dispersed the urban centres. An important

characteristic of most LDCs is the lack of interdependence of production activities. This causes the high spatial concentration of a few industrial activities in or around cities, particularly the largest city, inducing the concentration of population too.²⁰

Thus the "pull" of urban centres is reinforced by policies to accelerate the process of development, which unwittingly also increase the rate of growth of urban centres, especially the largest cities. This gives the impression of urban growth leading industrial growth rather than following it. This "pull" works in conjunction with general population increases and magnifies the growth of cities, mainly the largest cities. This is particularly interesting as rural to urban migration does not show any significant time trend.²¹

The Role of Rural Poverty

Beside the "pull" factors "push" factors are also operating which are considered more important in explaining the migration into the largest city. "Push" factors are those which force people to migrate, not as a positive choice but because of negative considerations, the outcome of social, cultural, political and economic factors. The most important is increased rural poverty which shows itself in the increasing landlessness and growing numbers of poor peasants in LDCs. In some of these countries 40% of the rural population lives below the poverty line.²² The sort of growth which has taken place, particularly in agriculture, has "set into motion the process of impoverishment. Economic prosperity has not only simply missed these people; they have been systematically marginalised or proletarianised. Their ability to supply their basic needs has been gradually but relentlessly reduced."²³

The drive to increase the performance of agriculture to meet the growing needs of the urban population and, more importantly, to help earn foreign exchange to finance industrialisation is largely confined to a certain type of output which is neither produced nor used in any form by the poor or very poor in rural areas. The desire to increase this type of output inevitably involves the use of advanced technology whose effect on employment in labour surplus economies has not been very positive. It created wage employment opportunities in certain

¹⁷ M. P. Todaro and J. R. Harris, *op. cit.*

¹⁸ A. O. Hirschman: *The Strategy of Economic Development*, New Haven 1958, p. 112.

¹⁹ *Ibid.*, p. 113.

²⁰ R. Weiskoff and E. Wolf: *Linkages and Leakages: Industrial Tracking in an Enclave Economy*, in: *Economic Development and Cultural Change*, July 1977, pp. 607-628.

²¹ H. Chenery and M. Syrquin, *op. cit.*, p. 54; also L. Squire: *World Bank Staff Working Papers*, No. 336, p. 55.

²² ILO: *Profile of Rural Poverty*, Geneva 1974, p. 4.

²³ *Ibid.*, p. 9.

favoured regions like the Punjab in India, whose effects are more than offset by the displacement of self-employment among small farmers, rural artisans and craftsmen. The impact is much more serious in less favoured regions which became suppliers of migrant labour.²⁴

This increasing poverty and landlessness is the most important factor, coupled with the lack of alternative employment opportunities in the rural areas, which forces those who can to move out, and the only place they can move to is the city. Attempts to introduce land reforms to remedy the situation have not been very successful.

In such a situation the urban sector provides hope for escape from rather hopeless conditions. In fact, it is sometimes argued that these "push" factors are more important in explaining rural to urban migration in LDCs than the "pull" factors which Todaro's model underlines. This becomes more obvious when urban poverty and its growth in these countries is examined.²⁵ It is more like exchanging one form of misery for another.

Conclusions

Urbanisation, though necessary, is not a sufficient condition for achieving industrialisation and economic development. The phenomenon "over-urbanisation" has largely three causes:

- The process of change is deliberate and much faster than anything experienced by the industrialised countries.
- The strategies adopted to achieve industrialisation emphasise external linkages rather than domestic ones,

²⁴ T. J. Byres, B. Crow, H. Ho: *The Green Revolution in India*, Case study No. 5, The Open University, U 204, 1983, pp. 40-41.

²⁵ G. F. Papanek: *The Poor of Jakarta*, in: *Economic Development and Cultural Change*, October 1975, pp. 1-27; K. Griffin: *On the Emigration of Peasantry*, in: *World Development*, May 1976, pp. 353-360.

which concentrates industrial growth in certain favoured urban centres and attracts population from other parts, particularly from rural areas. This, again, is not very surprising as it happened in the industrialised countries too when they were undergoing this process of change. The difference is in the speed and scale, which can be explained by examining the changed circumstances of the two experiences. Since the industrial activities are also few they are confined to a few large cities, which also accentuates urban population concentration.

- The growth rate of population, which is high in these countries, is also a contributing factor.

The policy implications of what has been discussed in this paper are fairly obvious. The orientation of strategies selected for achieving economic development must emphasise the internal linkages, their development and reinforcement. This involves a more carefully selected approach. In the case of import substitution, the focus should be on choosing activities which conform to these criteria in the first place. In those cases where linkages do not already exist, attempts should be made to internalise the external linkages in due course. The export promotion strategy, which already has the potentials, should concentrate on realising them by increasing the domestic use of products produced for export and also by attempting to organise some of the processes within the country which are presently carried out in importing countries. All this should strengthen inter-sectoral linkages or create new ones within the economy and should also disperse industrial activity over a wider area or between different regions. This in turn will induce a wider distribution of the urban population, which will result, over a period of time, in the growth of cities in various regions and thus relieve the pressure on the largest cities. This is borne out by the experience of the industrialised countries and there is no reason why it should not be repeated in LDCs.

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