

PART I

SHARPENING THE GLOBAL DEVELOPMENT AGENDA

The major concern of this report is the growing challenge of slums, in the context of unprecedented urban growth and increasing poverty and inequality. During the next 30 years, urban growth will bring a further 2 billion people into the cities of the developing world, doubling their size. This is largely because the world's rural population has essentially reached its peak, so that almost all further population growth will be absorbed by urban settlements. The main problem is that very few countries, cities or agencies have recognized this critical situation, and outside of a few rapidly advancing countries, very little development effort is going into providing jobs for these people, or planning for land, housing and services that these 2 billion people will need.

This first part of the *Global Report on Human Settlements 2003* highlights the importance of the global agenda as a framework for human development, including improvement of the lives of slum dwellers. Definitions and means of enumerating slum dwellers are discussed in this part. It also considers the processes of formation of slums and the external and internal forces that lead to the segregation and deterioration of particular areas, especially market forces within cities, inappropriate government interventions and regulations, global economic changes and changes in the orientation of policy that have led to greater inequality and have inadvertently expanded the urban informal sector, while failing to deliver affordable, secure housing and urban services.

Chapter 1 begins by briefly covering the major issues – the urbanization crisis, the growth of urban poverty, failures of governance, including institutional and legal failure, and the way in which these conspire to exacerbate the situation of poor people. The Millennium Goals, the principal outcome of a series of major United Nations conferences of the 1990s, have included goals on slum improvement, and on water and sanitation supply.

The goal to improve significantly the lives of at least 100 million slum dwellers by 2020 has prompted a close examination of the possible definitions of slums, from a historical and cultural perspective, and to develop means of measuring numbers of slum dwellers. The conclusion is that slums are a multidimensional concept involving aspects of poor housing, overcrowding, lack of services and insecure tenure, and that indicators relating to these can be combined in different ways to give thresholds that provide estimates of numbers of slum dwellers.



A recent estimate using a slum definition of this type is that about 924 million people lived in slums worldwide in 2001, or about 32 per cent of the global urban population. Slums are seen in practically all parts of the world but with higher concentration in the developing world cities – about 50 per cent of slum dwellers were in South-central and Eastern Asia combined, and 14 per cent in Latin America and 17 per cent in sub-Saharan Africa. The proportion in Africa is rising rapidly as populations increase and urban housing shortages continue, while it is falling in Latin America due to regularization and slum improvement. In Asia, where economic conditions improved overall during the 1990s, the proportion of slum dwellers appears to have fallen, although the absolute number has increased.

Chapter 2 is concerned with the forces shaping slums – brought about by global socio-economic trends and by internal forces within the city, generated by markets and governing institutions.

Theories of residential differentiation began with the Chicago School of the 1930s, which saw city growth as a colonization of different ‘quarters’ by different income and ethnic groups. Their successors, the neo-liberal urban economists, regarded slums as the natural response of the market in providing housing for poor people: the housing that they can afford. Poor people needed to live at high densities in poor quality dwellings in order to afford housing accessible to income earning opportunities. A number of other reasons have also been suggested as to why poor people are segregated in space: regulation; public spending; and separation of work places for the rich and poor.

Post-modern theories of urban spaces are seen to be more appropriate to the multi-centred and fragmented cities of the 21st century. Many cities are now divided by different occupation groups: the very rich; the affluent professionals, the suburban middle class; the unskilled workers; the informal workers; and the residual or marginalized ‘underclass’. Each has a clear part of the city to themselves, supported by housing and distribution networks, but overlaying each other rather than necessarily confined to clear ‘quarters’. Methods of designating slum areas and measuring spatial disadvantage using factorial ecology indices, geographical information systems and other techniques can distinguish these groups in space.

The major challenges facing cities are urbanization and poverty. The world is entering a significant stage in a history of urbanization. During the next 30 years, the urban population in the developing world will double to about 4 billion people, at the rate of about 70 million people per year. Rural populations will barely increase and will begin to decline after 2020. Several regions – Europe and the Americas – are already 80 per cent urbanized. Rural–urban migration has slowed but is still very significant, while international migration accounts for many of the most marginalized people in cities and is a major risk factor for slum formation. Oddly enough, depopulation of certain

areas, particularly in Europe, is starting to be an important issue and may contribute to slum development in the future.

Poverty and slums are closely related and mutually reinforcing. As poverty reduction is now the major objective of development agencies, they have conducted considerable work in defining and measuring poverty. Poverty, like slums, is a multifaceted concept; but some simple income proxies have come into general use. Some 1.2 billion people globally live below the World Bank US\$1-a-day extreme poverty line and about half the world’s population lives below US\$2 a day. Poverty increased very rapidly from 1975 to 1993, but since then the numbers have barely increased. This disguises considerable regional variation: the biggest changes in poverty during the 1990s were in the transitional countries following liberalization, where extreme poverty increased from 14 million to 168 million – countered by an equivalent fall in poverty in China and Southeast Asia. Global urban poverty estimates are not currently available, and it is very difficult to survive in cities on less than a dollar a day; but there is evidence that about one third of slum dwellers in South Asia and Africa live in extreme poverty.

Chapter 3 updates the subject of the previous issue of the Global Report series, *Cities in a Globalizing World*, but from the particular perspective of inequality and poverty, and their impacts on slum formation. Much of the economic and political environment in which globalization has accelerated over the last 20 years has been instituted under the guiding hand of a major change in economic paradigm – neo-liberalism, which is associated with the retreat of the national state, liberalization of trade, markets and financial systems and privatization of urban services. Globally, these neo-liberal policies have re-established a rather similar international regime to that which existed in the mercantilist period of the 19th century when economic booms and busts followed each other with monotonous regularity, when slums were at their worst in Western cities and colonialism held global sway.

This chapter also presents a brief history of inequality over the last two centuries. Since 1800, the ratio of gross domestic product (GDP) per person between the richest and the poorest countries has expanded from 3:1 to almost 100:1. Inequality within societies has also continued to increase, except for the period of 1945 to 1978, when governments intervened to redistribute income and maintain full employment and minimum wages. In the period of 1978 to 1993, inequality between countries and within those countries that adopted liberalization regimes increased very rapidly. The contrast between the rich and poor in these countries has become stark, especially in less developed countries where being in the lowest income groups is associated with starvation and misery.

The rise of neo-liberalism is associated with the growth of international trade, the privatization of goods and services, the reduction of public welfare expenditure and the reform of regulation. Each of these has substantial

impacts on the urban poor – in most cases, very negative impacts. Within countries, neo-liberalism has found its major expression through Structural Adjustment Programmes (SAPs), which have weakened the economic role of cities throughout most of the developing world and have placed emphasis on agricultural exports, working against the primary demographic direction where all new workers are locating in towns and cities. In most countries, these policies have not resulted in the promised economic growth and have led to a crippling burden of debt. These global and national policies, as much as anything else, have led to the rapid expansion of the informal sector in cities, in the face of shrinking formal urban employment opportunities.

The final part of Chapter 3 discusses the phenomenon of ‘bottom-up’ globalization, or the spread in scope of informal networks through cheaper travel and greater ease of communication. These international connections provide opportunities to carve out a broader spectrum of ‘hybrid practices’ in economic, social and cultural spheres; but they are rather threatening to local communities and their social cohesiveness. Some networks allow cities or groups with a ‘commonality of interest’ to associate; others are a series of informal business transactions that can span continents and are often mediated through the core economies. These are small in scale compared with the massive structures of formal international transactions; but they do provide a necessary ‘informal infrastructure’ that later may manifest itself as more substantial linkages.

Major highlights of the first part of the report are:

- The world is rapidly moving towards ‘maximum urbanization’, which has already largely been completed in Europe and North and South America. Mostly, the population growth will be absorbed by the cities of the developing world, which will double in size by 2030. Three-quarters of the growth will be in cities with populations of 1 to 5 million or in smaller cities under 500,000 people. There is little or no planning to accommodate these people or provide them with services.
- In response to this and other challenges to sustainability, the Millennium Declaration of the United Nations has established targets for ‘improving the lives of at least 100 million slum dwellers by 2020’ by reducing poverty and improving water and sanitation. These objectives require global and regional estimations of existing conditions and trends, through an associated set of indicators, and a close examination of what is really happening to disadvantaged people in the world’s cities.
- People often have clear perceptions as to which areas are slums; but slums can only be rigorously defined through combining different dimensions of housing, urban services, overcrowding and tenure insecurity. A recent estimate of numbers of slum dwellers indicates that, globally, 32 per cent of urban residents live in slums (compared with about 20 per cent in informal settlements, which are the most visible slums). The incidence of slums in African cities and many smaller cities in other parts of the developing world is over 50 per cent.
- Asia has about 60 per cent of the world’s slum dwellers. Africa has about 20 per cent, but this is growing quickly. Latin America has 14 per cent.
- Slums arise from poor people’s need to find affordable and accessible housing. They are created by the market or by the people themselves when increasing numbers of people in poverty meet inadequate housing and planning responses. Slum conditions are worsened by economic decline, increasing inequality, loss of formal-sector jobs, rapid immigration, poor governance and exclusionary actions.
- Inequality contributes not just to poverty, but makes it more difficult for subsequent economic growth to have an effect on poverty. Regular booms and busts have contributed in the past not just to ‘ratcheting’ inequality upwards, but they have been directly associated with slum formation and dilapidation in cities exposed to global trade. It seems probable that this will, once again, begin to happen in a globalized, deregulated world.
- The largest improvements in urban conditions and poverty alleviation over the last 20 years have been in China and East Asia. During the 1990s, these were almost exactly countered by a major decline in the living conditions of people in the former socialist countries of Europe and Central Asia, following rapid liberalization. Real incomes in many African countries are still below the levels of the mid 1970s, as, indeed, they are for the bottom third of households in the US and a number of other countries exposed to liberalization during the period.
- World trade has grown rapidly during the 1980s and 1990s, but is still dominated by a small group of countries. Contrary to popular belief, the West has not lost its manufacturing share; rather, it is the less developed countries who have lost their share of manufacturing employment and trade to a small group of countries in Asia.
- The powers and functions of national governments in the developing world have been considerably weakened through subsidiarity and other liberalization prescriptions. This potentially has benefits in local accountability and the mobilization of local resourcefulness, but has dangers in that a system of government is imposed from outside as part of a global hegemony of uniform ideas and cultures.
- Informal networks of various kinds have become widespread in space and within ‘commonalities of interest’ as globalization has reduced transaction

costs and governments have withdrawn from action and regulation. In the short term, these networks are meagre compared with the large-scale transactions of the formal international economy; but they may form the basis of future activity.

- A case can be made that the primary direction of both national and international interventions from 1975 has actually increased urban poverty and slums,

increased exclusion and inequality, and weakened urban elites in their efforts to use cities as engines of growth. This has been partially counterbalanced by the recognition of self-help and the informal sector as a legitimate strategy, and a slow reduction in the persecution of the urban poor in their attempts to create a better life and environment.

DEVELOPMENT CONTEXT AND THE MILLENNIUM AGENDA¹

The 20th century was a time of great change, and the greatest of those changes was in the numbers of people on the globe and where they lived. Since 1950, mankind has endured its most rapid expansion, from 2.5 billion to 6 billion people. Sixty per cent of this gain has been in urban areas, particularly in the urban areas of the developing world, where the urban population has increased more than sixfold in only 50 years. Humanity is only about half way through this great transformation to urban living. During the next 30 years, the global urban population will increase by more than 2 billion while rural populations will be almost static.² The greatest impact will be felt in the developing world, and nowhere more so than throughout South and South-eastern Asia and sub-Saharan Africa. During the next 15 years, many large cities in Asia and Africa will nearly double their population.

The huge increase in urban populations amounts to a crisis of unprecedented magnitude in urban shelter provision. Every year, the world's urban population is increasing by about 70 million, equivalent to seven new megacities. These people all need to be provided with shelter, with employment and with urban services. The stretched capacity of most urban economies in developing countries is unable to meet more than a fraction of these needs, so that the informal sector is providing most of the new employment and housing in environments that have come to be known as informal settlements or slums, where more than half of the population in many cities and towns of developing countries are currently living and working.

CITIES WITHOUT SLUMS?

It has been estimated that one third of the world's urban population today do not have access to adequate housing, and lack access to safe water and sanitation. These people live in overcrowded and unserviced slums, often situated on marginal and dangerous land. They lack access to clean water, for which they will pay a premium. Their waste not only remains untreated, it surrounds them and their daily activities and affects their health, especially their children's.

This situation is not new. Since humanity first began to live in cities, the problems of inadequately serviced and overcrowded urban housing in which the poorer members of urban society live have been recognized as undesirable aspects of urban living. The more developed parts of the world have already undergone their primary urbanization, albeit at a smaller scale and at a considerably slower pace.

The crisis that these changes engendered in society in Europe and elsewhere from the 17th to the 19th centuries has been documented in a huge literature describing slum conditions possibly worse and more degrading than those currently prevailing in the developing world, accompanied by more profound political and social unrest.

Although modern technology, improvements in social attitudes and in organization, and the existence of a large pool of wealth in the developed countries should make it possible to weather the remainder of this global challenge under better conditions than prevailed in the first phases of urbanization, this is, in fact, not happening. The situation is being exacerbated by two factors – an almost complete lack of planning or preparation for urban growth in most parts of the world, and a rapid increase in both inequality and poverty, which is compounded by policies intended to improve growth, but which have mostly not done so because they have tried to fight the key urbanization dynamic rather than work with it.

As this report will show, it has been possible for a very few countries to urbanize without the wholesale expansion of slums and informal employment that is the norm. While this has tended to occur in political situations that are not replicable, they do show that it is possible, and that directed policy and planning can substantially improve the situation, particularly where it is applied consistently over an extended period. What is happening in most cases is the reverse: piecemeal, undirected or impractical policies that cannot be implemented or which, in practice, benefit only those in power.

The failure of governance

An important message of this report is that slums and urban poverty are not just a manifestation of a population explosion and demographic change, or even of the vast impersonal forces of globalization. Slums must be seen as the result of a failure of housing policies, laws and delivery systems, as well as of national and urban policies.

The most important factor that limits progress in improving housing and living conditions of low-income groups in informal settlements and slums is the lack of genuine political will to address the issue in a fundamentally structured, sustainable and large-scale manner. There is no doubt that the political will to achieve long lasting and structured interventions constitutes the key to success, particularly when accompanied by local ownership and leadership, and the mobilization of the potential and capacity

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The nuts and bolts of urban governance have become a central issue of development

of all the stakeholders, particularly the people themselves. Lessons from several countries underscore the importance and the fundamental role of sustained political will and commitment in improving or reducing slums.

The failure of policy is at all levels – global, national and local. At the global level, policies that have weakened national governments without any countervailing central control appear to be leading to an unrestrained globalization that is accommodating greater inequality and marginalization. At the national level, liberalization and the sectoral fragmentation of policy and analytical and institutional frameworks have failed to support the urban–rural and cross-sectoral dynamics that are critical both to sustainable economic growth and the distribution of its opportunities. At the local level, a startling lack of capacity to cope with, or manage, the situation has left many slum citizens in a no-man’s land of illegality, insecurity and environmental degradation.

The *Global Report on Human Settlements 2001* was concerned largely with globalization and its effect on urban settlements. Much of the economic and political environment in which globalization has accelerated over the last 20 years has been instituted under the guiding hand of a major change in economic paradigm – that is, neo-liberalism. Globally, these policies have re-established a rather similar international regime to that which existed in the mercantilist period of the 19th century when economic booms and busts followed each other with monotonous regularity, when slums were at their worst in Western cities, and colonialism held global sway. Nationally, neo-liberalism has found its major expression through Structural Adjustment Programmes (SAPs), which have tended to weaken the economic role of cities throughout most of the developing world and placed emphasis on agricultural exports, thus working against the primary demographic direction moving all of the new workers to towns and cities. These policies, as much as anything else, have led to the rapid expansion of the informal sector in cities, in the face of shrinking formal urban employment opportunities.

A case can be made that the primary direction of both national and international interventions during the last 20 years has actually increased urban poverty and slums, increased exclusion and inequality, and weakened urban elites in their efforts to use cities as engines of growth. This has been partially counterbalanced by the neo-liberal recognition of self-help as an effective strategy, and a slow reduction in the persecution of the urban poor in their attempts to create a better life and environment.

It is a paradox that the greatest global challenges – urbanization and the growth of poverty, including the feminization of urban poverty – are increasingly being managed at the local level. In those parts of the developing world that are already substantially urbanized, cities of all sizes are faced with demands and responsibilities for which they are mostly ill equipped and ill resourced. Policy and legal frameworks, regulatory authority, planning authority, human skills, revenue base, accounting and accountability are as much in demand as raw land. Lip service is paid to decentralization without providing the means to make it

work. The nuts and bolts of urban governance have become a central issue of development, though generally lacking support and direction from higher levels of government where the resources actually lie.

Ultimately, the poor suffer most from the lack of governance and political will, as weak urban governance meets the impact of growing inequality, corruption and imbalances in resource allocation. The problem stems from a failure of national and city governments to recognize that their primary reality is one of rapid urbanization; that their primary task is to ensure that jobs, shelter and services are provided to the new generations of urban dwellers who are their national future; or even where the problem is recognized, to act in a concerted and systematic way to ensure that slum living and illegality is not the fate of the vast majority of new urban residents.

Institutional and legal failure

The urban poor are trapped in an informal and ‘illegal’ world – in slums that are not reflected on maps, where waste is not collected, where taxes are not paid and where public services are not provided. Officially, they do not exist. Although they may reside within the administrative boundary of a town or city, their local authority may well be a slumlord or mafia leader, rather than city council staff, who often no longer attempt to assert their jurisdiction or even enter the slums. As illegal or unrecognized residents, many of these slum dwellers have no property rights, nor security of tenure, but instead make whatever arrangements they can in an informal, unregulated and, in some respects, expensive parallel market.

In the majority of cases, slum dwellers exist outside of the law where they live and work. They are not able to access most of the formal institutions of society, and lacking a legal address they are often unable to access social services such as subsidized health care or education, which are largely used by the more affluent. Governments, in many cases, refuse to provide them with services on the grounds that their settlements are not legal, even though these may have been in place for over 50 years and comprise a majority of the population. Rather than helping them or trying to provide for them, governments actually hound them and restrict them in their attempts to provide the fundamentals of life – shelter and livelihood – and they live in a state of permanent insecurity and illegality.

The institutions that are failing slum dwellers are not just those of government and law, but also the private and commercial systems. Slum dwellers’ ‘life chances’ are low; they are rarely able to obtain formal-sector jobs because of their lack of social capital, including lack of education, lack of patronage and contacts, and a general exclusion from ‘regular society’ that is mediated by signifiers of social class and a lack of empowerment. Slum dwellers are also not able to access regular sources of finance to develop their own businesses. Banks do not usually have branches in slums, and if they do, the lack of legally registered collateral will exclude all but the most well-off slum dwellers from obtaining loans. Slum entrepreneurs are forced to draw on informal sources of finance at exorbitant rates and very short repayment periods.

It has been estimated that one third of the world’s urban population today do not have access to adequate housing

The urban poor are trapped in an informal and ‘illegal’ world – in slums that are not reflected on maps, where waste is not collected, where taxes are not paid and where public services are not provided

The lack of access to finance is at its most critical in housing provision. Conventional housing finance is usually only available to higher-income groups, resulting in the highly segmented housing markets that separate informal and formal housing markets throughout the developing world. Housing is usually available – often with high vacancy rates – at the high-quality, high-cost and high-income segment of the market. Meanwhile, the low end of the market is extremely tight, with low or no vacancy rates and a progressive increase in densities as more people occupy each available room.

The poor-, low- and even middle-income majority of the population in developing countries cannot afford a loan for even the least expensive, commercially built housing units. This is why so much slum housing is built by landlords – but many of these people are often not particularly well off and cannot obtain loans at normal rates for new dwellings in slum neighbourhoods, restricting rental supply. The remaining low- or middle-income owner-occupier households build their own houses progressively over long periods, primarily starting from a makeshift base, as money slowly becomes available to permit them to extend their simple dwellings (presuming that land is available to do so). Their squatter or partly legal housing has been the main target of public harassment.³

THE MILLENNIUM DEVELOPMENT AGENDA

In the face of these and other global challenges, world leaders met at the special Millennium Summit of the United Nations in September 2000 to establish a series of goals for humanity in the 21st century, based on the key policy documents from the series of major United Nations conferences held during the previous decade, including *Agenda 21* and *The Habitat Agenda*.⁴ The summit's Millennium Declaration also outlined a wide range of commitments in human rights, good governance and democracy. At the General Assembly session following this Millennium Declaration, a Road Map was established with a set of 8 specific global goals (the Millennium Development Goals or MDGs) and 18 targets (MDG targets) for combating poverty, hunger, disease, illiteracy, environmental degradation and discrimination against women (see Box 1.1).⁵ These were to be measured through 32 indicators (the MDG indicators).

The MDGs provide a framework for the entire United Nations system to work coherently towards common ends. The United Nations Development Group (UNDG) will help to ensure that the MDGs remain at the centre of those efforts. The United Nations is on the ground in virtually every developing country and is uniquely positioned to advocate for change, to connect countries to knowledge and resources, and to help coordinate broader efforts at the country level.

UN-Habitat has been given responsibility for operationalizing, collecting and measuring some of the MDG targets and indicators, which is a complex task given that the assigned indicators include ones that are possibly the

most difficult to define and operationalize, and which are not part of the statistical system used by agencies or national statistical offices.

The most important target from the point of view of this report is Target 11: *By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers*, which builds upon the Cities Alliance's Cities Without Slums initiative.^{6,7} The Cities Alliance was launched in 1999 by the World Bank and UN-Habitat, and now has expanded to 18 members, including the leading global associations of local authorities, ten bilateral agencies and four multilateral agencies.⁸

Within the context of several MDGs competing with each other for the attention of policy-makers, and the world's limited financial resources for international development, it is an important political signal from the international development community to have adopted the goal on slums. No matter how top-down and prescriptive global goals may seem, they have proven to have enormous impact both at global and local levels because they provide a mission and unifying objective. Thus, 'measurement of universal indicators' is not just a technical exercise, but also a major political tool, in obtaining consensus and direction.

The MDGs, targets and indicators of importance to this report, together with a brief assessment of progress, include:

Goal 1: Eradicate extreme poverty and hunger

Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than US\$1 a day

Indicator 1: Proportion of population with income below US\$1 a day

The proportion of people living in extreme poverty – defined by the World Bank as average per capita consumption of US\$1 a day or less – declined from 29 per cent in 1990 to 23 per cent in 1999, although this masks significant regional differences.⁹ During the same period, East Asia has seen the proportion of people living on less than US\$1 a day drop from 28 per cent to 15 per cent. South Asia, where nearly half of the world's very poor still live, has seen a more modest drop from 44 per cent to 40 per cent, while in Africa the drop has only been from 48 per cent to 47 per cent. Overall, progress is too slow to meet the target.¹⁰

Goal 7: Ensure environmental sustainability

Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water

Indicator 30: Proportion of population with sustainable access to an improved water source, urban and rural
During the period of 1990 to 2000, the percentage of the world population with access to improved water sources rose from 77 per cent to 82 per cent. Although rural areas have seen the greatest improvements in coverage – from 64 per cent to 71 per cent – compared

The Millennium Declaration outlined a wide range of commitments in human rights, good governance and democracy

A Road Map was established with a set of specific global goals and targets for combating poverty, hunger, disease, illiteracy, environmental degradation and discrimination against women

Box 1.1 Scope of Millennium Development Goals and Targets**Goal 1: Eradicate extreme poverty and hunger**

- Reduce by half the proportion of people living on less than US\$1 a day.
- Reduce by half the proportion of people who suffer from hunger.

Goal 2: Achieve universal primary education

- Ensure that all boys and girls complete a full course of primary schooling.

Goal 3: Promote gender equality and empower women

- Eliminate gender disparity in primary and secondary education, preferably by 2005, and at all levels by 2015.

Goal 4: Reduce child mortality

- Reduce by two-thirds the mortality rate among children under five years' old.

Goal 5: Improve maternal health

- Reduce by three-quarters the maternal mortality ratio.

Goal 6: Combat HIV/AIDS, malaria and other diseases

- Halt and begin to reverse the spread of HIV/AIDS.
- Halt and begin to reverse the incidence of malaria and other major diseases.

Goal 7: Ensure environmental sustainability

- Integrate the principles of sustainable development within country policies and programmes; reverse loss of environmental resources.
- Reduce by half the proportion of people without sustainable access to safe drinking water.
- Achieve significant improvement in the lives of at least 100 million slum dwellers by 2020.

Goal 8: Develop a global partnership for development

- Develop further an open-trading and financial system that is rule based, predictable and non-discriminatory. This includes a commitment to good governance, development and poverty reduction – nationally and internationally.
- Address the least developed countries' special needs. This includes tariff-free and quota-free access for their exports; enhanced debt relief for heavily indebted poor countries; cancellation of official bilateral debt; and more generous official development assistance for countries committed to poverty reduction.
- Address the special needs of landlocked and small-island developing states.
- Deal comprehensively with developing countries' debt problems through national and international measures to make debt sustainable in the long term.
- In cooperation with the developing countries, develop decent and productive work for youth.
- In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries.
- In cooperation with the private sector, make available the benefits of new technologies – especially information and communications technologies.

The term 'slum' is used in this report to describe a wide range of low-income settlements and/or poor human living conditions

with urban areas – from 94 per cent to 95 per cent – they remain poorly served in terms of access to safe water.¹¹ The overall progress seen in the period of 1990 to 2000 shows that the target is attainable if the current rate of increase is sustained.¹²

Target 11: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers

Indicator 31: Proportion of urban population with access to improved sanitation

Over the period of 1990 to 2000, access to improved

sanitation increased from 51 per cent to 61 per cent globally. Despite these gains, in 2000 about 2.4 billion people still lacked access. Sanitation coverage data are not specifically available for urban slum dwellers.¹³

Indicator 32: Proportion of households with secure tenure

Measurement has been held up by lack of an agreed definition for security of tenure. There are many complex forms of housing tenure, and security can mean different things, ranging from the existence of national legal rights to subjective assessments of security, through to actual evictions.¹⁴

Assessment of the progress towards Target 11 is addressed in more detail later in this chapter.

The world is making progress toward the MDGs – but it is uneven and too slow. A large majority of nations will reach the MDGs only if they get substantial support – advocacy, expertise and resources – from outside. The challenges for the global community, in both the developed and developing world, are to mobilize financial support and political will, re-engage governments, re-orient development priorities and policies, build capacity and reach out to partners in civil society and the private sector.¹⁵

Political assessment suggests that progress must be made on a much broader front, otherwise the ringing words of the Millennium Declaration will serve only as grim reminders of human needs neglected and promises unmet. It was estimated that meeting the MDGs would cost an additional US\$50 billion in annual aid.¹⁶ At the Monterrey Conference on Financing for Development, the US pledged to increase aid spending by 50 per cent, or US\$5 billion a year, and the European Union (EU) promised an additional US\$7 billion a year. Efforts to achieve the MDGs have been further boosted by additional targets and initiatives launched at the World Summit on Sustainable Development in Johannesburg in September 2002. These include a target to halve the proportion of people without access to basic sanitation, and to match the Millennium Declaration target of halving the proportion of those without access to clean water.

UNDERSTANDING SLUMS¹⁷

The term 'slum' is used in this report and in the MDGs in a general context to describe a wide range of low-income settlements and/or poor human living conditions. These inadequate housing conditions exemplify the variety of manifestations of poverty as defined in the Programme of Action adopted at the World Summit for Social Development.

'Slum', at its simplest, is 'a heavily populated urban area characterized by substandard housing and squalor'.¹⁸ This definition encapsulates the essential characteristics of slums: high densities and low standards of housing (structure and services), and 'squalor'. The first two criteria are physical and spatial, while the third is social and behavioural. This spread of associations is typical, not just

for the definition of slums but also of our perceptions of them. Dwellings in such settlements vary from simple shacks to more permanent structures, and access to basic services and infrastructure tends to be limited or badly deteriorated.

The definition of the term 'slum' includes the traditional meaning – that is, housing areas that were once respectable or even desirable, but which have since deteriorated as the original dwellers have moved to new and better areas of the cities. The condition of the old houses has then declined, and the units have been progressively subdivided and rented out to lower-income groups. Typical examples are the inner-city slums of many towns and cities in both the developed and the developing countries.

Slums have, however, also come to include the vast informal settlements that are quickly becoming the most visible expression of urban poverty in developing world cities, including squatter settlements and illegal subdivisions. The quality of dwellings in such settlements varies from the simplest shack to permanent structures, while access to water, electricity, sanitation and other basic services and infrastructure is usually limited. Such settlements are referred to by a wide range of names and include a variety of tenure arrangements.

Although the term 'slum' is considered an easily understandable catch-all, it disguises the fact that within this and other terms lie a multitude of different settlements and communities. However, slums can be divided into two broad classes:

- 1 *Slums of hope*: 'progressing' settlements, which are characterized by new, normally self-built structures, usually illegal (eg squatters) that are in, or have recently been through, a process of development, consolidation and improvement; and
- 2 *Slums of despair*: 'declining' neighbourhoods, in which environmental conditions and domestic services are undergoing a process of degeneration.

Unfortunately, the history of inner-city slum areas in Europe, North America and Australia has shown that, in the absence of appropriate interventions, slums of hope may all too easily yield to despair, a self-reinforcing condition that may be maintained for a very long time. A more detailed typology of slums, including their origins, age and legal status, is given in Chapter 5.

The notion of slums

Since its first appearance during the 1820s as part of the London cant, the term 'slum' was used to identify the poorest quality housing and the most unsanitary conditions; a refuge for marginal activities including crime, 'vice' and drug abuse; and a likely source for many epidemics that ravaged urban areas – a place apart from all that was decent and wholesome.

During the major part of the 19th century, the word appeared in the written language in quotation marks mostly as 'back-slum(s)'. At the end of the 19th century, slum

meant 'a street, alley, court, situated in a crowded district of a town or city and inhabited by people of a low class or by the very poor; a number of these streets or courts forming a thickly populated neighbourhood or district where the houses and the conditions of life are of a squalid and wretched character... a foul back street of a city, especially one filled with a poor, dirty, degraded and often vicious population; any low neighbourhood or dark retreat – usually in the plural, as Westminster *slums* are haunts for thieves (*Dickens*).'¹⁹

The Housing Reform Movement in England during the 1880s changed a popular word that once described an awkward phenomenon to a general operational concept as 'a house materially unfit for human habitation', and made possible the delimitation of 'slum areas' on city maps for planning purposes. It became a common word in the Anglophone world, used, for example, in India in order to designate without distinction the *bustees*, *chawls* or *cheris* of Mumbai, Delhi or Chennai.

The 20th century made the word obsolete in contexts requiring more precise and rigorous terms, such as 'tenement house', 'tenement district' and 'deteriorated neighborhood', because of legislation from the 1890s and 1930s authorizing the eradication of the so-called slums, and imposing technical and legal definitions and standards for such actions. At the same time, the social movement generated new words, such as 'neighbourhoods' or 'communities', to qualify the designated slums in order to 'rename' the socially stigmatized slum areas. As with most euphemisms, alternative terms were eventually subsumed into the argot and served to maintain rather than counteract the negative prejudices against slum dwellers. The polite 'neighbourhood' has become shortened to 'hood', a badge of youthful 'attitude' in Los Angeles.

Today, the catch-all term 'slum' is loose and deprecatory. It has many connotations and meanings and is banned from many of the more sensitive, politically correct and academically rigorous lexicons. It can also vary considerably in what it describes in different parts of the world, or even in different parts of the same city.

In developing countries, the term 'slum', if it is used, mostly lacks the pejorative and divisive original connotation, and simply refers to lower-quality or informal housing. Large, visible tracts of squatter or informal housing have become intimately connected with perceptions of poverty, lack of access to basic services and insecurity. Terms such as slum, shanty, squatter settlement, informal housing and low-income community are used somewhat interchangeably by agencies and authorities. The coverage of settlement types is even more complex when one considers the variety of equivalent words in other languages and geographical regions:

- French: *bidonvilles*, *taudis*, *habitat précaire*, *habitat spontané*, *quartiers irréguliers*;
- Spanish: *asentamientos irregulares*, *barrio marginal*, *barraca* (Barcelona), *conventillos* (Quito), *colonias populares* (Mexico), *tugurios* and *solares* (Lima), *bohíos* or *cuarterías* (Cuba), *villa miseria*;

Slums can be divided into two broad categories: slums of hope; and slums of despair

The problem with measuring slums starts with the lack of an agreed definition

- German: *Elendsviertel*;
- Arabic: *mudun safi*, *lahbach*, *brarek*, *medina achouaia*, *foundouks* and *karyan* (Rabat-Sale), *carton*, *safeih*, *ishash*, *galoos* and *shammasa* (Khartoum), *tanake* (Beirut), *aashwa'i* and *baladi* (Cairo);
- Russian: *trushchobi*;
- Portuguese: *bairros da lata* (Portugal), *quartos do slum*, *favela*, *morro*, *cortiço*, *comunidade*, *loteamento* (Brazil);
- Turkish: *gecekondu*;
- American English: 'hood' (Los Angeles), ghetto;
- South Asia: *chawls/chalis* (Ahmedabad, Mumbai), *ahatas* (Kanpur), *katras* (Delhi), *bustee* (Kolkata), *zopadpattis* (Maharashtra), *cheris* (Chennai), *katchi abadis* (Karachi), *watta*, *pelpath*, *udukku* or *PELLI GAWAL* (Colombo);
- Africa: *umjondolo* (Zulu, Durban), *mabanda* (Kiswahili, Tanzania).

In Karachi, the local term *katchi abadi* (non-permanent settlements) is used, as well as the English 'informal subdivisions of state land'.²⁰ Terms such as *villa miseria* are specific to Argentina, *favelas* to Brazil, *kampungs* to Malaysia and Indonesia, and *bidonvilles* to France and Francophone Africa – describing precarious settlements made out of iron sheets and tins (*bidons*).

In Egypt, the term *aashwa'i* is the only one used officially to indicate deteriorated or underserved urban areas.²¹ It actually means 'random' on the basis that these areas are unplanned and illegally constructed. The areas are not necessarily slums, although being informal/illegal, they tend to be the least well served in terms of infrastructure and public services, and they suffer from poor accessibility and high levels of overcrowding. Both government officials and the local press ascribe to *aashwa'i* settlements various social problems of crime, drugs and anti-social behaviour.

Some authorities have attempted to address the damaging effect of prejudice against slums. In Peru and other Latin American countries, in an attempt to do away with the pejorative connotations associated with the word *tugurio*, official terminology has tried to popularize terms such as 'young settlements' (*pueblos juvenes*).

Box 1.2 Terms in use in Manila

If Eskimos have many words for snow, some languages have many words for poor accommodation. In Manila the majority of the housing stock would be regarded as of poor quality and inadequately serviced. 'Slum' has no direct equivalent in the local language, and slums are better referred to in descriptive Tagalog words, such as:

- *iskwater* (a physically disorganised collection of shelters made of light and often visually unappealing materials where poor people reside);
- *estero* (narrower than sewers and associated with a bad smell);
- *eskinita* (alleys that fit only one person at a time);
- *looban* (meaning inner areas where houses are built very close to each other and often in a manner not visible to the general view of the city);
- *dagat-dagatan* (areas frequently flooded);
- "Bedspacer" (subtenant occupants of bunk bedding rental accommodation, four or six to a small room, usually young women who have come to the city looking for work).

Defining and measuring slums

The problem with measuring slums starts with the lack of an agreed definition. As a result, enumeration of slums has not yet been incorporated within mainstream monitoring instruments, such as national population censuses, demographic and health surveys, and global surveys. Some surveys provide proxies or related variables, such as 'proportion of unauthorized housing' or 'proportion of squatters'. Participatory poverty assessments in many least developed countries (LDCs) generally provide only qualitative information on urban poverty. The generic definition suggests that a slum is:

*...a contiguous settlement where the inhabitants are characterized as having inadequate housing and basic services. A slum is often not recognized and addressed by the public authorities as an integral or equal part of the city.*²²

Other similar definitions are provided in many policy documents; for example the Cities Alliance Action Plan describes slums as follows:²³

Slums are neglected parts of cities where housing and living conditions are appallingly poor. Slums range from high-density, squalid central city tenements to spontaneous squatter settlements without legal recognition or rights, sprawling at the edge of cities. Slums have various names, favelas, kampungs, bidonvilles, tugurios, yet share the same miserable living conditions.

These general definitions meet the common perception of what a slum is; yet, as it stands, they are not associated with operational definitions that would enable one to ascertain whether or not a particular area is a slum.

In practice, what has happened when it has been necessary to operationalize the concept is that areas have been designated specifically as slums, usually by planners making impromptu surveys or following popular usage.²⁴ This was the case during the Housing Reform in the UK, and subsequently in many other countries.²⁵ More recently, definitions developed in 1993 in India use housing conditions and availability of facilities as the main basis for defining areas as slums – areas with dense, poorly built or mostly temporary housing, with inadequate sanitary and drinking water facilities.²⁶

Clearly, it would be better for a number of purposes to have a more universal and objective definition – particularly when global measurement and MDG targets are involved. Yet, the most important indicators associated with UN-Habitat work – slums, insecure tenure and poverty – are terms that do not have clear or universally agreed definitions.

Efforts to propose a more 'quantitative' definition of slums have only recently been started, not only because of divergent opinions as to what constitutes the key

determinants of slums, but because of several features of the concept:

- *Slums are too complex* to define according to one single parameter.
- *Slums are a relative concept* and what is considered as a slum in one city will be regarded as adequate in another city – even in the same country.
- *Local variations* among slums are too wide to define universally applicable criteria.
- *Slums change too fast* to render any criterion valid for a reasonably long period of time.
- *The spatial nature of slums* means that the size of particular slum areas is vulnerable to changes in jurisdiction or spatial aggregation.

What is agreed is that slums, like poverty and secure tenure, are multidimensional in nature. Some of the characteristics of slums, such as access to physical services or density, can be clearly defined, and others, such as social capital, cannot. Even with well-defined indicators, measurement can be very problematic, and acceptable benchmarks are not easy to establish.

Characteristics of slums

A review of the definitions used by national and local governments, statistical offices, institutions involved in slum issues and public perceptions reveals the following attributes of slums.

■ Lack of basic services

Lack of basic services is one of the most frequently mentioned characteristics of slum definitions worldwide. Lack of access to sanitation facilities and safe water sources is the most important feature, sometimes supplemented by absence of waste collection systems, electricity supply, surfaced roads and footpaths, street lighting and rainwater drainage.

■ Substandard housing or illegal and inadequate building structures

Many cities have building standards that set minimum requirements for residential buildings. Slum areas are associated with a high number of substandard housing structures, often built with non-permanent materials unsuitable for housing given local conditions of climate and location. Factors contributing to a structure being considered substandard are, for example, earthen floors, mud-and-wattle walls or straw roofs. Various space and dwelling placement bylaws may also be extensively violated.

■ Overcrowding and high density

Overcrowding is associated with a low space per person, high occupancy rates, cohabitation by different families and a high number of single-room units. Many slum dwelling units are overcrowded, with five and more persons sharing a one-room unit used for cooking, sleeping and living. Bangkok requires at least 15 dwelling units per *rai* (1600 square metres).

■ Unhealthy living conditions and hazardous locations

Unhealthy living conditions are the result of a lack of basic services, with visible, open sewers, lack of pathways, uncontrolled dumping of waste, polluted environments, etc. Houses may be built on hazardous locations or land unsuitable for settlement, such as floodplains, in proximity to industrial plants with toxic emissions or waste disposal sites, and on areas subject to landslip. The layout of the settlement may be hazardous because of a lack of access ways and high densities of dilapidated structures.

■ Insecure tenure; irregular or informal settlements

A number of definitions consider lack of security of tenure as a central characteristic of slums, and regard lack of any formal document entitling the occupant to occupy the land or structure as *prima facie* evidence of illegality and slum occupation. Informal or unplanned settlements are often regarded as synonymous with slums. Many definitions emphasize both informality of occupation and the non-compliance of settlements with land-use plans. The main factors contributing to non-compliance are settlements built on land reserved for non-residential purposes, or which are invasions of non-urban land.

■ Poverty and social exclusion

Income or capability poverty is considered, with some exceptions, as a central characteristic of slum areas. It is not seen as an inherent characteristic of slums, but as a cause (and, to a large extent, a consequence) of slum conditions. Slum conditions are physical and statutory manifestations that create barriers to human and social development. Furthermore, slums are areas of social exclusion that are often perceived to have high levels of crime and other measures of social dislocation. In some definitions, such areas are associated with certain vulnerable groups of population, such as recent immigrants, internally displaced persons or ethnic minorities.

■ Minimum settlement size

Many slum definitions also require some minimum settlement size for an area to be considered a slum, so that the slum constitutes a distinct precinct and is not a single dwelling. Examples are the municipal slum definition of Kolkata that requires a minimum of 700 square metres to be occupied by huts, or the Indian census definition, which requires at least 300 people or 60 households living in a settlement cluster.

Table 1.1 shows how slum areas may vary in their disadvantages, in different parts of the world or even within the same city.

The experience of ‘living in a slum’, according to slum dwellers, consists of a combination of these multiple dimensions, not only one. Many slum areas may show only a few of these negative attributes, while the worst may have them all. The ‘worst type of slum household’ is prone to all of the above disadvantages, which, to an extent, also constitute some of the main obstacles that have to be

Slums, like poverty and secure tenure, are multi-dimensional in nature

A review of the definitions used by national and local governments, statistical offices, institutions involved in slum issues and public perceptions reveals a number of common attributes

Example of a slum	Services	Structure	'Slum' parameters			
			Density	Location	Poverty and exclusion	Security of tenure
Ibadan, Bodija Market	Poor	Fair	High	Hazardous	Poor	Secure
Dhaka railways	Fair	Poor	High	Hazardous	Severe	Insecure
Karachi invasion of state land	Poor	Fair	High	Not hazardous	Severe	Secure
Karachi ad-hoc settlements	Poor	Poor	High	Hazardous	Poor	Insecure
Cairo highrises	Fair	Good	High	Not hazardous	Poor	Secure
Durban 'informal' settlements	Poor	Poor	Medium/low	Not hazardous	Severe	Secure

Source: adapted from UN-Habitat, 2002b.

Table 1.1

Attributes of selected slums

overcome in realizing the right to adequate housing: one that has no services, has poor-quality housing on fragile land, does not have secure tenure, and where the occupants are poor, marginalized and belong to a vulnerable group. Less badly affected households may carry one or more of these burdens.

Operational definition of slums

The operational definition of a slum that has been recently recommended (by a United Nations Expert Group Meeting (EGM) held in Nairobi from 28 to 30 October 2002) for future international usage defines a slum as an area that combines, to various extents, the following characteristics (restricted to the physical and legal characteristics of the settlement, and excluding the more difficult social dimensions):

- inadequate access to safe water;
- inadequate access to sanitation and other infrastructure;
- poor structural quality of housing;
- overcrowding;
- insecure residential status.

Table 1.2

Indicators and thresholds for defining slums

Characteristic	Indicator	Definition
Access to water	Inadequate drinking water supply (adjusted MDG Indicator 30)	A settlement has an inadequate drinking water supply if less than 50% of households have an improved water supply: <ul style="list-style-type: none"> • household connection; • access to public stand pipe; • rainwater collection;¹ with at least 20 litres/person/day available within an acceptable collection distance.
Access to sanitation	Inadequate sanitation (MDG Indicator 31)	A settlement has inadequate sanitation if less than 50% of households have improved sanitation: <ul style="list-style-type: none"> • public sewer; • septic tank; • pour-flush latrine; • ventilated improved pit latrine. The excreta disposal system is considered adequate if it is private or shared by a maximum of two households.
Structural quality of housing	a. Location	Proportion of households residing on or near a hazardous site. The following locations should be considered: <ul style="list-style-type: none"> • housing in geologically hazardous zones (landslide/earthquake and flood areas); • housing on or under garbage mountains; • housing around high-industrial pollution areas; • housing around other unprotected high-risk zones (eg railroads, airports, energy transmission lines).
	b. Permanency of structure	Proportion of households living in temporary and/or dilapidated structures. The following factors should be considered when placing a housing unit in these categories: <ul style="list-style-type: none"> • quality of construction (eg materials used for wall, floor and roof); • compliance with local building codes, standards and bylaws.
Overcrowding	Overcrowding	Proportion of households with more than two persons per room. The alternative is to set a minimum standard for floor area per person (eg 5 square metres).
Security of tenure	Security of tenure (MDG Indicator 32)	<ul style="list-style-type: none"> • Proportion of households with formal title deeds to both land and residence. • Proportion of households with formal title deeds to either one of land or residence. • Proportion of households with enforceable agreements or any document as a proof of a tenure arrangement.

Note: i 'Well' and 'spring' are considered acceptable sources in the original MDG indicator but are almost certain to be polluted in urban areas.

Sources: adapted from UN-Habitat, 2002a, 2002b.

The proposed indicators and thresholds in Table 1.2 are based on the MDG indicators, where possible.

These indicators are provisional and subject to international field-testing for appropriateness, robustness and compliance with available sources, before reliable baseline global estimates of the numbers of people living in slums are obtained. It is also intended that local modifications of the indicators should be used as long as they are applied consistently over time.

Number of slum dwellers: assessments and estimations²⁷

Slum dweller estimation, like any other estimation, depends on data availability as well as on criteria established. Several preliminary estimates have been undertaken. The starting point was the measurement of security of tenure, which focused on the proxy measure of tenure status (eg the type of tenancy: owner, renter or squatter). Empirical tests of this approach showed that this measurement method was not a reliable indicator of the legal basis for occupancy and the broader concept of security of tenure. Subsequently a Secure Tenure Index was developed in 2002, focusing on

the comparatively well-measured physical representation of secure tenure that better estimates the magnitude of slum populations (see Methodological Notes in Statistical Annex). Using this approach, the baseline year (1993) estimate of global slum population was 712 million and the straight-line projection for 2001 based on the urban population projection was 837 million.

During the next stage of slum population estimation, the relative definitions of secure tenure and slums were refined in consultation with participants in the United Nations EGM mentioned earlier and their related networks of professionals. Furthermore, a set of guidelines was produced containing operational definitions and questionnaires for household surveys and censuses on secure tenure and slums. As mentioned earlier, the EGM slum definition broadened the concept of slum dweller. A slum dweller was deemed to have one or more of the following attributes: insecurity of tenure; low structural quality/durability of dwelling; poor access to safe water; poor access to sanitation facilities; and insufficient living area/space (see Table 1.2).

The estimates presented in Table 1.3 are based on this operational definition of slums and on a revised estimation procedure based on the recommendations of the EGM.

These new estimates were achieved using existing household survey and census data. Furthermore, the data used for the estimates are of a higher quality and were collected at the household level. Box 1.4 illustrates how this revised estimation procedure was applied in one particular city, Nairobi. These global estimates are the latest and most reliable. However, they should be seen as an outcome, at a particular stage, of a continuous process of improvement towards more accurate and reliable estimates of slum dwellers. The estimations in this table are presented by the established MDG regions (see composition of regional aggregates for MDG indicators in the Statistical Annex).

These estimates show that as many as 31.6 per cent of the urban population in 2001 were living in inadequate housing conditions. Developing country cities have an estimated 43 per cent of urban residents living in slums, while for developed country cities the estimate is 6 per cent. Notable is Sub-Saharan Africa, where 71.9 per cent of the urban population is estimated to be living in slums. This unfortunate reality is in line with findings on Africa for higher consumption poverty and higher under-five mortality rates. Although slum dwellers and the urban poor are largely co-located, not all slum dwellers may be classified as poor.

As Figure 1.4 shows, Asia dominates the global picture, having about 60 per cent of the total world's slum dwellers in 2001, Africa had 20 per cent, Latin America and the Caribbean (LAC) had 14 per cent of the world's slum dwellers, while Europe and other developed countries combined, had about 6 per cent.

The multidimensional method used in arriving at the above estimations is undergoing systematic refinement and improvement, and a standardized, representative global survey is planned that will permit much more accurate estimates according to the agreed definitions.

Box 1.3 Combining the indicators

There are a number of different ways in which multidimensional concepts are combined for measurement and ranking purposes; where possible, these will be used in testing the slum definitions that have been established for the MDGs.

Geographical information systems (GIS)

Where cities have formal, computerized geographical information systems (GIS) established at the small tract or enumerator district level, it is possible to overlay maps of the various indicators, finding areas where there are simultaneously high concentrations of various negative characteristics that are associated with slums. The advantage of this method is that a variety of thresholds can readily be tested, and specifically tailored local thresholds can be established – for example, areas having the bottom 20% of values for different indicators can be mapped.¹

Instrumental or proxy variables

A single variable can be chosen to act as a proxy for the combined effect of the various dimensions. For example, the World Bank uses an income of US\$1 a day as a simple proxy for more legitimate poverty measures. This has disadvantages (in that urban poverty is substantially underestimated by the method) but is very simple to use at the household level.

Indices or multidimensional methods

A common method for dealing with multidimensional concepts is to create an index using weighted linear combinations of the different variables. This is used by the United Nations Development Programme (UNDP) in the well-known Human Development Index (HDI), and in UN-Habitat's City Development Index (CDI). In this way a 'Slum Index' or Housing Disadvantage Index can be created.

Multi-criteria approaches

Households that fail one, two or three of the various conditions associated with slums can be regarded as slum households. This approach has been widely used in defining inadequate housing conditions, and is likely to be used in the MDG testing process. It has the advantage that individual households can be evaluated; therefore, it is tract independent.

Note: 1 Mapping of this kind has been undertaken in Johannesburg, Mexico City and Rio de Janeiro – generally with donor support.

Trends in numbers of slum dwellers

Until recently, there has been no agreed definition of slum, and firm base-year levels still have to be established; as a result, quantitative estimates of trends cannot yet be made.

Box 1.4 Nairobi Slum Study

UN-Habitat in cooperation with the Government of Kenya, Central Bureau of Statistics and the Nairobi City Council identified the slum areas of the city. The purpose of this identification was to permit disaggregation of the recent census data by slum and non-slum, as well as to identify slum areas for inclusion in future household samples, such as the forthcoming Demographic and Health Survey (DHS). An earlier study of Nairobi's slums by the African Population and Health Research Centre (APHRC) used the DHS survey instrument exclusively in the slum areas. This study and an analysis of the Kenya census data were revealing.

In the year preceding the census, approximately 150,000 persons arrived in the identified slum areas (some of these could be temporary residents captured by the census). 85% to 90% of these persons did not have access to safe sanitation. 60% lived in a one-room dwelling unit. More than 95% of the new arrivals came from Kenya's rural areas. Individuals who had been resident in the identified slum areas between five and ten years had not improved their access to safe sanitation, 60% still lived in one room and nearly all continued to use charcoal, wood or paraffin for cooking. The data does not tell us how many slum dwellers have managed to improve their lot and leave; but it does tell us that the slum areas are not improving. It suggests that the factors affecting increased morbidity and mortality in the slum areas are not being addressed.

Major area, region	Total population (millions) ^a	Urban population		Estimated slum population	
		(millions) ^a	Percentage of total population ^a	(thousands) ^b	Percentage of urban population ^b
World	6134	2923	47.7	923,986	31.6
Developed regions	1194	902	75.5	54,068	6.0
Europe	726	534	73.6	33,062	6.2
Other	467	367	78.6	21,006	5.7
Developing regions	4940	2022	40.9	869,918	43.0
Northern Africa	146	76	52.0	21,355	28.2
Sub-Saharan Africa	667	231	34.6	166,208	71.9
Latin America and the Caribbean (LAC)	527	399	75.8	127,567	31.9
Eastern Asia	1364	533	39.1	193,824	36.4
South-central Asia	1507	452	30.0	262,354	58.8
South-eastern Asia	530	203	38.3	56,781	28.0
Western Asia	192	125	64.9	41,331	33.1
Oceania	8	2	26.7	499	24.1
Least developed countries (LDCs)	685	179	26.2	140,114	78.2
Landlocked developing countries (LLDCs)	275	84	30.4	47,303	56.5
Small island developing states (SIDS)	52	30	57.9	7,321	24.4

Sources: ^a Total and urban population: *World Urbanization Prospects: The 2001 Revision*, Table A.1. ^b Slum population and percentages calculated by UN-Habitat using data from DHS (1987–2001); MICS (1995–2000); WHO/UNICEF JMP (1998–1999).

Table 1.3

Total, urban and estimated slum population by major region, 2001

Recent estimates show that as many as 31.6 per cent of the urban population in 2001 were living in inadequate housing conditions

Urban populations in less developed regions increased by 36 per cent during the decade (from 1439 million in 1990 up to 1964 million in the year 2000). It is likely that the number of slum households increased by a higher proportion

As will be shown in Chapter 3, it has taken a great deal of research and argument to determine whether easier indicators, such as income inequality or income poverty, increased or decreased worldwide in the rather mixed decade of the 1990s, and the same will certainly be true of slums.

The difficulties are both definition and data related. Different definitions will have different impacts on slum incidence.²⁸ Even when there is a firm definition, it is difficult to say what happened during the 1990s. Service delivery, especially water, improved markedly during the decade (as shown in Chapter 6), which would reduce the incidence of slums under the present definition. However, new immigrants tend disproportionately to be poor and urgently need new housing, which would increase the slum incidence.

The lack of accurate data is also a major problem. As long as many cities have no idea of how many dwellings are within their urban areas, and choose to exclude slum dwellings from statistics, particularly those in peri-urban areas, it will be difficult to estimate baseline numbers

definitively. As cities change their boundaries, the numbers will increase (and, probably, the incidence as well, given that housing in peri-urban areas tends to be informal).

Whatever the definition, it seems almost certain that slum dwellers increased substantially during the 1990s. Urban populations in less developed regions increased by 36 per cent during the decade. Unless overcrowding increased in existing settlements, it can be assumed that the number of urban households increased by a similar ratio. It seems very unlikely that slum improvement or formal construction kept pace to any degree with this increase, as very few developing countries had formal residential building programmes of any size. Therefore, it is likely that the number of slum households increased by more than 36 per cent. However, it is clear that these changes were very different in different parts of the world.

Very little is known about what happened to irregular settlements during the 1990s, even in well-studied megacities. However, what is known or suspected about particular regions could be summed up in the following ways:

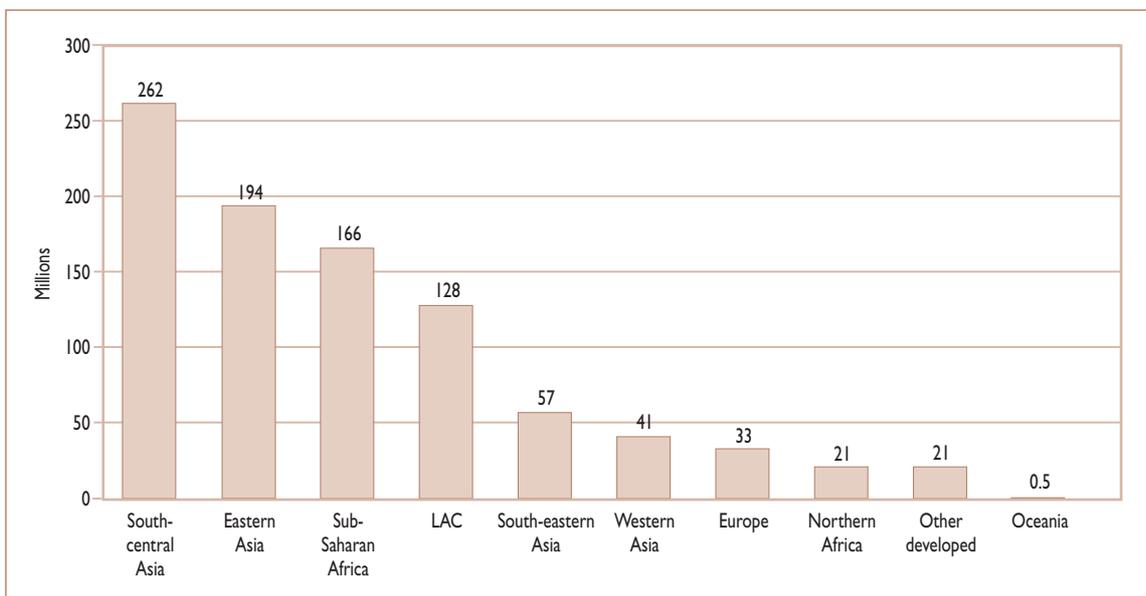


Figure 1.1

Slum population by region, 2001

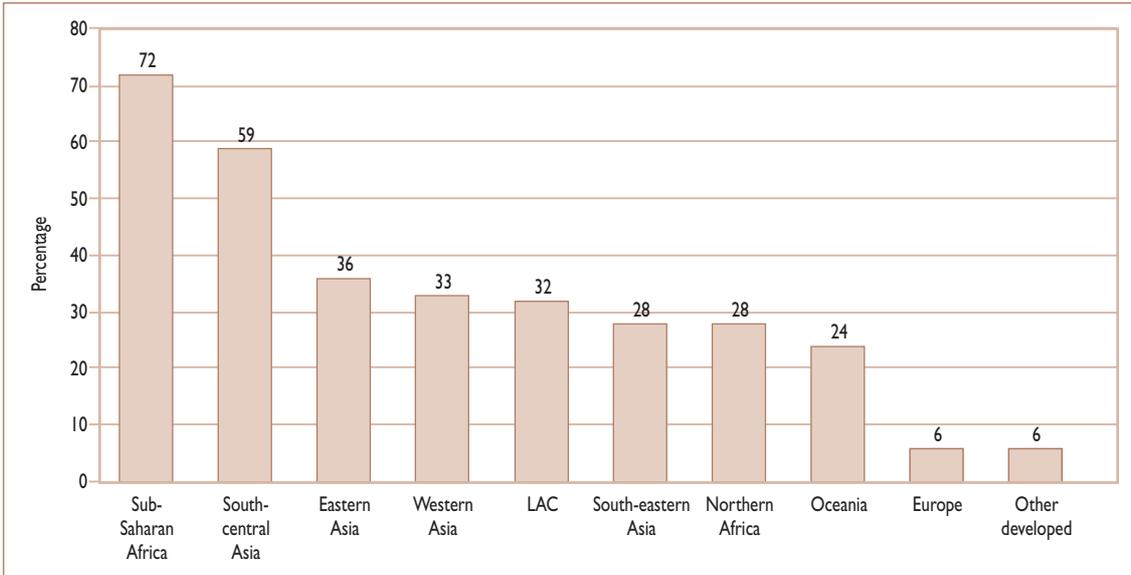


Figure 1.2
Slum dwellers as a percentage of urban population by region, 2001

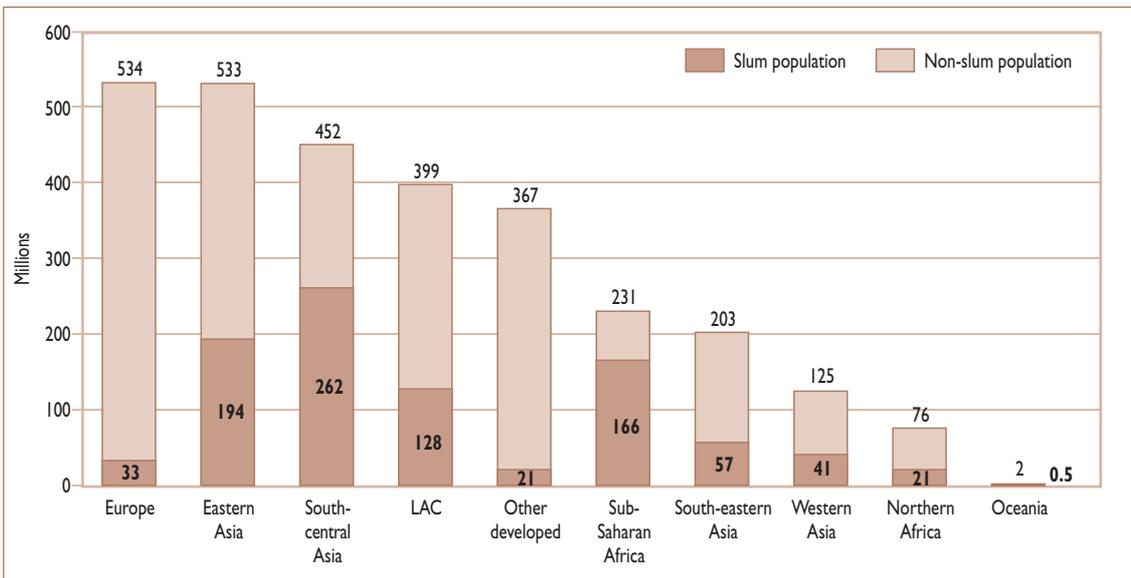
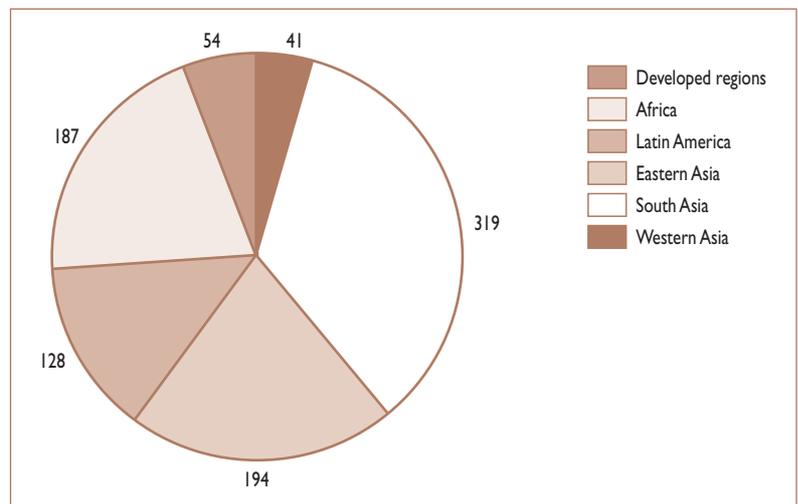


Figure 1.3
Proportion of slum dwellers in urban population by region, 2001

- In Asia, general urban housing standards improved considerably during the decade, and formal building kept pace with urban growth. This was also the case in much of Southeast Asia until the Asia Crisis of 1997. Even after the crisis, some countries such as Thailand continued to improve their urban conditions. In India, which has about one third of the world's slums, economic conditions also improved in some cities such as Bangalore. However, it is generally considered that urban populations grew faster than the capacity of cities to support them; therefore, slums increased, particularly in South Asia.
- In some countries of Latin America, there was a wholesale tenure regularization and a large drop in numbers of squatter households, which would reduce the number of slums under most definitions. Furthermore, urbanization reached saturation levels of 80 per cent, so that slum formation slowed. Nevertheless, housing deficits remain high and slums are prominent in most cities.

- Cities in sub-Saharan Africa and in some Arab states showed considerable housing stress, with rents and prices rising substantially while incomes fell, probably corresponding to higher occupancy rates. As well, slum areas increased in most cities, and the rate of

Figure 1.4
World distribution of slum dwellers (millions) by region, 2001



slum improvement was very slow or negligible in most places. In South Africa, a very large housing programme reduced the numbers in informal settlements significantly.

All of these factors and regional differences are discussed more fully in succeeding chapters and are the key to understanding what is happening globally. Accuracy in global estimates can most easily be obtained by focusing on areas with the greatest concentration of slums and the fastest urbanization – especially in South and South-eastern Asia, where nearly half of the world's slums are located and where improvements are beginning to occur. The work of

estimating changes in numbers of slum residents accurately for purposes of the MDG targets is very complex as there is currently no representative data, so authoritative results will not be obtained for several years.

Finally, it should be noted that estimation of such a complex concept will always be somewhat arbitrary and definition driven. Nevertheless, by using the same, consistent slum definition in the same places at different points in time, genuine changes may be observed – particularly when broad averages are 'drilled down' to examine the underlying changes in real conditions in individual cities.

NOTES

- 1 This chapter draws primarily on outcomes of the Workshops and Expert Group Meetings, organized by UN-Habitat during the period of January to October 2002, as well as on background papers prepared for the report by the core group of consultants and staff of the UN-Habitat. The Cities Alliance's 2002 Annual Report has also been taken into consideration.
- 2 United Nations Population Division, 2001; 2002.
- 3 Hardoy and Satterthwaite, 1989.
- 4 UNCHS (Habitat), 1996.
- 5 See www.developmentgoals.org and www.undp.org/mdg/goalsandindicators.html.
- 6 The goal refers to improvement in situ. Slum dwellers are improving their own situation by moving to better locations.
- 7 UN-Habitat, 2002a; 2002b.
- 8 International Union of Local Authorities (IULA), Metropolis, World Federation of United Cities, World Association of Cities and Local Authorities Coordination (WACLAC), Canada, France, Germany, Italy, Japan, The Netherlands, Norway, Sweden, the UK and the US, the Asian Development Bank and the United Nations Environment Programme (UNEP). From UN-Habitat's perspective this initiative is part of a broader effort that also includes the Global Campaign for Secure Tenure (UNCHS (Habitat), 2001), the Global Campaign on Urban Governance; and Managing Water for African Cities (see United Nations, 2001, p24, para 120).
- 9 Based on 1989 US\$ values at purchasing power parity. The definition was recently changed somewhat, which has made comparisons rather difficult, as Chapter 3 shows.
- 10 See Table B.7 in the Statistical Annex.
- 11 The MDG indicator sets an extremely low standard that is likely to be automatically observed in urban areas. In fact, there has been a very substantial improvement in urban water supply, as Chapter 6 shows.
- 12 See Table B.4 in the Statistical Annex.
- 13 See Table B.4 in the Statistical Annex.
- 14 The indicator was initially proposed by the World Bank and was further elaborated within the objectives of the Global Campaign on Secure Tenure (GCST). An Expert Group Meeting, organized by UN-Habitat in Nairobi ironed out most of the issues, establishing definitions and a set of indicators covering most aspects of secure tenure. The worldwide tenure situation is described in Chapter 6. See UN-Habitat, 2002c, d.
- 15 The UNDP coordinates the MDG campaign and country-level monitoring activities, which include practical assistance in support of country priorities; country- and global-level monitoring; research leadership; and advocacy. The UN system and its international and civil society partners are aiming to spearhead a series of awareness-raising Millennium Campaigns within countries, based on national strategies and needs. In the developed countries, the campaigns' primary focus will be on galvanizing public opinion as a means of boosting development assistance, trade, debt relief, technology and other support needed to achieve the MDGs. In the developing world, the aim is to build coalitions for action and to help governments set priorities, including in their budgets, and to use resources more effectively.
- 16 In a report prepared in 2001 for the Secretary-General by a panel headed by former Mexican President Ernesto Zedillo, and including former US Treasury Secretary Robert Rubin.
- 17 This section draws on papers prepared by Joe Flood, Nefise Bazoglu, Patrick Wakely, Harvey Herr, Guenther Karl, Christine Auclair, and Martin Raitelhuber. See UN-Habitat, 2002c, d and e.
- 18 *The Merriam-Webster Dictionary* (1994) Merriam-Webster Inc.
- 19 *The Oxford English Dictionary* (1989), Second edition, Clarendon Press, Oxford.
- 20 Case study – Karachi.
- 21 Case study – Cairo.
- 22 UN-Habitat, 2002c.
- 23 Cities Alliance, 1999.
- 24 One example is the infamous 'windscreen survey' in Melbourne, Australia, during the 1960s, when two planners drove around and designated particular streets as slums for demolition without getting out of their car.
- 25 In fact, administrative fiat may not be an unreasonable procedure if socially negotiated: areas in a number of countries are designated as urban or rural in this way.
- 26 Case study – Ahmedabad.
- 27 During this report preparation, two other methods have been suggested for estimating slum population. The first method equates slums for most parts of the world with informal settlements, which has as a good proxy variable the proportion of dwellings not in compliance with local building regulations, or 'unauthorized dwellings'. However, a multi-criterion or multidimensional definition is preferred for what is a multidimensional concept. The second method for estimating numbers of slum dwellers combines housing status and condition with lack of service provision. These estimates show that of the order of 480 million to 490 million people lived in unauthorized housing or slums in 1993, or close to 20 per cent of the world's urban population. If the proportion of slum dwellers in developing countries has been sustained, the number of people living in slums has risen to around 645 million by 2003.
- 28 Incidence – the proportion of urban dwellers in slums.

URBANIZATION TRENDS AND FORCES SHAPING SLUMS¹

Slums do not occur in a vacuum. Despite the easily recognizable similarities in terms of physical and social conditions and attitudes that surround slums, there are also very great differences between slums that reflect local cultures and conditions, accidents of history or politics, and topography or the built environment. Some slum areas are working communities in their own right, with their own economy and social structure, whereas others are ‘black holes of misery and despair’.

Slums, however, do have a number of things in common wherever they occur, and these include the economic, social and spatial forces that create and shape them and differentiate them from the rest of the city. This chapter deals with these forces.

The first part of this chapter examines the theories of spatial distribution, residential differentiation and ecological succession that have been developed by urban researchers to understand why people live where they do, why cities have particular forms, and why poor people congregate in particular locations. It also looks at the methods that have been used to measure spatial inequality. These theories have largely been developed to explain market-driven cities, where land use is determined by economic competition, and they are less applicable to many of the cities of the developing world that are still undergoing transitions from more traditional exchange and land tenure regimes. However, as with Western cities, the cities of the developing world are gradually adopting the rules of market forces, and the advanced methods of urban spatial analysis help to understand these trends.

The second part of the chapter considers the macro or external forces acting on cities that are responsible for slum formation – primarily those that operate at the national level. The chapter is devoted to discussing these forces: firstly, urbanization, migration and other demographic changes, and, secondly, poverty, its measurement and incidence. Chapter 3 continues the discussion by looking at the new international regime of economic liberalization and globalization and its effects on urban inequality and slum formation.

SOCIO-ECONOMIC INEQUALITY

Slums result from a combination of poverty or low incomes with inadequacies in the housing provision system, so that poor people are forced to seek affordable accommodation

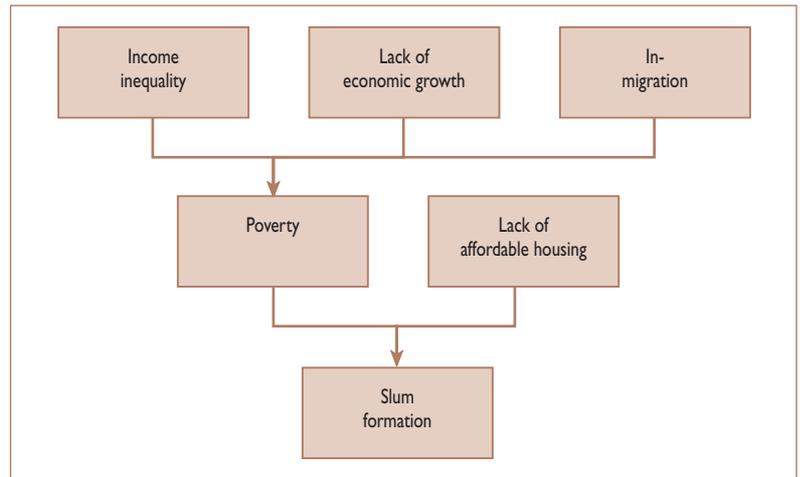


Figure 2.1

Inequality, poverty and slum formation

and land that become increasingly inadequate. The numbers of urban people in poverty are, to a large extent, outside the control of city governments, and are swelled by a combination of economic stagnation, increasing inequality and population growth, especially growth through in-migration. The situation is depicted in Figure 2.1.

Spatial organization and residential differentiation

An essential part of city life is constant change: building and rebuilding, the succession and occupation of different groups, the relocation of industry and commerce, and processes of marginalization and impoverishment. In the capitalist city, this is largely driven by the search for higher returns and optimal land use, and this has led to the physical expression of inequality in built form, of which slums lie at the lowest socio-economic level. In developing cities, where land use is still partially dictated by traditional uses or controlled by governments, slums have tended to sit outside of the formal market system, to some extent, acting as a residual for older market systems of exchange and income generation rather than the specialized shops of formal urban-distribution systems.

■ The ecological school and the neo-classical model

Theories of city form that have been current in urban geography, until the post-modern paradigm shift during the 1980s, stem originally from the ideas of Burgess, Hoyt and others during the 1920s and 1930s, collectively known as the ‘Chicago School’. They lived in an urban environment

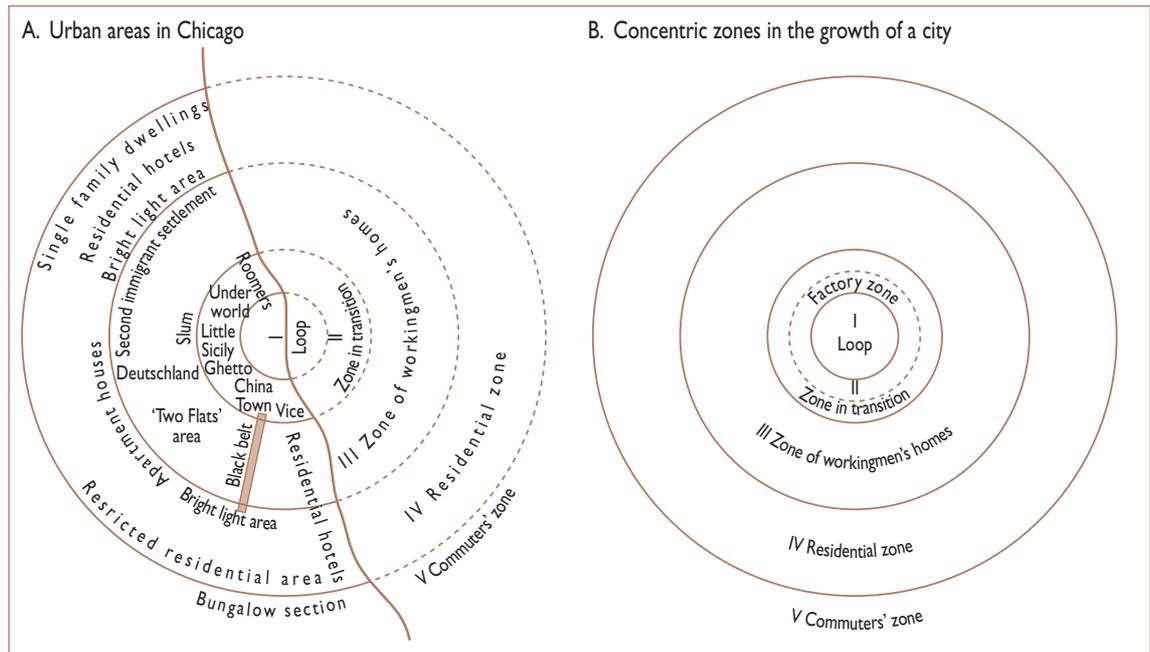
Slums do not occur in a vacuum. They result from a combination of poverty or low incomes with inadequacies in the housing provision system

Great differences between slums reflect local cultures and conditions, as well as accidents of history or politics

Figure 2.2

Ecological schema for Chicago

Source: Burgess, 1925



where the inner city had largely been vacated by families who had moved outward to the suburbs in rings and wedges from the downtown centre, leaving the decaying inner city to the most disadvantaged groups. The Chicago School saw the internal spatial organization of cities as an outcome of 'ecological' competition for niches between social classes who behaved like different species in terms of their endowments and wants, and who would compete for different land uses, with the strongest groups taking the most desirable positions and the weaker groups occupying residual spaces. As society and transport technology changed, and as the circumstances of the groups altered or housing became inadequate, they would vacate particular areas, leaving them for new immigrants or social groups who would occupy, in their turn.

The Burgess spatial schema for Chicago is shown in Figure 2.2. The zones of most interest in the diagram are those designated as 'working men's housing' and 'zones in transition'. Earlier generations of 'working men's housing' were slowly being taken over by warehouses, immigrants and the urban poor, as better-off households vacated for the suburbs. These zones in transition were the ghettos, slums and 'bright light areas'.

The picture is, in fact, apt for many (though not all) larger industrial cities in the Western world – with the proviso that, since the 1960s, a new form of urban succession has emerged. Yuppies and childless couples are moving back into the centre of cities, where they share it with the poor, remodelling the slums by renovating older dwellings and converting factories and warehouses, and, in some cases, displacing the poor to other areas.

The Chicago schema was put on a more rigorous footing with the advent of neo-classical economics, – in particular, the Alonso-Muth-Mills model, which demonstrated how the 'rent gradient' of declining land prices and rents away from the centre could be calculated from first economic principles, and the location of various groups could be predicted. In the model, residents are considered to have

a trade-off between transport costs or time and living space. Each group has a 'bid rent curve' for the amount that they are prepared to pay per square metre for particular locations, and the group with the steepest curve will win. Poorer people, for example, could beat the rich by taking much smaller plots of land at a higher price, accepting higher crowding as the price for location. The poor are where they are because, even with their low incomes, they are outbid by the rich for the areas in which they live, and they pay more than the rich would be prepared to pay to live there.²

As far as it goes, the model is reasonably accurate in determining social change in a centralized city with a reasonable level of residential mobility. Gentrification can be predicted using the model because of the steepening of the rent gradient, a phenomenon that has been steadily observed in most Western cities.³ This steepening has occurred in different places because of:⁴

- *Limiting growth impact of the city perimeter.* If the area of the city does not expand while the population increases, so that population densities increase, land prices and rents will increase with a bias towards the centre.
- *Increase in smaller households.* Smaller households need less space, so they buy in the centre.
- *Increase in multiple-income households.* If there are two commuters in a household, they will tend to locate more centrally in order to minimize transport costs, as these are a higher proportion of their budget.
- *Households with high valuation on travel time or travel cost.* The richest households tend to locate centrally because they put a high valuation on travel time, while the poor locate centrally because they cannot afford to travel. If inequality increases, both groups put pressure on the best-located areas for different reasons.
- *Consumer taste changes* (more interest in 'integrated living', mixed use, historical precincts, public space as opposed to private, etc). The value of the central

The poor are where they are because, even with their low incomes, they are outbid by the rich for the areas in which they live, and they pay more than the rich would be prepared to pay to live there

city increases for all groups, and central values increase in relative terms.

The centralizing tendency of all of these factors can be deduced from the model and, more significantly, have all been observed empirically.⁵ The net result is that the poor are outbid in the central area by the new affluent bidders, and either will share the space or move outwards to more affordable areas.⁶

■ Factorial ecology

During the 1970s, a new quantitative paradigm came to dominate urban science, made possible by computers and the availability of detailed urban census data, and with some basis in Chicago School theory. The major new technique was called *factorial ecology*, and it was based on a multivariate analysis of the various socio-economic indicators distinguishing small areas in the city, calculating indexes that would distinguish these areas from each other. The results were quite startling. In every city that was studied in widely different parts of the developed world, the spatial separation was due, in large part, to three factors, usually known as socio-economic status, familism and ethnicity.⁷

Socio-economic advantage was an 'index of advantage' that combined factors such as income, education and occupation; and measured the extent to which households well endowed with these factors were separated from those poorly endowed.

Familism concerned the effect of family type; households with children and non-working wives in the 1970s tended to seek suburban bungalows, while single persons were more inclined to live in apartments in central cities.

Ethnicity usually measured the proportion of those born outside of the country, but could also represent the separation of particular ethnic or religious groups.

The three factors were of different strengths in different cities and cultures, and had different weightings on the variables; but they were, invariably, the three major factors determining city social structure.

Factorial ecology lapsed along with other quantitative approaches in the post-modern disciplinary fashion of the 1980s and 1990s; but the method has been recently revisited to show that the factorial division holds as strongly as it ever did, with many factors very similar to 30 years ago. The new factors reflect the current realities, and are critically involved with change in work and in household demographics in the intervening period.⁸

In line with the theses of globalization, people working in producer-service industries and university graduates are stronger determinants of *socio-economic advantage*.⁹ The social divide is no longer between 'white collar' and 'blue collar' occupations, but between professionals and the rest.

Familism has now become more closely related to *urban lifestyles*, distinguishing areas with apartment living, lack of a car, walking to work and small family size from

In widely different parts of the developed world, the spatial separation in cities was due, in large part, to three factors, usually known as socio-economic status, familism and ethnicity

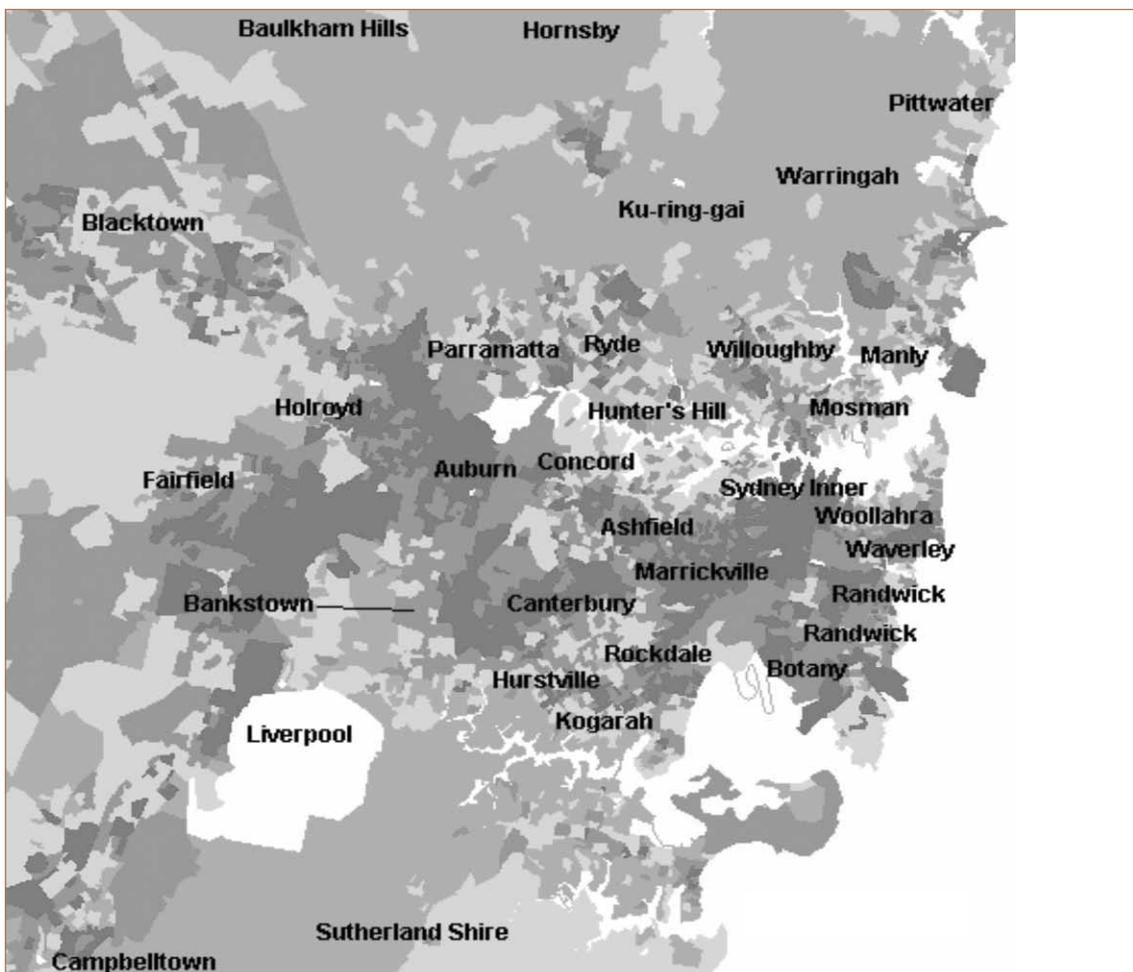


Figure 2.3

Areas of disadvantage in Sydney

family households who live in the suburbs and commute. Familism in 1995 had less to do with wives without formal employment, home ownership and living in single houses than it did during the 1970s, and was more concerned with having children, being part of extended families and staying in the same location.

By simplifying the methods of earlier work, it has been shown that instead of socio-economic advantage and familism, the two principal factors are, in fact, an *accessibility/space* trade-off and *socio-economic disadvantage*.¹⁰

Accessibility/space distinguishes between households who want accessibility and households who want space. Accessibility can be afforded either through high incomes, small family size or crowding. The factor is identical with the trade-off that is the starting point of neo-classical urban economics.¹¹

Socio-economic disadvantage is the flip side of advantage, and shows how households who suffer from unemployment are single parents, have little education, receive welfare or belong to marginalized ethnic groups and are separated from the rest.

The index of disadvantage is the measure that describes what is thought of as a traditional slum, and most slums or former slums have very high values on this index.¹²

Figure 2.3 shows the parts of a city that are disadvantaged. In this case (Sydney), it is a long, sweeping dragon-shaped area to the south and south-west, where most of the industry, immigrants, lower-income people and welfare recipients are located.¹³

Another advantage of this kind of analysis is that it can easily distinguish when 'divided cities' are forming. In Sydney, for example, a separation can be made between a 'global city' sitting astride the harbour and a more conventional US-style city with a low-income centre about 20 kilometres west of the central business district (CBD), surrounded by rings of suburbs.¹⁴

■ Measuring spatial inequality and separation

A number of measures are in common use for distinguishing the level of inequality or unevenness of distribution of sub-populations across space. The best known and simplest of these is the index of segregation or dissimilarity.¹⁵ It measures the proportion of the sub-population that would need to move in order for it to be equally represented in all areas.¹⁶ It is used most often for racial groups, but also for low-income earners. Surprisingly, the index of dissimilarity for low-income people has proven to be remarkably stable over an extended period in some cities such as Sydney.¹⁷

The question of whether or not the poor and rich have moved further apart, and therefore whether they are more or less segregated over time, is not clear. The very deliberate suburbanization separating the middle class from the poor and defining the traditional slums during the 1880s to 1950s may have marked a period of greatest residential differentiation of income groups in a number of developed countries.¹⁸ Greater mobility and social acceptance of different groups also act to reduce spatial separation.¹⁹ With

gentrification and with a retreat from rigid planning guidelines that separated dwelling types and sizes and other urban activities until quite recently – and a move away since the 1970s from the policy of construction of large peripheral public housing estates – rich and poor have moved closer together in space in many places.²⁰ However, the growth of large areas of disadvantage towards the edge of some cities, while the wealthy have continued to occupy areas of prime accessibility or amenity, would militate against a general assumption of reduced spatial separation.

The very obvious increase in gated communities discussed at length in *Cities in a Globalizing World: Global Report on Human Settlements 2001* might be an indication that the rich and poor have been moving closer together in space.²¹ If violent crime has not increased, then the closing off of high-income precincts or buildings would be a sign that the rich have no longer been able to separate themselves spatially from the poor, or have lost control of the streets, retreating into small areas where their particular needs are catered for. To some extent, it is the perception that crime has increased, due to a constant media barrage, rather than any actual crime increase, that has prompted the elderly and affluent to withdraw in this manner.²²

Even in specific countries, the figures on change in spatial inequality can be quite confusing. For example, recent studies have shown that income segregation increased within each of white, black and Hispanic populations in the US between 1970 and 1980 and between 1980 and 1990.²³ However, racial segregation in the US is at its lowest level since the 1920s. Key questions for the present report are whether spatial inequality is increasing within cities, and whether areas of social disadvantage, particularly slums, are expanding in population or area in the world, as a whole. There seems to be very little research done, even within individual cities, on the extent to which this is happening in recent years or whether it is happening at all. Research is needed; but it seems likely that the results will differ from city to city. It may well be the case in the high income countries (HICs) that if income inequality is increasing due to withdrawal of welfare, or the boom-bust ratcheting of inequality described in Chapter 3, then this might find a spatial expression, and the spatial separation between rich and poor might be increasing in many parts of the world. The rapid expansion of developing cities would seem to make this a foregone conclusion in the developing world.

■ Spatial concentration of poverty

It has been clearly demonstrated by factorial ecology that social advantage and social disadvantage are the major agglutinative forces in cities – possibly the major forces in Western cities, at least. The question is why. It is not immediately obvious in these days of cheap telephones and cheap transport why people of a similar economic or social status choose to live together. In many cities in the developing world, the separation in space so obvious in Western cities is not obvious at all; in others, it is very visible. It is fairly clear why particular ethnic groups choose to cluster together for access to social networks, speciality shops and facilities; but why do social classes congregate in particular areas?

A case may be advanced that the rich or middle class act to exclude the poor because they no longer need them around and have an antipathy towards them. In the case of the gated communities of the US, Brazil and the Philippines, this exclusion is very obvious and direct – but many countries do not have gated communities, except for those housing the elderly. Identifying the specific mechanisms by which the poor are excluded is the question that needs to be answered. Most of the social separation has been visible for centuries in the older Western cities, accelerating during the suburbanization phase during the first half of the 20th century and, it would appear, partly reversing during the last 30 years due to gentrification.²⁴

The conventional neo-classical explanation for residential differentiation is based largely on *housing and land costs*, as expressed in the Alonso-Muth-Mills model. Lower-income people live in particular areas because they can outbid the rich for the kind of housing that is there – it would be too expensive or undesirable for the rich to convert it to other uses. This argument is reasonable but not really satisfactory. Why are the rich not interested in this valuable inner-city land and converting it to profitable uses, such as the development of condominiums?

A related argument suggests that *employment opportunities* for the rich and poor are not consanguineous, so that the rich tend to locate near, for example, office areas, while the poor locate near, for example, factories or markets. This argument once had considerable merit; but in an era of cheap transport, it is no longer applicable (though for some high-income households, the ‘cost’ of ‘travel time’ has replaced ‘transport cost’ as a residential location factor).²⁵ In fact, it has been argued in the US that the move of industry to outer areas has disadvantaged the inner city poor and worsened slum areas, since now there are no jobs in their vicinity, and this is contributing to unemployment.²⁶ The loss of jobs and businesses may start early in the decline cycle of an inner-city slum and is an ongoing contributor to its deterioration.²⁷

The second argument refers to *amenity*. Slums, it is believed, begin on fragile or poor-quality land subject to flooding, landslip and other disadvantages, while the rich locate in areas of high amenity – ocean views, pleasant, slightly hilly areas of good soil and aspect.²⁸ This amenity is self-reinforcing in that both public and private investment suited to each class tends to locate accordingly and attracts more people of a similar socio-economic profile – particularly at the upper-class end. Private schools, elite shopping centres, and social and business services tend to follow their clientele. Services for the poor also tend to cluster – for example, welfare agencies, food distribution and public medical facilities. A need to be near these kinds of services attracts the homeless, in particular.

In places where taxation is collected locally, in particular, spending on *local public goods* will be much higher because of the much better revenues, further accentuating inequality. Local governments in slum areas have almost no revenue base and cannot find money to either construct or maintain infrastructure and other services, and the whole system goes downhill, causing the

more affluent residents and formal businesses to move out thus further lowering revenue potential. The push for decentralization and own-source revenue generation in many developing countries could increase spatial inequality accordingly.

The third argument relates to *exclusionary zoning*, which is seen as the main factor distinguishing different cities, and is probably responsible for most of the more visible tract-wide spatial separation of the classes. The ‘wrong side of the tracks’ is actually enshrined in local laws and regulations that prevent poor people from building the kinds of houses that they can afford in rich areas, or conducting the kinds of informal income-generating activities that are necessary for their livelihood. Home-based enterprises, street markets or the raising of chickens, for example, are expressly forbidden in most of the affluent suburban areas of the world.²⁹ Local democracy exacerbates the situation, as the middle class will always vote to exclude activities that they do not conduct themselves.

In the meantime, exclusionary zoning affects amenity by pushing various negative externalities into low-income areas where the poor are not organized to resist. Factories and noxious or polluting industry, and possibly waste disposal facilities, are located within these areas, further pushing down land prices. Illegal activities are also pushed into these areas, through police ‘turning a blind eye’ and lack of organized local opposition to their presence. The partly extra-legal nature of income opportunities for the poor also discourages the kind of strict scrutiny and enforcement that occurs in middle-class areas.

Exclusionary regulation was once absolutely overt and designed specifically to keep the poor ‘in their place’. Ethnic segregation, in particular, has taken extreme forms, such as apartheid or ghettos. Following the Chicago riots of 1919 in which white street gangs attacked blacks with impunity, blacks were excluded from the majority of open residential areas through ‘restrictive covenants’ from 1923 to 1947,³⁰ and the extreme racial separation resulting from white resistance to integration continues to the present. The arrival of a more liberal era that sought to encourage equality of opportunity, if not incomes, has considerably weakened these covenants to the point that they have been disallowed in many places. Affirmative action programmes, such as ‘bussing’ in the US, have sought to counter the exclusionary effects of segregation and differential spending on local public goods. The increased mixing of income groups in Western cities is largely due to the retreat of the local state and a loss of the social consensus for its powers to keep classes apart.

The final argument is the post-modern one of *cultural landscapes*, in which spatial distinctions are embedded in social constructs of what is real. Poverty and slums are, essentially, comparative notions that assign particular groups and particular places to the good, the rich and the successful, and the bad, the poor and the unsuccessful, and the paths of people’s lives tend to follow these assigned constructs unless they can redefine their own self-worth. The reality of exclusion actually stems from an allocation of status to individuals at an early age. While initial

The conventional neo-classical explanation for residential differentiation is based largely on *housing and land costs*

Spatial distinctions are embedded in social constructs. Poverty and slums are, essentially, comparative notions that assign particular groups and particular places to the good, the rich and the successful, and the bad, the poor and the unsuccessful

endowments of wealth will also play a large role, many of the personal choices and most of the social chances and opportunities will result from the part of the cultural landscape to which individuals are 'assigned', the 'signs' being accent, dress, self-confidence and reputation. It is in this way that social classes are reproduced, and why slums and poverty show such a high level of resilience and continuity through generations.³¹

Urban form and disadvantage

■ Mosaic post-modern cities in the developing world

Older European cities grew in an environment where market norms and feudal landholding systems had been well established since the Middle Ages, and dwellings could be readily traded by owners or landlords for alternative uses. They also grew, initially, during a time when most work was centrally located and people walked, then later expanded to suburbs along rail corridors, filling between these corridors as personal motor transport became universally available. However, the situation of cities that have emerged as substantial centres in the developing world during the past 50 years is often very different from that of a succession of land uses described by the Chicago School. Their business centres have often not been in the historic centre, but have been purpose built and multinucleated, with access to airports and to the residential zones of the more affluent. The shape of the city has been determined not by centralized rail networks but by minibuses and private cars.

The types of city forms to be found in many parts of the developing world do not usually show the classic Chicago pattern of cities with a decaying, possibly partly rejuvenated core, surrounded by rings of garden suburbs. They can be divided into several types:

- *Colonial-style cities*, with a well-built formal core, surrounded by large areas of informal settlements, some of which may have been there for 50 years. Many cities in Africa and South Asia have this form. The inner-city area was protected by the colonial powers from encroachment.³² The design resembles the feudal European design of a castle or walled city with the poor beyond the walls.³³
- *Planned ethnic separations* are an extreme example of urban social segregation.³⁴ For example, during the apartheid years, Soweto and other ethnic satellite cities of Johannesburg were made possible by cheap, subsidized daily bus transport for workers in the centre. The system is similar for Palestinians working in Israel.
- *Saucer or hollowed cities* are the norm for some countries in Eastern Europe. A low-rise centre is surrounded by public housing apartment buildings, which become progressively higher towards the rim, linked to the centre with rapid transit. Some Western European cities with a lot of high-rise public housing have aspects of the form.

- *Multi-centres*: many Southeast Asian and Latin American cities are multi-centred and amorphous, based on the style of Los Angeles, because they have been built almost from the beginning around motorized transport rather than walking. High-income areas often surround the concrete canyons of business districts into which few poor people venture, or are tucked away in areas of high amenity, or may form an 'edge city' technopolis. There may be large tracts of poor-quality low-income housing in older inner areas, in squatter zones on the fringe or on wedges and strips of fragile land.^{35,36} In some Asian cities, palaces are quite literally next to hovels, and there are no large identifiable slum areas of more than a few blocks.

The amorphous, polycentric, interactive nature of the post-modern city is a result of more efficient transport systems that allow all except the very poorest to move freely in the city. It is also due to the withdrawal of the local state that previously formally divided the city into areas of exclusion, using planning controls. With the departure of ideological certainty as to its role in separating the classes, it no longer has the credibility or authority to do this. The separation is now accomplished by the private sector, as the preceding *Cities in a Globalizing World: Global Report on Human Settlements 2001* has eloquently explained.³⁷ Individual firms or investors can only gain control over relatively small spaces to direct them towards the consumption requirements of specific social classes. Therefore, development decreasingly involves tract-wide separations.

However (to preserve the ecological metaphor), the enclosing of habitats is in an almost virtual network, where it is possible to travel throughout the city on a spatial network designed for a particular social class while barely being aware of the adjacent networks used by other classes. Separation is no longer mediated by fiat but by hegemony: controls of expectation, social habit and, ultimately, purchasing power and commodification. The post-modern city still remains amenable to spatial socio-economic analysis.³⁸ The Global Report distinguishes five 'cities' with specified class actors and economic functions:

- 1 *The luxury city and the controlling city*, involving the groups for whom the city is a locus of power and profit, as well as consumption and relaxation.
- 2 *The gentrified city and the city of advanced services*, involving income-earning professionals and those involved in the 'knowledge economy'.
- 3 *The suburban city and the city of direct production* of the better paid blue-collar and white-collar non-professional workers and their factories and offices.
- 4 *The tenement city and the city of unskilled workers*, including the immigrant enclaves, the lower paid wage workers and the 'respectable poor'.
- 5 *The abandoned city and the residual city*, for the very poor and the permanently unemployed 'underclass' or 'ghetto poor', with income based on marginal or illegal activity, direct street-level exploitation, and

The polycentric, interactive nature of the post-modern city is a result of more efficient transport systems that allow all except the very poorest to move freely in the city

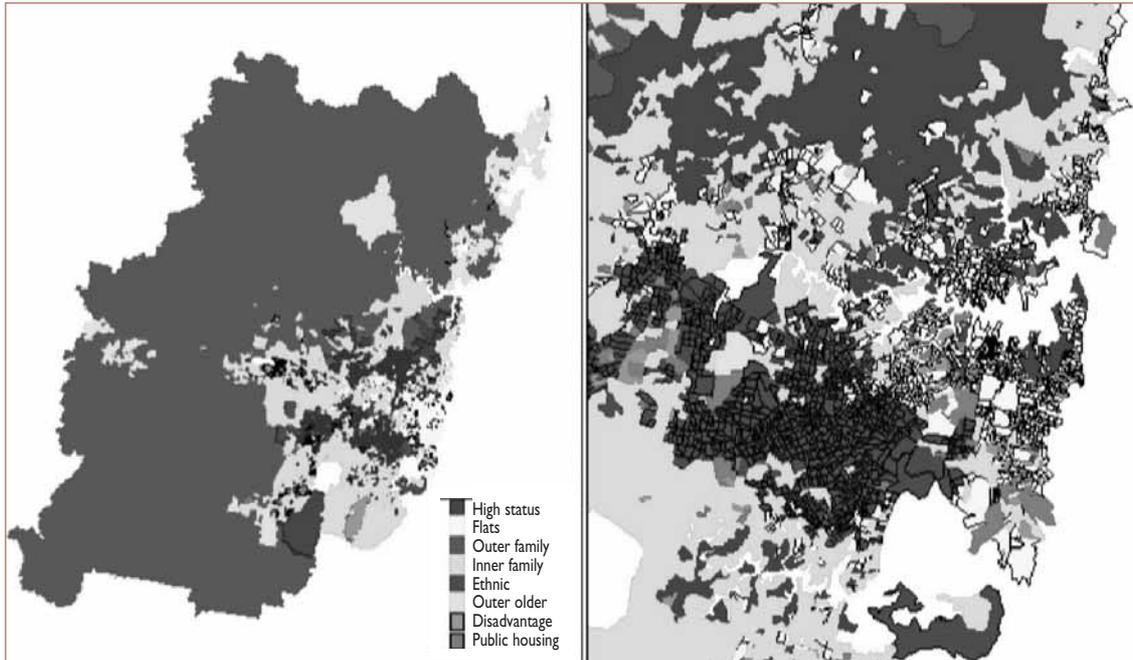


Figure 2.4

Socio-economic clusters in Sydney

denial of the public and private services of other parts of the city.

The last 'city' is the traditional Western slum; but in less developed countries, a sixth city must also be added:

- 6 *The informal city and the city of illegality*, which comprises the slums of the developing megacities and where the informal sector has its base; where services are poor or non-existent; where residents are invisible to legal status systems; and where harassment by authorities is commonplace.

In fact, the 'five cities' are more than a metaphor and can be distinguished by cluster analysis and geographical information systems (GIS). Figure 2.4 shows the division of Sydney into zones of similar socio-economic concentration. The analysis shows four of the five cities quite well, along with another 'retirement city' of older people on relatively low non-wage incomes in areas of high amenity and lower accessibility, often joined by other people on fixed incomes.³⁹ This sixth retirement city is likely to become more important in the West as populations age and the baby boomers retire.

■ Measuring urban development and disadvantage

Factorial ecology studies have not been attempted in cities of the developing world because of a lack of appropriately detailed data at the sub-city level. It is likely that the same factors defining urban difference would be found, but the components would be quite different. In particular, it might be expected that socio-economic advantage and disadvantage would be defined in terms of education, health, poverty and the physical factors of housing and urban services that formed part of the slum index approach described in Chapter 1.

A closely related technique to factorial ecology has been used to rank not just parts of a city on their socio-economic status, but cities themselves and their level of development. UN-Habitat has derived a City Development Index (CDI), paralleling the United Nations Development Programme (UNDP) Human Development Index (HDI), but including service provision and environmental management, as well as standard human development categories, that ranks cities on the basis of their level of development.^{40,41}

CHALLENGES TO SUSTAINABLE URBANIZATION

Demographic changes and slum formation

The picture of developing megacities that is commonly painted in the popular imagination is of sprawling areas of crowded substandard housing and no facilities or sanitation, with numbers continually augmented by a hopeless stream of in-migrants from depressed rural areas who expect very little and receive less, building makeshift shelters on the edges of town or along rivers and trying to eke out a living.

In fact, while many of the larger cities do have these problems, the reality is far more complex. Most cities are vibrant and dynamic places, each with their own unique character. If not too crippled by the urban externalities of congestion, pollution and crime, they have interesting streetscapes, workspaces and residential spaces in which the majority are able to make an acceptable income and obtain an education, if they wish, while enjoying a better standard of living at a considerably lower risk of death and starvation than their rural counterparts.

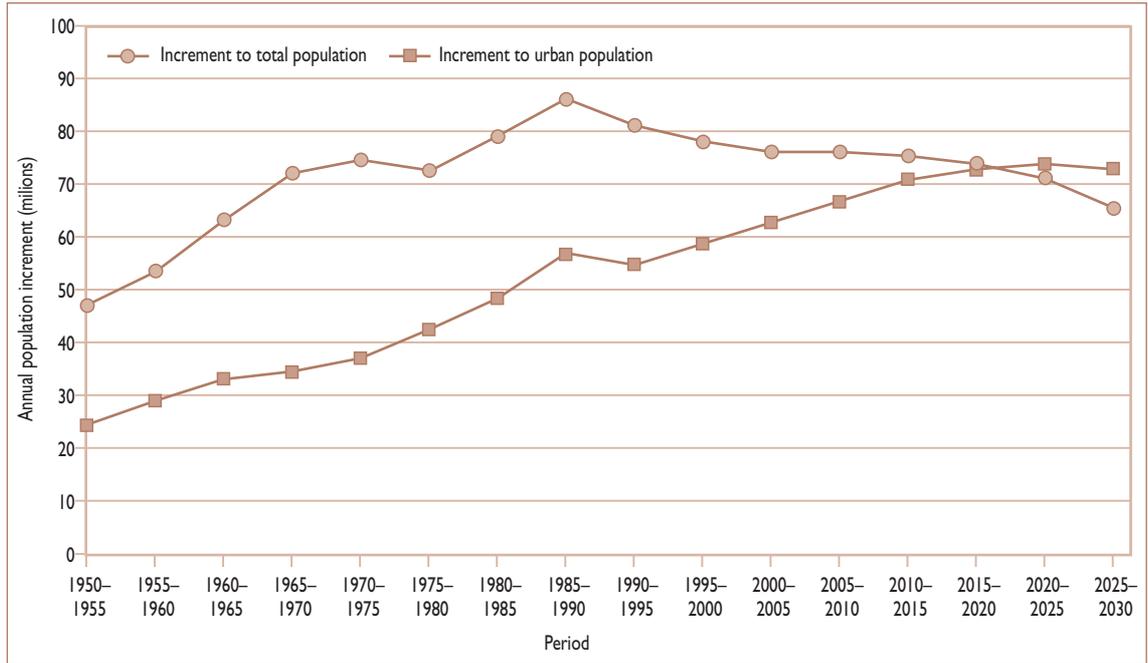
The visible minority of street children and other extreme poor are not so fortunate, and in some cities where

Population growth was the main demographic issue of the 20th century and it continues to be the focus of attention in the developing world. Growth continues at a high but diminishing rate

Figure 2.5

Annual increment in total and urban population

Source: United Nations Population Division, 2002, Figure 1



rescue organizations are poorly developed, opportunities are minimal, it is not possible to forage or grow own food as in the countryside, and starvation is not too far away. It remains a fact, however, that very few people die in the city streets any more because there is always someone to help them – and this is rarely the case in rural areas. Without the safety nets that have been painstakingly developed, there would be many more in extreme deprivation, and the corpses that once lay in the streets of Kolkata and Mumbai would be far more prevalent.

Cities are, by definition, concentrations of population; and these concentrations occur through in-migration and internal growth. It is now recognized that the bulk of urban growth in larger cities is due to net birthrates. Nevertheless, rural-urban flows continue in many parts of the world; and they tend to be larger where the cities are least able to

absorb immigrants: the poorer areas of South Asia and sub-Saharan Africa.

Urban growth

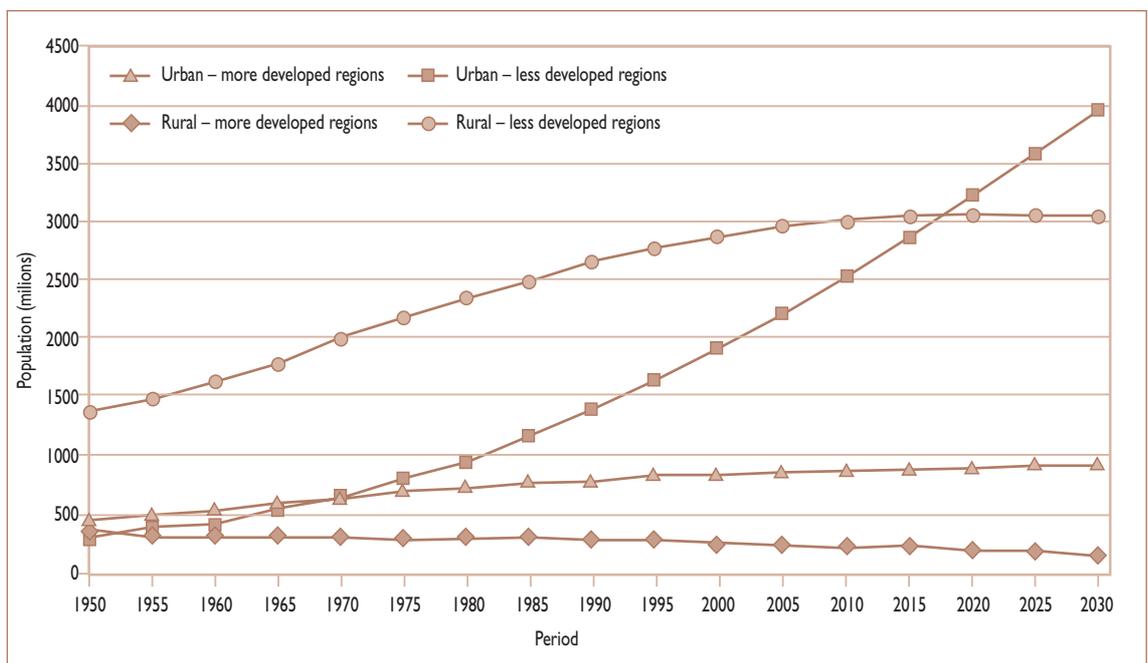
Population growth was the main demographic issue of the 20th century and it continues to be the focus of attention in the developing world. Growth continues at a high but diminishing rate, as Figure 2.5 shows. This growth is largely due to the extraordinary success of modern medicine in raising life expectancies by 40 per cent over the century – which must surely rate as the greatest human achievement of the period.⁴² However, it has taken several generations for social behaviour to adjust to these new conditions by also reducing birthrates.

Over the past 50 years, great strides have been made by the urbanization process. Urban population has increased

Figure 2.6

Urban and rural populations in more and less developed regions, 1950 to 2030

Source: United Nations Population Division, 2002



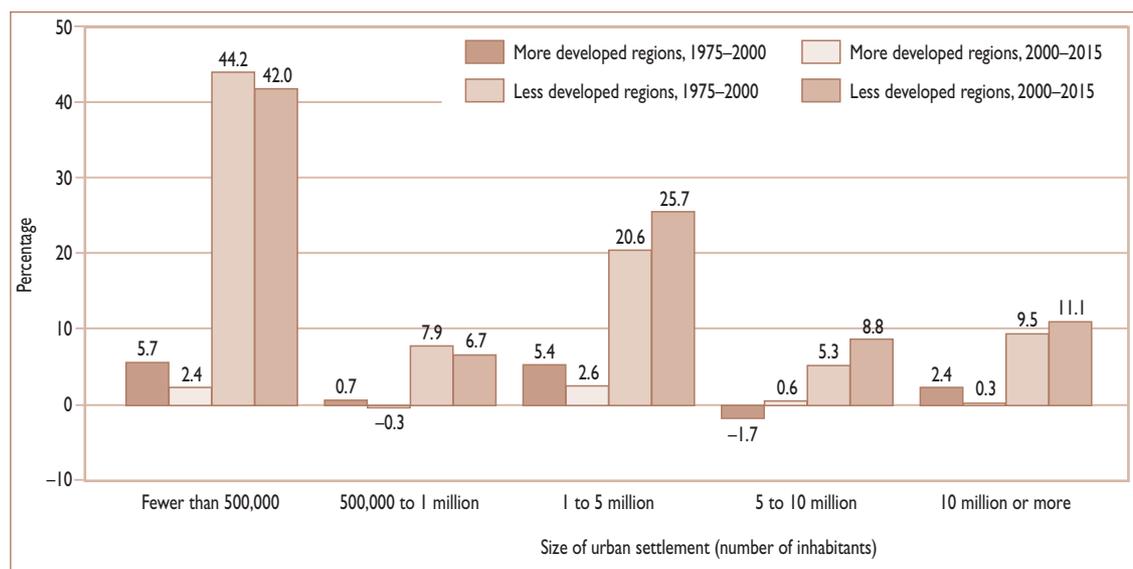


Figure 2.7

Estimated urban population increment by city size

Source: United Nations Population Division, 2002

by 20 to 30 per cent in most parts of the world. The Statistical Annex (Table B-2) contains data on the rate of urbanization for all countries around the world.

Other population trends, revealed by Box 2.1 and Figure 2.6, are rather startling. They imply that the world has a maximum number of rural dwellers who can be supported, and that number has almost been reached. The trends also imply that world urban populations will increase by the equivalent of 33 new cities of 2 million people per year for 30 years, or by 6 megacities per year, for the next 30 years.⁴³

There are 19 megacities at the moment with populations of over 10 million. Eight per cent of the world's urban population lives in these very large cities, while over 50 per cent live in cities under 500,000 people (see Table 2.1 and Figure 2.7). Some megacities will grow very large (Dhaka, Mumbai, Sao Paulo, Delhi and Mexico City expect over 20 million by 2015); but none are projected to exceed the current size of Tokyo. Table 2.1 shows that the megacities are anticipated to take about one ninth of world population growth and will improve their share of global urban population somewhat.⁴⁴

While the urban development focus on the teeming megacities has been very pronounced, with extensive research and many large-scale improvement projects, the major population growth is now in medium cities of 1 to 5 million people, and in smaller cities of under 500,000 people, which still have half of the world's population growth. Although these smaller cities do not have the vast areas of social exclusion, informality and unhealthy living conditions of the largest cities, they do have less in the way of urban facilities and development than larger cities, and this contributes to slum incidences that may exceed those of larger cities.

Figure 2.8 shows infrastructure deficiency and unauthorized housing for four city-size groups.⁴⁵ The availability of infrastructure increases with city size, while the proportion of authorized housing decreases.^{46, 47} It is the middle-sized cities where both come together.⁴⁸

Rural-urban migration

Urbanization is perhaps the only enduring trend in human history. The high rate of urbanization that is now occurring throughout the developing world parallels that which occurred in England and some other European countries during their industrial revolutions in the 18th and 19th centuries. What is different now is that urbanization is not being accompanied by adequate economic growth in many developing countries.

The main features of contemporary urbanization have been determined by:⁴⁹

- *political factors*: instability, civil war and repression,⁵⁰
- *economic, environmental and social factors*:
 - *pushing*: environmental degradation and declining productivity of cropland; low rural incomes from agriculture; lack of new lands for farming; move to export rather than subsistence farming; enclosure and consolidation of farm holdings; limited off-farm employment;
 - *pulling*: higher incomes in urban areas; greater employment opportunities; economic safety nets; availability of social services, education and health care; improved water supply and other environmental services and infrastructure.

Box 2.1 Highlights of urbanization trends

- 47% of the world's population were located in urban areas in 2001, which will rise to 50% by 2007. Figure 2.6 shows the crossover for less developed regions, which will be in 2030.
- The average rate of world population growth will slow (see Statistical Annex Tables A.1, B.1 and B.2). Almost all of the population increase (90%) will be absorbed by the urban areas of the less developed regions, where the population will increase by 2 billion. This will mostly occur in Asia and Africa, where annual urban population growth is projected to be 2.4%.
- The rural population is projected to grow very slowly at just 0.2% per year and will remain nearly stable at about 3.2 billion.

Source: United Nations Population Division, 2002.

City size	Proportion of urban population			Proportion of increment	
	1975	2000	2015	1975–2000	2000–2015
10 million or more	4.4	7.9	8.8	11.9	11.4
5–10 million	7.9	5.9	6.8	3.6	9.4
1–5 million	21.5	23.6	24.8	26.0	28.3
0.5–1 million	11.4	10.1	9.2	8.6	6.4
Under 0.5 million	54.7	52.5	50.4	49.9	44.4

Source: United Nations Population Division, 2002.

Table 2.1

Distribution of urban population and growth by city-size category

The image of vast, spreading estates of makeshift housing self-built by recent arrivals is one of the most enduring in development; however, this is not the only way, or even the most common way, in which rural to urban migration takes place

Push factors: the relationship between rural productivity and population is complex. Land has a maximum carrying capacity and when it is exceeded, people will eventually be forced off the land. Modern technologies such as the Green Revolution have improved productivity on good quality land, generally staving off an overpopulation crisis.⁵¹ This more productive farmland will support more people, but not in rural areas. Most productivity improvement technologies do not involve subdivision and sharecropping, which would support more families on the existing fixed supply of arable land, but actually involve enclosure of common lands or the creation of bigger estates for export-oriented crops. Projects that improve productivity per person also mean that less labour is required in rural areas.⁵² Consequently, labourers are displaced, as are children of farmers, who go to seek work in the city. For the more prosperous farmers, their children receive an education, entitling them to a better paid professional job in the city.⁵³

Pull factors: the question remains as to why poor rural populations continually move to the city, even when there are apparently no jobs for them and they have to live in slums with what might appear to be a lower quality of life, in a vulnerable situation and separated from everything they know. The ‘bright lights’ syndrome is the usual answer – there just seems to be a lot more going on in the city. Rural life is dull and backbreaking; there are few opportunities and little new arable land that can be developed, especially for women, who are often excluded from land occupancy upon death of, or divorce from, husband. The cities are uniquely able to create jobs, and if the formal sector does not have them, the informal sector can produce them.⁵⁴

Life in the city is also not as risky as is often thought. Sanitation is generally now better; medical and social

services are more readily available than in rural areas; life expectancies are higher; there is less risk of attack by brigands; and food availability is less dependent on the good health of working animals and the condition of crops, and less subject to the vagaries of the weather.⁵⁵ Famines are largely a rural phenomenon since it is fairly easy for aid agencies to ship supplies into cities, where it is in the interests of elites to ensure that they are distributed, and where levels of monitoring from well-informed and local action groups and the support agencies themselves are much higher. In rural areas or smaller urban areas, however, distribution channels are poor and there are many intervening opportunities for humanitarian aid to go astray. Cities are, in the end, a more controlled environment and life is less risky.

The separation between rural and urban life is also not as absolute as is often thought. For generations, informal settlements carry much of the atmosphere of the rural communities from which they have stemmed.⁵⁶ It is this rural imprint that gives them their unique, lively character, without the separations between home, work place and recreation that is the hallmark of ‘modern’ and middle-class society.

The image of vast, spreading estates of makeshift housing self-built by recent arrivals is one of the most enduring in development; however, this is not the only way, or even the most common way, in which rural to urban migration takes place. Transportation is no longer expensive; most immigrants have contacts or relatives in the city; they move backwards and forwards to live with friends until they are ready to make a permanent move; then they make a choice as to where and how they will live based on what they have learned. If there is affordable rental housing, they will pay for it until they can manage no longer. If there are new intrusions on unoccupied land, they will join in and build whatever they can afford. They will move in and out of backyard shacks or other informal accommodation until they have been there longer than anyone else and they become ‘the resident’.

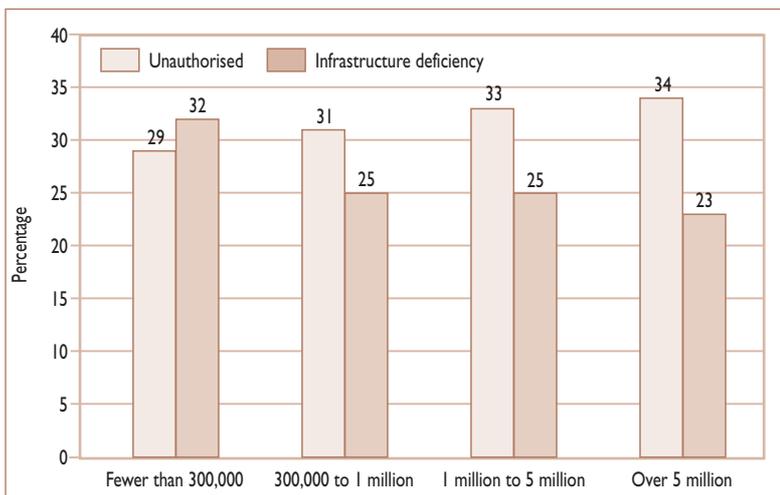
Another commonly held theory is the ‘city as parasite’ – that urban–rural migration is a result of differential taxation with an ‘urban bias’.⁵⁷ The urban elite (particularly under colonialism) tax rural produce to pay for services in the city, which attracts people to the city. This allegedly causes a misappropriation of resources in favour of urban areas.

This theory is very difficult to substantiate. Very little tax is actually paid in rural areas, which is why rural local governments have such trouble in providing services that have to be largely paid for by central government transfers.

Figure 2.8

Percentage unauthorized housing and infrastructure deficiency, city-size ranges, 1993

Source: UNCHS (Habitat), 1996c



Most business and other taxes are paid in cities, and in many countries, rural areas receive high levels of subsidy.

Cities are so much more successful in promoting new forms of income generation, and it is so much cheaper to provide services in urban areas, that some experts have actually suggested that the only realistic poverty reduction strategy is to get as many people as possible to move to the city.⁵⁸ The fact is that higher incomes and more urbanization go hand in hand. As indicated earlier, improvement in rural productivity mean that less labour is required in rural areas. Increasingly, however, population growth in cities comes from within, and the larger urban spaces are no longer mandated by experience of the rural or the small town. As rural–urban migration slows and becomes less important, cities take on a truly urban character – the faceting and dividing of space between the social classes into a mosaic landscape of differences.

■ International migration

*Give us your tired, your poor...the wretched refuse of your teeming shore.*⁵⁹

The famous inscription on the Statue of Liberty welcoming immigrants to the New World may today be somewhat dated and, mostly, politically and factually incorrect; but it does stress that population movement is very often a response to deprivation and displacement. Immigration policy is, and remains, an incendiary issue in most countries. On the one hand, the reluctance of an increasingly educated youth to take on the ‘difficult, dirty and dangerous’ jobs has become a reason for increasing immigration in more affluent countries, while, on the other hand, a reluctance to ‘dilute national character’ and to pay various benefits and subsidies to immigrants tends to leave these people in a vulnerable state once they arrive.⁶⁰ Discriminatory attitudes towards foreigners persist as they have always done, and immigrant communities are always ‘in the fishbowl’, being examined for any signs of crime or deviant behaviour, while local perpetrators receive scant publicity. Attitudes towards multiculturalism softened somewhat in the new era of post-war liberalism; but the recent escalation of international terrorism has revived deep-seated xenophobic fears.

New immigrants tend to proceed directly to their own ethnic communities for support and advice, partly because they will often have networks of family and friends, partly because they will be able to communicate and operate under terms with which they are familiar, partly because they will have access to religious and retail facilities that meet their needs, but mostly because they will be welcomed without suspicion and ‘shown the ropes’. The tendency to form ethnic neighbourhoods can, however, be part of the slum formation process, and if immigrants have few resources they may find themselves congregated in the poorer parts of town with few opportunities to join the wider community.⁶¹ It is not an accident that ethnicity is usually a major component of disadvantage, and that the most disadvantaged areas in cities are usually found within bigger zones of high ethnicity.

In more developed countries, the succession of different groups of immigrants into traditional central slums

forms much of the basis of the Chicago School ecological argument. Each new group of immigrants seeks the cheapest housing and replaces the last wave, who hopefully had been able to build up enough income after some years to leave the slums and find a better location.⁶² The turnover of tenants, or even owners in low-cost premises, is high because considerable mobility out of the lowest income groups exists, and seeking temporary work requires frequent moves.⁶³

In less developed countries, large numbers of international immigrants are refugees from neighbouring war-torn areas. Although refugee support agencies work hard to improve conditions, refugee camps can be among the most crowded, depressed and poor communities in the world – the ‘slums of the slums’.⁶⁴ Refugees also face considerable prejudice if they enter the broader community; they can be subject to all sorts of slurs regarding their customs and appearance. If they are poor, they are accused of bringing disease and poverty; if they receive refugee allowances to which locals are not entitled, they are accused of being ‘professional refugees’ and are resented.

There are many examples of slums that have formed around an ethnic immigrant core or have later formed a primarily ethnic character. Harlem, New York, for black immigrants from the south or Puerto Ricans; ‘Chinatowns’ in many ports around the world; the Nigerian zones in Khartoum for pilgrims who have run out of money and been forced to interrupt their *hajj* to Mecca; ‘little Italies’ in Chicago and New York; the Gorbals in Glasgow; Kibera in Nairobi for demobbed Sudanese soldiers; the Palestinian refugee camps in Amman, Jordan; Dharavi in Mumbai, the ‘world’s largest slum’, where Tamil is spoken as the main language; the Algerian *banlieus* in Paris and Lyons; and the Indian quarters of Southeast Asian cities are just a few examples.⁶⁵

Immigration policy has toughened throughout the world, and large-scale population movements are not so much a part of the ‘new globalization’ as they were in the first globalization period of the late 19th century, or even in the post-war period.⁶⁶ There are no new frontiers to conquer. Nevertheless, international population movements have stepped up in recent years. A number of European countries that have been relatively closed and protected societies – for example, Austria, Belgium, Norway and Germany – have found themselves dealing with levels of international migration that they are poorly equipped to handle.⁶⁷

■ Declining areas and depopulation

While urbanization and growth have received the bulk of attention in the slum literature, economic decline and loss of population, in fact, have taken up the greater part of the lifespan of most established traditional inner-city slums.⁶⁸ The decline and evacuation of inner cities and other places of urban blight have been the major feature of ‘traditional’ inner-city slums once they have passed their population peaks. Intra-urban flight is what causes the traditional slums: the ‘abandoned city’. Both people and capital leave these residential areas to whoever is left behind or whoever is

There are many examples of slums that have formed around an ethnic immigrant core or have later formed a primarily ethnic character

International population movements have stepped up in recent years and a number of countries have found themselves dealing with levels of international migration that they are poorly equipped to handle

On a regional level, poverty and depression are also major features of areas that have lost their prime industries

While large numbers of dependent children were the main problem in earlier decades, and still are in many parts of the world, the ageing of the population and an increasing percentage of dependent-aged people is the looming demographic issue of the 21st century

Slums and poverty are closely related and mutually reinforcing, but the relationship is not always direct or simple

prepared to live within urban ruin. Property maintenance becomes uneconomic, and the 'slumlords' attempt to extract profits from whomever remains, usually obtaining good returns at no outlay on their largely depreciated capital, no matter how low the rents.

On a regional level, poverty and depression are also major features of areas that have lost their prime industries. Capitalism has its winners and losers, and there will always be declining regions where older people sit in genteel poverty as the young head towards the bright lights. Many parts of Europe and the 'rust belt' in the US have been in decline for extended periods. In these regions, it is loss of population and its associated effects – economic decline and capital withdrawal – that is the problem. In this case, the people who are left behind have few opportunities to improve or even maintain their situation as the heart falls out of their communities; and they become dependent on remissions from employed relatives in more dynamic areas, or government transfers and subsidies, in order to stay afloat. These decaying areas and industrial or mining 'ghost towns' can be most depressing. They are often, also, the site of environmental disasters because of inadequate environmental controls during earlier years.⁶⁹

On a global scale, although urban in-migration will remain the primary dynamic for a considerable time, there are parts of the world in which the reverse is happening – and, as usual, it is the young with fewer ties to place who move most frequently, stripping areas of their future growth prospects. Emigration from cities often occurs when economic priorities change – as with the 'rust belts' in the US that lost most of their industrial jobs since 1970. Emigration from smaller cities to larger cities can also occur when the emphasis moves away from agriculture or mining, and new central city economic activities are strengthening under globalization pressures. The areas left behind become depressed zones with an ageing and often impoverished population as businesses close and capital migrates.

A demographic phenomenon that has been increasingly noticed in countries with a developed social security system has been exchange migration, where rural people seeking jobs (particularly young women) move to the city – often the partly gentrified central city – and people on fixed incomes move to lower-cost areas of high amenity, such as coastal regions. These are poor people on benefits, retirees and middle-aged rentiers. These people do not need access to employment and therefore prefer not to pay the higher housing and food costs of central areas, moving to coastal, mountain or other pleasant areas, often near the fringes of the cities, where house prices may be a third the cost and food 20 per cent less.⁷⁰

Europe has already reached maximum population levels and the population of most European countries has begun to fall. The result of this depopulation, unless supplemented by immigration, will be economic stagnation on a national scale, similar to that already affecting areas based on the 'old economy'. However, many European countries are beginning to regret the pressure on their established social and cultural structures that immigration

has caused, and doors have been gradually closing to developing world immigrants for some time.

Dependency rates are a looming issue in a number of parts of the world, and here it is ageing and falling fertility rather than high birthrates that are of concern. A higher proportion of people in the work force is a great advantage to a country in improving incomes, reducing poverty and generating local savings and investment.⁷¹ While large numbers of dependent children were the main problem in earlier decades, and still are in many parts of the world, the ageing of the population and an increasing percentage of dependent-aged people is the looming demographic issue of the 21st century.⁷² Birthrates fell to well below replacement levels in most Organisation for Economic Co-operation and Development (OECD) countries during the 1990s, and 44 per cent of the world's population now lives in countries where population is below replacement levels.⁷³ As a result of falling fertility, it is estimated that by 2050, the proportion of population over 60 will more than double from 10 per cent to 21 per cent. Most of Europe and Japan will have around one third of their population over 60, and 9 per cent over 80, by that time.

The developing countries will not be spared the problem, though it will take longer to take effect. Improvements in health conditions are such that, in 2002, life expectancy at age 60 was 15 years in less developed regions (LDRs), and barely greater at 18 years in the HICs.⁷⁴ Once the current 'boom generations' reach 60, all countries will have the same ageing problem. Although it is still well in the future for much of the world, preparations must be made for the global problems that ageing populations will ultimately cause.

Poverty

■ Poverty and slums

Slums and poverty are closely related and mutually reinforcing, but the relationship is not always direct or simple. On the one hand, slum dwellers are not a homogeneous population, and some people of reasonable incomes choose to live within, or on, the edges of slum communities. Even though most slum dwellers work in the informal economy, it is not unusual for them to have incomes that exceed the earnings of formal-sector employees. On the other hand, in many cities, there are more poor outside slum areas than within them. Slums are designated areas where it is easiest to see poor people in the highest concentrations and the worst conditions; but even the most exclusive and expensive areas will have some low-income people.

Slum conditions are caused by poverty and inadequate housing responses, which are mutually reinforcing, to some extent. It is not surprising that the characteristics of the settlement or housing is often confused by act or by implication with the characteristics of the people living in them. The issues of living conditions, poverty and poor people's management of their own situation are amalgamated, and cause-and-effect relationships are confused. This presents a policy and

delivery problem for programmes aimed at addressing slum conditions as part of an overall poverty reduction agenda. The converse is the case for non-housing poverty reduction programmes, which sometimes presume that their activities will result in improvements in housing, infrastructure and service delivery in slum areas – but ‘trickle through’ to housing may be extremely slow or non-existent unless the income improvements are substantial and sustained.

Although poverty in urban areas has been increasing for some decades and there are now higher numbers of the ‘poorest of the poor’ in urban centres throughout the world than at any previous time, the urban poor are usually able to help themselves more than their rural counterparts. Indeed, the immigrant urban poor have largely moved voluntarily in order to exploit actual or perceived economic opportunities. Opportunities manifest, in part, due to the growing urban informal sector, which is most spectacularly visible in the many growing and large-scale informal and squatter settlements in urban centres. In many cities, the informal sector accounts for as much as 60 per cent of employment of the urban population and may well serve the needs of an equally high proportion of citizens through the provision of goods and services.⁷⁵

Yet, it cannot be assumed that those living in slums that appear physically uniform all have the same needs and demands. The necessity to distinguish between different levels of poverty has been recognized with a view to targeting and tailoring resources at those most in need. Women – widows in particular – children, unemployed youths and disabled people have all been identified as the most vulnerable amongst the poor, as have female-headed households and certain ethnic and religious groups. Where housing conditions are poor, such as in slums and informal urban settlements, it is the vulnerable who suffer most from environmental degradation and inadequate service provision.

Increasingly, the phenomenon of women-headed households is common in urban areas and especially in slums. Women-headed households constitute 30 per cent or more of the total households in urban low-income settlements in parts of Africa.⁷⁶ Women-headed households tend to have fewer income-earning opportunities than male-headed households and are generally poorer.⁷⁷ Typically, women have lower levels of education, work longer hours, retain responsibility for childcare as well as productive and community management roles, and have poorer diets and more restricted mobility than men.⁷⁸ In general, women-headed households will have narrower housing choices by virtue of their low incomes. Sometimes their low social and legal status limits their housing choices, in addition to their exclusion from holding title to land through either legal or cultural means.⁷⁹

■ Defining poverty

Like slums, poverty is something that people believe they can easily distinguish; in fact, the concept is difficult to define. Urban poverty is often defined in terms of household income – for example, the proportion of a city’s households who are earning less than what is needed to afford a ‘basket’ of basic necessities, or living on less than US\$1 or US\$2 a day.

Monetary measures of poverty have been used in many countries, but they do not capture the multidimensional nature of poverty.⁸⁰ People may be poor not just because of low incomes, but their poverty may derive from an inadequate, unstable or risky asset base needed as a cushion to carry them through hard times. They may be poor because their housing is overcrowded, of low quality or is insecure; because they do not have access to safe water, adequate sanitation, health care or schools; because they are lacking a supportive safety net; or because they are not protected by laws and regulations concerning civil and political, as well as economic, social and cultural rights, discrimination and environmental health, or because they are denied a voice within political systems. These and related aspects of poverty are shown in Box 2.2.

The different dimensions of urban poverty have been described as:⁸¹

- *Low income*: consisting of those who are unable to participate in labour markets and lack other means of support, and those whose wage income is so low that they are below a nominal poverty line;
- *Low human capital*: low education and poor health are the components of ‘capability poverty’ used in the UNDP HDI. Health shocks, in particular, can lead to chronic poverty;
- *Low social capital*: this involves a shortage of networks to protect households from shock; weak patronage on the labour market; labelling and exclusion. This particularly applies to minority groups;
- *Low financial capital*: lack of productive assets that might be used to generate income or avoid paying major costs (for example, a house, a farm or a business).

It is important to consider all of the inter-related aspects of poverty; merely addressing monetary resources or livelihoods may only be a temporary stop gap and may not deal with the many other aspects of poverty that may ensure a sustainable transition from poverty.

Other conceptual approaches to poverty are as follows.

Capability poverty has been defined as the lack of life chances and opportunities, defined particularly through ill health and lack of education – this has formed the underpinning of the UNDP HDI.⁸² These more fundamental needs are paramount in the least developed countries in establishing the capability of individuals to improve their lives. Once these have been met, capability is somewhat more subtle and encompasses empowerment, work contacts and the ability to transcend social class. The concept of *social capital* is related to capability, but refers to the individual’s ability to command or work within ‘institutions, relationships and norms that shape the quality and quantity of a society’s social interactions’.⁸³

Chronic poverty: in the US, only about 50 per cent of those in poverty remain in this situation for more than two years.⁸⁴ A similar 50 per cent figure seems to apply in most countries. Approximately half of those in poverty are long-

Mobility has implications for pro-poor policies. Two kinds of programmes are necessary: safety nets for the transitory poor; and empowerment and capability raising programmes for the chronically poor

Women – widows in particular – children, unemployed youths and disabled people have all been identified as the most vulnerable amongst the poor, as have female-headed households and certain ethnic and religious groups

Box 2.2 The constituents of urban poverty

- 1 Inadequate income (and thus inadequate consumption of necessities including food and, often, safe and sufficient water; often problems of indebtedness, with debt repayments significantly reducing income available for necessities).
- 2 Inadequate, unstable or risky asset base (non-material and material including educational attainment and housing) for individuals, households or communities.
- 3 Inadequate shelter (typically poor quality, overcrowded and insecure).
- 4 Inadequate provision of 'public' infrastructure (eg piped water, sanitation, drainage, roads, footpaths) which increases the health burden and often the work burden.
- 5 Inadequate provision for basic services such as day care/schools/vocational training, health care, emergency services, public transport, communications, law enforcement.
- 6 Limited or no safety net to ensure basic consumption can be maintained when income falls; also to ensure access to shelter and health care when these can no longer be paid for.
- 7 Inadequate protection of poorer groups' rights through the operation of the law, including laws and regulations regarding civil and political rights, occupational health and safety, pollution control, environmental health, protection from violence and other crimes, protection from discrimination and exploitation.
- 8 Voicelessness and powerlessness within political systems and bureaucratic structures, leading to little or no possibility of receiving entitlements; of organizing, making demands and getting a fair response; or of receiving support for developing their own initiatives. Also, no means of ensuring accountability from aid agencies, NGOs, public agencies and private utilities or being able to participate in the definition and implementation of their urban poverty programmes.

Source: Satterthwaite, 2001.

term poor, while the other half are moving in and out of poverty.⁸⁵ In Australia, mobility is higher: about 80 per cent of those in the lowest quintile of household income move upwards within two years, and 15 per cent of these move into the highest quintile (students, unemployed professionals etc).

This mobility has implications for pro-poor policies. Two kinds of programmes are necessary: safety nets for the transitory poor, and empowerment and capability raising programmes for the chronically poor.⁸⁶

■ Measurement of poverty incidence

Most countries have some way of measuring poverty (locally defined poverty). The common types of measures are those based on income, which include the following.

Absolute poverty: this comprises people who cannot afford to buy a 'minimum basket' of goods – which sometimes is just food and water for minimum nutrition, but should include other necessities, such as clothing, shelter and transport to employment, education or the means to obtain the basic necessities.

Relative poverty: this is the proportion of people below some threshold, which is often a percentage of local median income.

However, the World Bank has recently popularized a simple '*extreme poverty*' measure of US\$1 a day or US\$2 a day (both adjusted for purchasing price parity, or local costs). It is on this basis that most of their poverty figures since 1993 have been calculated.

These income-based measures substantially underestimate urban poverty because they do not make allowance for the extra costs of urban living (housing and

transport, plus the lack of opportunity to grow one's own food). They also do not reveal intra-household poverty in situations where there is unequal power among household members, so that it is possible for women and children to live in poverty even though the larger household of which they are a part is not classified as such. Research has shown that budgetary allocations are different in households where women act as the decision-makers. Measures of household income also do not reveal relevant background conditions; they do not, in themselves, provide information on the spatial distribution of poverty or its national context.⁸⁷ Nevertheless, the main results of recent World Bank studies are worth recording, as they show broad trends, useful for reaching the Millennium Development Goals (MDGs).

Overall, half of the world – nearly 3 billion people – lives on less than US\$2 dollars a day. As discussed in Chapter 1 in connection with Target 1 of the MDGs, the proportion of people living in extreme poverty of less than US\$1 a day declined from 29 per cent in 1990 to 23 per cent in 1999, mostly due to a large decrease of 140 million people in East Asia during 1987 to 1998. In absolute terms, global numbers in extreme poverty increased up to 1993, and were back to about 1988 levels in 1998, as Table 2.2 shows. A recent study points to 'two main proximate causes of the disappointing rate of poverty reduction: too little economic growth in many of the poorest countries and persistent inequalities that inhibited the poor from participating in the growth that did occur'.⁸⁸

The region where the increase in extreme poverty was the most pronounced comprised the former socialist countries of Eastern Europe and Central Asia. Poverty rates moved to over 50 per cent in half of the transitional countries in the transition period of 1988 to 1995; and persons in poverty increased from 14 million to 168 million in the region, as a whole. The number of people in poverty in Russia rose from 2 million to 74 million, in the Ukraine from 2 million to 33 million, and in Romania from 1.3 million to 13.5 million.⁸⁹ These massive changes were due to lower incomes, to increased income inequality and especially to inflation, which lowered purchasing power substantially.

Locally defined poverty increased in developed countries without adequate safety net systems during the period up to about 1995, and has decreased somewhat in the subsequent boom years.

There are no specific global estimates of urban poverty at this stage; but it is generally presumed that urban poverty levels are less than rural poverty. However, in India, there are equal proportions of about 15 per cent of the population in the extreme poverty category in both urban and rural areas.⁹⁰ Urban poverty has also been increasing its share in most countries subject to structural adjustment programmes, most of which are deliberately anti-urban in nature.⁹¹ The absolute number of poor and undernourished in urban areas is increasing, as is the share of urban areas in overall poverty and malnutrition, and the locus of poverty is moving to cities.⁹²

Further research is needed to determine the relationship between the two MDG targets of poverty reduction and assisting slum dwellers, and to delineate, in more specific terms, the extent to which slums are the

The absolute number of poor and undernourished in urban areas is increasing, as is the share of urban areas in overall poverty and malnutrition, and the locus of poverty is moving to cities

	Percent living in extreme poverty				Millions					
	1987	1990	1993	1996	1987	1990	1993	1996	1998	
East Asia	26.6	27.6	25.2	14.9	15.3	417.5	452.5	431.9	265.1	278.3
(excluding China)	23.9	18.5	15.9	10.0	11.3	114.1	92.0	83.5	55.1	65.2
Eastern Europe	0.2	1.6	4.0	5.1	5.1	1.1	7.1	18.3	23.8	24.0
Latin America	15.3	16.8	15.3	15.6	15.6	63.7	73.8	70.8	76.0	78.2
Middle East and North Africa	4.3	2.4	1.9	1.8	2.0	9.3	5.7	5.0	5.0	5.6
South Asia	44.9	44.0	42.4	42.3	40.0	474.4	495.1	505.1	531.7	522.0
Africa	46.6	47.7	49.7	48.5	46.3	217.2	242.3	273.3	289.0	290.9
Total	28.3	29.0	28.2	24.5	24.0	1183.2	1276.4	1304.3	1190.6	1198.9
(excluding China)	28.5	28.1	27.7	27.0	26.2	879.8	915.9	955.9	980.5	985.7

Sources: Chen and Ravallion, 2001; updated from Ravallion and Chen, 1997.

spatial manifestation of urban poverty, particularly in cities and on a global scale.

Targeting of poverty reduction programmes

The reduction of poverty in all of its forms is now the prime objective of development policy. The new 'poverty before growth' emphasis has resulted in a number of observations regarding the success of past programmes that were ostensibly pro-poor, particularly poorly targeted health, education or income-generation programmes, and issues surrounding governance.⁹³

An evaluation of several recent programmes finds that it takes some time before benefits reach the poor in most broad interventions.⁹⁴ Early on, better connected groups can capture the benefits, particularly where outlays are small; but if the programme is well targeted in concept, targeting tends to improve as the programme expands. Similarly, during cutbacks such as structural adjustment programmes

(SAPs), the poor are more adversely affected than higher-income people, so specific measures must be provided to assist poorer groups to weather downturns.

Corruption and other governance challenges become major issues once targeting becomes the main priority. Substantial proportions of funds intended for the poor or for general development have sometimes disappeared into the accounts of officials responsible for tendering contracts. Widespread corruption in all aspects of local service provision has also acted as an effective tax on the whole community, particularly the most disadvantaged. Another recent study, encompassing 41 countries, concludes that 'High and rising corruption increases income inequality and poverty by reducing economic growth, the progressivity of the tax system, the level and effectiveness of social spending, and by perpetuating an unequal distribution of asset ownership and unequal access to education.'⁹⁵

Table 2.2

Population living below US\$1 per day at 1993 purchasing power parity (PPP), by region

The reduction of poverty in all of its forms is now the prime objective of development policy

NOTES

- This chapter is based on a draft prepared by Joe Flood, Urban Resources, Australia.
- This is compounded by the higher risk profile of the poor, who default more regularly and move more frequently in search of work – which means that they have to pay higher rents in a competitive system.
- This steepening simply means that land and housing prices rise faster towards the centre.
- According to Flood, 1984, 2000c.
- Fujita, 1989.
- According to the model, poor households who value accessibility will not move to the edge of cities as some have thought, but instead immediately outward to the next ring.
- There is a very large literature on factorial ecology. Some key references include Shevky and Bell, 1955; Berry and Kasarda, 1975; and, in the context of globalization, Wyly, 1999; Flood, 2000b.
- Flood, 2000b.
- Services are commonly divided into three classes: producer (services to industry, including finance), consumer (services to individuals) and social (education, health and other government services).
- Flood, 2000b.
- Muth, 1969; Fujita, 1989. Urban economics presume that households compete for space according to their incomes and their preference for space/accessibility, and locate accordingly in the city.
- The Australian Bureau of Statistics sells indices of advantage and disadvantage that are devised using very similar methods to Flood, 2000b.
- In Sydney, the inner-city slums that have been gentrified now have the highest scores on both advantage and disadvantage because the producer service graduates have now located there, but so have various special groups, including the homeless, the gay community and drug users. As well, many of the original inhabitants are still around.
- Case study – Sydney. This separation is partly due to the westwards movement of the natural population centre of the formerly coastal city; but it also represents a clear division of function.
- A bibliography for indexes of segregation or dissimilarity is found at www.stat.psu.edu/~jkuha/msbib/node18.html.
- It has the disadvantage that the smaller the areal subdivision, the larger the index tends to become, presuming that the sub-population is clumped together at a very small level, such as the city block or census collection area.
- Flood et al, 1992.
- According to Logan (2002), the suburban versus inner-city income inequality that is such a special feature of US cities actually increased during the prosperous 1990s. Poverty rates are twice as high in the cities as in the suburbs, unchanged since 1990. In a few cities such as Seattle and Chicago, the very large existing income differentials have reduced somewhat. The opposite is the case in Australian cities, where inner cities have much higher average incomes and the differential with the (middle-class) suburbs is increasing. Although spatial income differentials have increased, this does not necessarily imply that income segregation has increased, because existing differentials between rich and poor have been reinforced rather than new areas of disadvantage appearing.
- For example, blacks and whites have become more integrated during the 1990s in 60 out of 74 counties in Ohio, US; see www.ipr.uc.edu/Beyond/2001mar/btn_2001mar_table1.pdf. Rapid desegregation applies largely to smaller and newer areas, and segregation still remains very high in older US cities such as Detroit and Chicago. Figures for primary

- school segregation in 2000 are given in www.mumford1.dyndns.org/cen2000/SchoolPop/SPsort/sort_dl.html.
- 20 Priemus (1998) shows that spatial inequality reduced in The Netherlands during the early 1990s.
- 21 UNCHS (Habitat), 2001a.
- 22 Caldeira, 1996a.
- 23 Jargowsky, 1996a; 1997.
- 24 Not in the US, where inner-city blight still rules and worsened in many cities, with increasing inequality, up to 1994.
- 25 Public housing in Adelaide, Australia, for example, was originally 'working men's housing' built in areas specifically designated for government factories.
- 26 Sanchez-jankowski, 1999.
- 27 Bingham and Zhang (1997) find that 50 per cent of economic activities decline substantially in US city neighbourhoods once poverty reaches 10 per cent. At 20 per cent poverty, supermarkets and banks disappear and corner stores take their place, with the area effectively ghettoized. The housing stock declines somewhat later, at about 40 per cent poverty.
- 28 In Melbourne, for example, most of the early slums and warehouses were located in areas subject to flooding. The city divided clearly east and west of the Yarra River because of prevailing topographic conditions – the west is a flat basalt plain where few trees can grow; the east is pleasant rolling countryside with deep soils. The social east–west divide has lessened in recent years.
- 29 This does not apply to professional home-based work.
- 30 The website www.stu.cofc.edu/~mcgallig/#15 contains excellent footage of slum conditions of the period.
- 31 The reproduction of social classes is a major branch of sociology to which its founders, Marx, Weber, Durkheim, among many others, have contributed a substantial literature. More recently, post-modern approaches to space and social reproduction were introduced by Pierre Bourdieu, David Harvey, Edward Soja and Doreen Massey. A short bibliography is at www.eng.fju.edu.tw/Literary_Criticism/postmodernism/postmo_urban/biblio.htm#Cities.
- 32 In Nairobi, during the Mau Mau period, the 'white' city was actually ringed with barbed wire and passes were required. Passes are generally required in formal ethnic separations.
- 33 The growth of Mumbai followed this plan. See www.theory.tifr.res.in/bombay/history/slums.html.
- 34 These areas are often known as ghettos. Ethnic groups are forcibly separated and removed to these areas.
- 35 These peri-urban slum areas are often rapidly expanding in the face of urbanization (Briggs and Mwamfupe, 2000; Sutcliffe, 1997).
- 36 Typically, subject to flooding or landslip, or along transport corridors, as discussed in Chapter 1.
- 37 UNCHS (Habitat), 2001a.
- 38 UNCHS (Habitat), 2001a.
- 39 The 'city of power' has low population numbers and cannot easily be distinguished from residential characteristics alone.
- 40 UNDR, 2002.
- 41 Flood, 1997; 2001; ADB, 2001.
- 42 United Nations Population Division, 2002; www.un.org/esa/population/publications/wup2001/wup2001dh.pdf.
- 43 USAID, 2001.
- 44 For most places outside of Asia, urban growth rates were highest during 1960 to 1965. The actual increment in urban population will be highest around 2025 at 74 million per year (it is currently about 60 million per year).
- 45 The deficiency index is defined here as the average in each city of the proportion of houses that do not have water, sewerage and electricity. It is an index of the amount of work that remains to be done in networked infrastructure. 'Unauthorized housing' is a housing stock in urban areas that is not in compliance with current regulation.
- 46 The relationship is highly statistically significant and is at its strongest in the less developed regions: Africa and Southern Asia. It appears to be reversed only in China, where bigger cities may be in worse shape.
- 47 This relationship is quite weak and may not be significant.
- 48 The city-size effect on infrastructure availability is significant but does not compare with differences resulting from different levels of national development.
- 49 Derived from www.framework.org/meetings/urbanization.ppt.
- 50 Refugees usually flood into the cities where they feel relatively safe and can find accommodation and assistance. Except for specifically designated camps that are places of no opportunity, there is no place for them in the rural parts of their new countries.
- 51 Food production per head continues to fall in Africa, and very substantially in the former USSR; see www.fao.org/docrep/U8480E/U8480E05.htm#Rural-urban%20poverty%20indicators.
- 52 USAID, 2001.
- 53 Cambodia (2001) shows that 34 per cent of tertiary students were the children of land-owning farmers, which are only about 10 per cent of the population.
- 54 One study of Punjabi migrants to Delhi found that 94 per cent of them had found work within two months (USAID, 2001).
- 55 This was not the case even as late as the middle 20th century, where high density living was commonly regarded as the major source of epidemics of infectious disease, and where life expectancies were generally lower than in rural areas. The early phases of urbanization were the major motivation for the development of modern medicine and sanitation systems.
- 56 Kenyan urban folk who have lived in downtown Nairobi all of their lives, if asked where they come from, will say from Nyeri or Kiambu or Eldoret, even if they have never been to these places. They will be taken there to be buried on ancestral land when they die.
- 57 See, for example, Becker et al, 1994. Much of the value added of food exports actually takes place in cities, where it is taxed. Normally, there will only be a rural bias if food prices are frozen or directly subsidized.
- 58 Norconsult, 1996.
- 59 Statue of Liberty inscription.
- 60 For Japan, see Atoh, 2000.
- 61 A typical example of labour market abuses that immigrants, especially illegal immigrants, must endure is found in www.usinfo.state.gov/regional/ea/chinaaliens/kwongstory.htm.
- 62 For example, during the 1970s, and later in Melbourne, Australia, which is one of the most multicultural cities in the world, Southern European post-war immigrants were happy to sell their inner-city dwellings and head for much larger properties in the northern suburbs. A new wave of Vietnamese refugees moved in and established businesses, and streetscapes changed accordingly.
- 63 In the US, only about 50 per cent of those in poverty stay that way for more than two years, according to Bureau of the Census (2001). In Australia, about 80 per cent of those in the lowest quintile of household income move upwards within two years, and 15 per cent of these move into the highest quintile (students, unemployed professionals, etc).
- 64 Refugees in camps in the Gaza strip live at an average of nine per room. Few have any form of employment, and many families have been consistently there for 40 years.
- 65 The main languages in Mumbai are Marathi (official), Gujarati and Hindi.
- 66 US immigration was virtually unencumbered during the 19th century, when 32 million people crossed the Atlantic between 1840 and 1920; but now Green cards are the subject of stringent quotas. In the post-war period, Australia actually paid for millions of people to immigrate, with free sea fares and assistance with hostel accommodation. Now, non-refugee immigrants have to bring substantial funds with them and processes to obtain permanent residence are slow and expensive, as in other countries.
- 67 Charlotte Abney, in Euroviews 2002, writes on Norway's adjustment problems: www.manila.djh.dk/norway02.
- 68 See the discussion of Surry Hills in Sydney in Chapter 5.
- 69 Typical transitional economies have a 60 per cent reliance on manufacturing industry compared with less than 20 per cent in highly developed countries. Most of the industry is based on outdated technology and is not competitive.
- 70 The whole south-eastern seaboard of Australia now has an essentially urban population, with less than 2 per cent involved in agricultural pursuits. New small coastal towns of over 40,000 people are appearing for the first time in a century, and many of them have problems dealing with ecological damage and lack of urban services, since the new arrivals do not provide a strong economic base. One

- town actually has an elected 'unemployed party' representative on the local government.
- 71 It has, for example, been argued that this was the primary reason for the 'Asian Miracle' economic growth of 1980 to 1995.
- 72 The proportion of dependent children is forecast to fall from 30 per cent of the population worldwide to 20 per cent in 2050 (United Nations Population Division, 2001).
- 73 See www.un.org/esa/population/publications/longrange/longrangeExecSum.pdf.
- 74 Differences in life expectancies at birth are very largely due to difference in the infant mortality rate.
- 75 Mumtaz and Wegelin, 2001, Chapter 6.
- 76 UNCHS (Habitat), 1996a; Chant, 1997. The Global Urban Indicators Database (GUID) (see UNCHS (Habitat) (1996c) and UH-Habitat (2002f)) shows several African settlements with 55 per cent women-headed households, generally where the men are absent for work, with a median of 24 per cent for African cities. Hanoi, cities in the Caribbean and a number of European capitals also show very high figures of up to 40 per cent.
- 77 Tacoli, 1999. This does not occur so much in Asia, where woman-headed households are richer, on average.
- 78 Wratten, 1995.
- 79 Kruekeberg and Paulsen, 2002, p240.
- 80 Authors who have discussed the multidimensional nature of poverty include Amis, 1995; Baulch, 1996; Chambers, 1997; Courmont, 2001; Jones, 1999; Maxwell, 1999; Moser, 1996; Moser et al, 1993; Wratten, 1995.
- 81 Moser et al, 1993.
- 82 Nobel Prize winner Amartya Sen, 1997.
- 83 Collier, 1998; Grootaert, 1998.
- 84 According to US Bureau of the Census, 2001.
- 85 Amis, 2002.
- 86 World Bank, 2001a, b. Illife (1987), after Gutton, calls these 'conjunctural' and 'structural' poverty.
- 87 In addition, they often do not inform us about the distribution of households across a range of income groups.
- 88 Chen and Ravallion, 2001. Their methodology has been extensively criticized by Reddy and Pogge (2002) on the basis of the arbitrary poverty line, an inaccurate measure of purchasing power parity (PPP), and through extrapolation from limited data. The rather arbitrary change in the poverty line by the World Bank between 1993 and 2000 also increased poverty by 8 per cent in Africa and decreased elsewhere.
- 89 Milanovic, 1998, Table 5.1.
- 90 Mehta, 2001.
- 91 Moser et al, 1993; World Bank, 2000a, 2001a, p66.
- 92 Haddad et al (1999) show the percentage of poor in urban areas increasing in eight sampled countries from the mid 1980s to the 1990s.
- 93 In what Ali and Sirivardana (1996) call the 'new development paradigm', poverty is to be dealt with, and growth treated, as incidental rather than the converse.
- 94 Ravallion, 2002.
- 95 Gupta et al, 1998.

CITIES AND SLUMS WITHIN GLOBALIZING ECONOMIES¹

During the 1990s the gap between poor and rich countries increased and, in most countries, income inequality increased or, at best, stabilized

This chapter revisits the subject of the previous *Global Report on Human Settlements* – globalization – from the particular point of view of inequality and poverty, and their potential impacts on slum formation. It pays particular attention to the impact of neo-liberalism on the major facets of globalization – trade, deregulated capital and labour markets – and the withdrawal of the state in its various forms. It deals with the growing realization that changes in the development policy paradigm have, in part, contributed to changes in poverty and inequality in both the developed and the developing world since the late 1970s, while failing to deliver much in the way of growth for all except a select group of countries, and then only for a minority of their citizens. The expansion of urban slums in the developing world during the period may also have roots in these conditions. On a more positive note, globalization is offering opportunities for cities to act in their own rights and to form communities of interest, and for entrepreneurs of modest means who would, in the past, have had little chance to conduct international business to move out into the wider world. The insecurities created by globalization, however, go much further than the economic, and so far any benefits to the poorer people of the world have largely been elusive.

INEQUALITY AND POVERTY

On the face of it, the last decade of the 20th century should have been one of great prosperity because of the opening up of world economies to the benefits of trade, an increasing rate of productivity improvement due to new technologies, and a peace dividend with the potential of diverting the massive military expenditures of the previous century to more productive uses.²

The 20th century had been one of the grimmest and most isolationist on record from the point of view of international affairs and trade. Two World Wars and a Great Depression were accompanied by a dramatic drop in international trade and an increase in protectionism. Trade fell from about 20 per cent of most national economies in the mercantile period of 1870 to 1914 to less than 10 per cent during the 1930s.³ Although international trade increased substantially following 1945, insurrections meant that large areas of some countries were unusable during much of the period because of struggles based on ideological differences supported by Cold War politics. Many important land trade routes were closed in the developing world because of the activities of guerrillas or insurgents. Trade in guns and weapons

took up a high proportion of the budget of many developing countries, with money loaned and equipment opportunistically provided by the developed countries.

The fall of the Iron Curtain in 1990 might have presaged a great period of peace and development. Certainly, the previous decade had seen progress in opening up economies. During the 20 years between 1970 and 1990, world trade tripled (though most of this activity was in East Asia and the developed world, and did not extend to the world as a whole).

During the 1990s, trade continued to expand at an almost unprecedented rate, no-go areas opened up, and military expenditure decreased. New communications technologies, such as the internet, reduced the tyranny of distance, improved productivity and made it possible for people in developing countries or remote areas to share in knowledge and engage in types of work that would have previously been unthinkable. All the basic inputs to production became cheaper, as interest rates fell rapidly, along with the price of basic commodities. Capital flows were increasingly unfettered by national controls and could move rapidly to the most productive areas. Under what were almost perfect economic conditions according to the dominant neo-liberal economic doctrine, one might have imagined that the decade would have been one of unrivalled prosperity and social justice.

But this is not what happened. The gap between poor and rich countries increased, just as it had done for the previous 20 years and, in most countries, income inequality increased or, at best, stabilized. In the boom years since 1993, the situation is more equivocal and uneven; inequality has increased sharply in some parts of the world and decreased or remained stable (albeit at high levels) in others. The fact is, however, that any improvements have been modest: the real incomes of the least developed countries (LDCs) have not regained 1978 levels, and the median real income in the US has also fallen since the mid 1970s.

At the end of the 20th century, there appeared to be a general mood of pessimism – a feeling that things had gone backwards, somehow, for the majority of people, that poverty seemed to have increased and social justice and the quality of life had diminished, while sustainability was increasingly threatened. So, what went wrong?

The main issues, most analyses agreed, were:

- high levels of inequality and insecurity;
- increasing globalization (especially in trade, finance and telecommunications);

- the retreat of the state from its protective and supportive roles;
- rapid urbanization and population growth under conditions of economic stagnation; and
- improved access of the 'local' to the 'global'.

These issues will be considered, in turn, in this chapter.

Inequality: a recent history

*If the world behaved as predicted by the simple neoclassical growth model, the per capita incomes of countries with the same saving rate, technologies, government policies and population growth would eventually converge... [However], there is enough evidence in support of the view that the world seems to be converging towards two clubs: the rich and the poor countries... The question is why are some countries kept in the low income club, and can something be done to reverse this?*⁴

Capitalism has long been recognized to be cyclical in nature, with periodic booms and busts, or periods of prosperity and recession, in several time scales. The longer cycles have a strong correlation with urban in-migration, stops and starts in house building, and with the development of slum areas.⁵ The overall picture for a very long economic cycle (Kondratiev wave of 50 to 60 years) is shown in Figure 3.1. The upwave is a time of slow inflation, growth and relative economic stability; the downwave is an unstable disinflationary period of booms and busts.

Entrepôt free-trade ports have been particularly prone to cyclical growth patterns, such as those responsible for areas or rings of slums in internationally exposed cities such as Sydney and Liverpool during the recessions of the 1850s and 1890s.^{6,7} In booms, large numbers of poorer quality formal-sector houses are built as entrepreneurs seek to recycle their capital quickly. During recessions, maintenance expenditure on dwellings and infrastructure fall, lowering stock quality. Lower-income people tend to congregate in the lowest cost dwellings and housing, as their circumstances drive them into poverty. Large areas of poor quality housing with low-income occupants result – and the traditional, formal-sector slums of the Western world have often appeared in this way.

What generally happens under the irregular boom/bust cycles of unregulated capitalism is shown in Figure 3.2. In *booms*, shown in the left half of the figure, the ratchet handle moves upwards. The richest few per cent gain most of the income and wealth because they hold most of the assets. Most booms happen in a situation of mild disinflation, which inflates asset prices well above the underlying productivity trend. Real estate and stock prices rise enormously. There is usually a drop in unemployment and in poverty – but the trickle-down effect is fairly minimal.

In *busts*, shown in the right side of the figure, the ratchet handle moves downwards from its post-boom position. The poor suffer disproportionately, as do women,

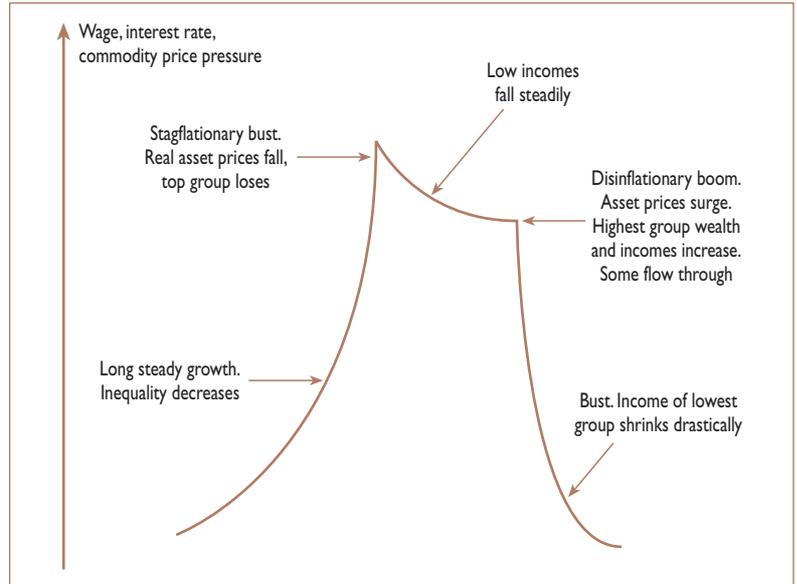


Figure 3.1

Booms and busts: stylized long wave

losing both income-earning opportunities and government support, as revenues drop.⁸ Table 3.1 shows that during two recent downturns in Canada, for example, earned income for the lowest-income group was reduced drastically. The higher-income groups are generally able to protect their wealth, and may even use the situation to buy cheap assets for the next cycle.

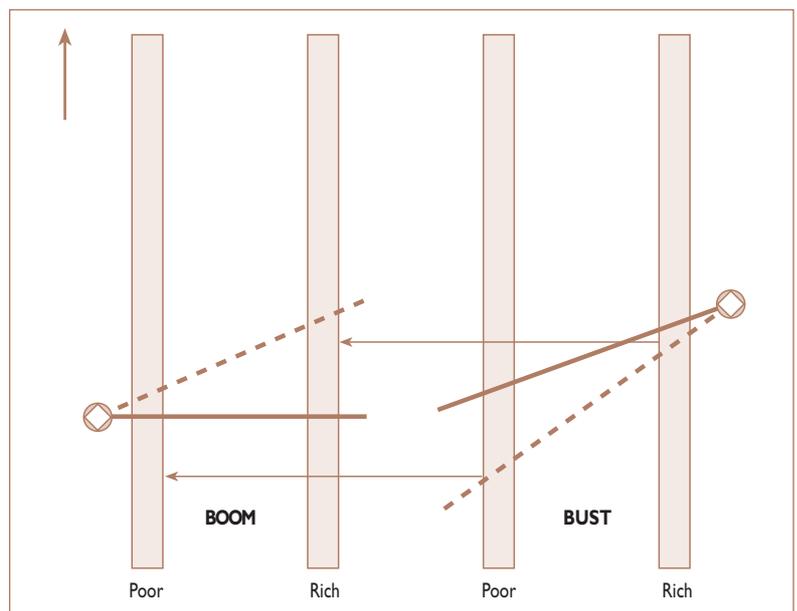
When translating the changes after the bust back to the initial position, there has been a marked increase in inequality: the rich have gained and the poor have lost. This will be repeated in subsequent cycles.

The only time when inequality appears to decrease is during long, steady *growth periods*, such as 1945 to 1967, when slowly increasing excess demand for labour allows wages to rise and keeps unemployment low.⁹

With more cities opening to cyclical forces of international trade, it is likely that booms and busts will become more marked, and that slums associated with these economic cycles will continue to form in the rapidly developing areas of the world.

Figure 3.2

The invisible hand: ratcheting of inequality in booms and busts



Income group	1981–1984 (%)	1989–1993 (%)
1	-60	-86
2	-30	-45
3	-17	-21
4	-11	-16
5	-8	-14
6	-6	-11
7	-5	-7
8	-4	-6
9	-3	-5
10	2	-9

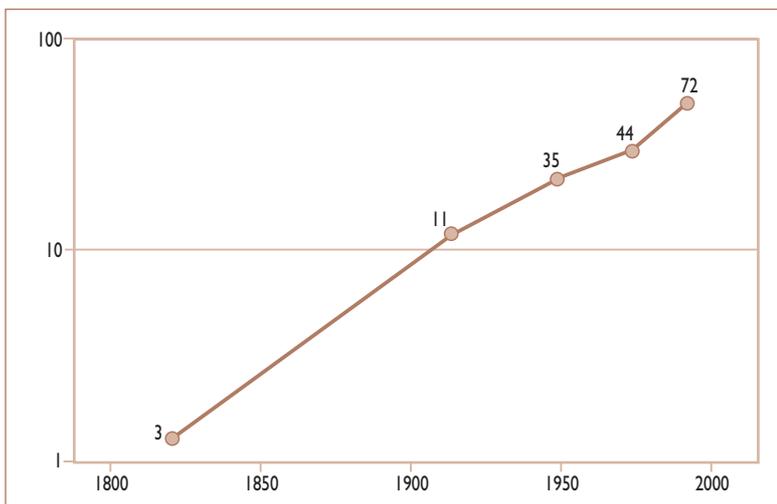
Note: 1 = lowest-income group.
Source: Curry-Stevens, 2001.

Table 3.1
Changes of distribution of household income in Canada during two downturns: earned income

During 1970, the top 20 per cent of the world's people in the richest countries had 32 times the income of the poorest 20 per cent, growing to 45 times in 1980, 59 times in 1989, and about 78 times at present

Figure 3.3
Ratio between richest and poorest nations' GDP per person, 1800 to 2000

Source: Maddison, 1995



In 1760, Indian per capita income was between 10 and 30 per cent inferior to the British per capita income, while in 1800, Chinese per capita income was equal to or higher than the British. Asia produced 56 per cent of world's gross domestic product (GDP), and Western Europe 24 per cent.¹⁰ Figure 3.3 shows that during the long period of mercantile capitalism in the 19th century, the ratio between the GDP per person of the richest and the poorest nations steadily widened from 3 to about 10.¹¹ During 1970, the top 20 per cent of the world's people in the richest countries had 32 times the income of the poorest 20 per cent, growing to 45 times in 1980, 59 times in 1989, and about 78 times at present.¹²

Inequality decreased gradually in the long post-war growth period of 1945 to 1972. Wages and productivity rose steadily, and full employment was the norm. Economies were kept stable using the new techniques of Keynesian pump priming through the public sector. Under communist threat from the outside, and under pressure of growing social democratic and communist movements at home, the capitalist regimes, already enfeebled by the Great Depression, conceded to dramatic and far-reaching social reforms. The nature of wild capitalism of the 19th century changed with the introduction of unemployment benefits and pensions, paid vacations, the 40-hour week, guaranteed and free education and health care for all, and trade union protection of workers. In the developing countries that were liberated from colonial rule, dreams of industrialization and

'catching up' could be realistically entertained, and countries grew fast as import substitution became the dominant approach to development. Over the post-war growth period of 1950 to 1972, inequality primarily fell within countries, and during 1960 to 1978, divergence between countries slowed or lessened, as Figure 3.4 shows.

The oil price shocks of 1973 and 1980 increased costs radically for developing countries. Most of them ran up substantial debts to meet these costs, and interest rates were very high. In the developed countries, confidence in Keynesian government spending as the major tool of macro-economic policy ebbed, as a stagflationary spiral of high inflation and low growth proved resistant to all conventional measures. It was at this time that the neo-liberal group who had come to dominate economics schools with new theory but old remedies – a return to laissez-faire economics – gained ascendancy in the treasury departments and central banks of many countries. The social-democratic movement weakened, the collapse of communism eliminated the external threat and made global capitalism again, as in the 1870s, free to pursue unhindered its objectives of profit maximization – without much regard for social consequences. The neo-liberal agenda of state withdrawal, free markets and privatization achieved pre-eminence in English-speaking countries, and soon was exported to the world at large. This agenda was to have a very negative impact on income distribution and also, in a number of countries, an equally negative impact on economic growth and poverty. From 1973 to 1993, inequality, however measured, increased between countries, within most countries and in the world as a whole (see Box 3.1).

The 1980s were extremely uneven for development as what is now known as 'globalization' became evident under rapidly liberalizing international regimes. Latin America had had a 'miracle decade' in the 1970s; but the 1980s were known as the 'lost decade' as one financial and monetary crisis after another buffeted these insecure economies. In Asia, the 'tiger' economies opened their markets to private investment and began their own 'miracle', rapidly surpassing Latin America in growth and income, and with a significant drop in poverty.¹³ China registered a remarkable growth, almost doubling its GDP per capita between 1965 and 1980, and then quadrupling it between 1980 and 1998.

Internally, inequality rose in most Organization for Economic Cooperation and Development (OECD) countries during the 1980s and into the early 1990s. Of 19 countries, only one showed a slight improvement. The deterioration was worst in Sweden, the UK and the US. In the UK, the number of families below the poverty line rose by 60 per cent during the 1980s, and in The Netherlands by nearly 40 per cent. In Canada, poverty increased by 28 per cent between 1991 and 1996. The city of Montreal had the nation's highest poverty rate at 41.2 per cent.¹⁴ Extensive poverty existed even in the country that ranked first in the 2001 Human Development Index (HDI) for most of the 1990s.

Structural adjustment programmes (SAPs) were widespread in the developing world by this time; these austerity programmes involved substantial budget cuts and

	1820	1870	1913	1950	1973	1998
Western Europe	1232	1974	3473	4594	11,534	17,921
Western offshoots ⁱ	1201	2431	5257	9288	16,172	26,146
Japan	669	737	1387	1926	11,439	20,413
Asia (excluding Japan)	575	543	640	635	1231	2936
Latin America	665	698	1511	2554	4531	5795
Eastern Europe and former USSR	667	917	501	2601	5729	4354
Africa	418	444	585	852	1365	1368
World	667	867	1510	2114	4104	5709
Inter-regional spread ⁱⁱ	3:1	5:1	9:1	15:1	13:1	19:1

Notes: i Western offshoots includes Canada, the US, Australia and New Zealand. ii Inter-regional spread is the ratio of the highest income to the lowest income for that year. For 1820, this is the ratio of Western Europe to Africa; for the remaining years, Western offshoots to Africa.

Source: Maddison, 2001, Table 3-1b, p126.

price rises, which impacted particularly strongly on the urban poor.¹⁵ Africa was worst affected, and countries that had previously been quite buoyant began to slide into economic stagnation. In 24 African countries, real GDP per capita is less than in 1975, and in 12 countries even below the 1960s level.¹⁶

The economies of the Comecon countries of Eastern Europe and Central Asia stagnated or declined through most of the 1980s. Following the collapse of communism in 1990, the ‘transitional’ countries opened and liberalized their economies on the advice of Western neo-liberal advisers. This worked reasonably well for countries bordering on Western Europe, but was much more difficult in the former USSR, which had no earlier experience of markets and no immediate access to growth prospects. The GDP of the various republics fell by up to 60 per cent and a level of poverty and loss of quality of life ensued that would previously have been unimaginable. In the middle of 1990s, in Russia, electricity consumption fell by more than 20 per cent and construction activity fell by 70 per cent. The capital stock was only 60 per cent utilized, and the industrial work force fell by one third, with millions of workers on shortened day and compulsory leave. The severity of the contraction was much deeper and longer lasting than the Great Depression in the US.¹⁷ Capital flight from Russia continues even after a decade of liberal ‘reforms’.

Productive investment opportunities had begun to flag in the tiger economies of Asia during the early 1990s

and money had begun to move into inflating asset prices and boom-level property and stock prices, which were no longer underpinned by growth. From 1994, Japanese and other international investors began to withdraw investment capital from the tiger economies, which left them vulnerable to attacks on their currencies. When the collapse came in 1997 in one country after another, all observers were caught by surprise.

From 1994, the withdrawal of capital back to the core economies, where investment in new communications technologies was required, paid immediate dividends. The US, in particular, entered a ‘Goldilocks’ era of falling interest rates, business and productivity growth, and rapidly inflating asset prices similar to Japan’s a decade before – culminating in the ‘tech-wreck’ bubble. Profit rates rose to historic levels.

Official corporate strategy was not so much to invest in new job-generating activities, but instead to ‘downsize’, increasing profits through extensive programmes of layoffs, cost reductions and share buybacks. Nevertheless, conditions did improve for many during the period. In the US, unemployment rates fell to 4 per cent, the lowest for 40 years, and official poverty in 2000 also equalled the lowest level on record. The tiger countries of the Asia crisis recovered quite well from the fall in local currencies, which – after an initial debt shock and slump that put many enterprises in receivership and caused social hardship and unrest – gave them a competitive advantage to trade out of

Table 3.2
Per capita GDP by region, 1820 to 1998 (1990 international dollars)

The 1980s were extremely uneven for development as what is now known as ‘globalization’ became evident under rapidly liberalizing international regimes

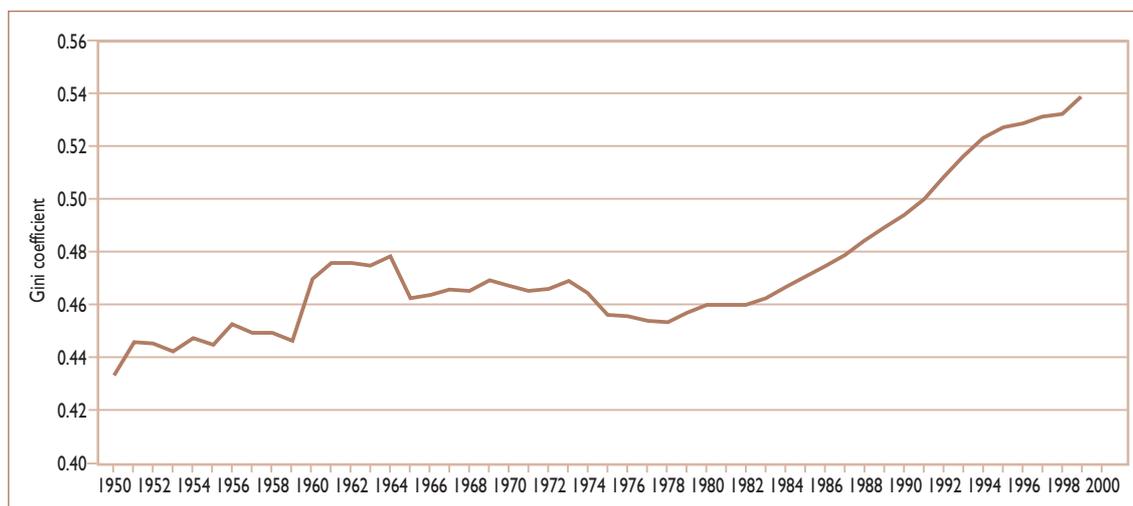


Figure 3.4
Gini coefficient, world (unweighted), 1950 to 1998

Note: The coefficient measures the percentage of area under a Lorenz curve of perfect equality that lies between it and the actual Lorenz curve of a society, with higher Gini coefficients indicating greater inequality.

Source: Milanovic, 2002a, Figure 4

Box 3.1 Measuring Global Inequality

World income inequality is very high: the Gini coefficient is 66 if one uses incomes adjusted for differences in countries' purchasing power, and almost 80 if one uses current dollar incomes. One can conjecture that such a high inequality is sustainable precisely because the world is not unified, and rich people do not mingle, meet or even know about the existence of the poor (other than in a most abstract way).ⁱ

There have been several typical ways of measuring global inequality. One way is by measuring inequality between countries, each treated as a single observation. Sometimes the distribution is weighted by population, so that each country is represented as if its whole population had the average national income.ⁱⁱ The best way, however, is to construct a global sample of individuals. This has been done by making use of a large collection of household surveys held by the World Bank.ⁱⁱⁱ

It was found that between 1988 and 1993, mean per capita world income increased by 5.7% in real terms (or by 1.1% per annum on average). The increase – and more – went to the top income groups. Because of distributional change, the median income fell by 3%. The share of the bottom quintile of the population decreased from 2.3% of total world purchasing power parity (PPP) income to 2%, and that of the bottom half from 9.6% to 8.5%.

Some 85% of global inequality is explained by international differentials. Within-country inequality is relatively small on a global scale, accounting for only 1.3 Gini points, or 2% of total world inequality. In fact, lower-income people in the more developed countries have relatively high incomes: the lowest quintile of urban households in the high income countries (HICs) have five times the income of the top 20% of urban households in the least developed regions (LDRs).^{iv}

The figure below shows how growth fell in all country income deciles during the period of 1978 to 1998, compared with the previous 20 years, with the good growth in middle-income

countries of 1950 to 1978 reversing, and only the higher income countries enjoying growth. While during the year 1960, there were 41 rich countries and 19 of them were non-Western, during the year 1998, there were 29 rich countries and only 7 of them were non-Western.

The experience of inequality differed substantially between regions, with the world appearing to converge into several widely spaced income blocs. Inter-country inequality went down between 1988 and 1993 in the HICs and in Latin America.^v For the transition economies, the 1980s were a decade of stagnation, while the 1990s were not only a lost decade, but a decade of depression. In 1999, only three transition economies (Poland, Slovenia and Hungary) had a higher GDP per capita than in 1989.^{vi} Very large increases in national Gini coefficients of up to 20 points were also recorded in some transitional countries.^{vii}

The sudden increase in inequality from 1980 is usually attributed to domestic deregulation and economic liberalization. Recent studies reach the conclusion that:^{viii}

...premature, poorly sequenced and unselective implementation under weak institutional and incomplete market conditions deliver not only inequality but low or negative growth...capital account liberalization appears to have had the strongest disequalizing effect, followed by domestic financial liberalization, labour market deregulation and tax reform. Privatization was found to be associated with rising inequality in some regions but not others, while trade liberalization had insignificant or mildly disequalizing effects.

Whether one accepts or not that this is the primary cause, it is a fact that any changes that took place during the period of 1980 to 1993 benefited only the richest countries, plus a handful of Asian countries, and in the former case, only the affluent people in these countries.



Average growth rate by decile, 1950 to 1978 and 1978 to 1998^{ix}

Notes: i Milanovic, 1999a. ii Recent results have been contradictory because of these different methodologies. Authors have said inequality is either decreasing (Boltho and Toniolo, 1999; Melchior et al, 2000), or is increasing (Milanovic, 1999a; Pritchett, 1997; Schultz, 1998; Maddison, 1995; Cornea and Kiiski, 2000). iii Milanovic, 1999a. iv UNCHS, 1996f, not adjusted for purchasing power. v The unweighted Gini coefficient of per capita GDPs of highly industrialized countries has almost continuously declined since the early 1950s in what is known as 'convergence', and is now only one half of its 1950 value. The conclusion must be that capital has sought to utilize all opportunities in the most conducive region before moving on to other new groups of countries, and has done so with relatively little risk, Milanovich, 1999. vi Milanovic, 2002a. vii Kanbur and Lustig, 1999. viii Cornea and Kiiski, 2001. ix Milanovic, 2002a, Figure 10.

trouble. While collapse was averted, a burden of debt now hangs over these countries that will limit their recovery in the medium term.

In the boom period of the late 1990s, a number of well-favoured countries advanced their economies on the back of the new information technologies, particularly countries with an educated population who had been suffering from isolation. Most obvious were Ireland, Finland and Australia,¹⁸ while India and a few other countries developed indigenous software industries.¹⁹ East Asia, particularly the Republic of Korea and the Shenzhen region in China, maintained global dominance in semiconductors and a number of other industrial activities.

From 2000, the economic downturn in the US began to hang ominously over the world economy. The tech-wreck collapse of dot-com share prices showed that internet technology had a long way to go before profitable online business models could be found. If the boom years of the 1990s, which should have been a time of healing and growth, had been uncertain and destabilizing, the prospects for the next decade began to look precarious.

Globalization: poverty amid affluence

From the mid 1940s, there has been considerable concern that globalization was exacerbating inequality worldwide – both at the global and the local level.²⁰ Almost 60 years on, there now seems to be little doubt about the matter. Increases in inequality can be traced almost directly to liberalization, which is also a proximate cause of globalization.

Despite a large number of studies, a consensus has not been reached as to how the interaction between growth or other macro-economic changes and inequality works, and many contradictory results have been obtained.²¹ It is generally agreed that trade shocks and deterioration in the terms of trade are particularly bad for low income households.²² It is also agreed that the more inequality, the harder it will be to stimulate growth and the less likely it is that poverty will be reduced when growth occurs.²³

What happens within countries has been more an exercise in differential power than the operation of the invisible, equilibrating hand of the economy. Increasing incomes are not enjoyed equally within a country since, firstly, higher income people are in a better bargaining position and can appropriate some of the productivity gains of lower income people while keeping their own. Secondly, the higher earning producer service and information/knowledge industries, which are the ones that have been increasingly generating wealth, have strong barriers to entry in terms of education, social class and contacts.²⁴ Economic returns to individuals from education have been increasing, and a good proportion of the population has been excluded from these high-leverage areas – instead, suffering a downgrade in their incomes, working conditions and job security.

Throughout the developing world, the contrasts between the elite who benefit or participate in globalization, and the rest of the population, are considerably more stark.

For example, in Angola, 40 per cent of urban children do not attend school. In its capital, Luanda, innumerable street children, amputees and destitute people sleep on the broken pavement amid heaps of rubbish, while the latest models of Mercedes Benz, BMW and Porsche zoom by, their cellphone-holding drivers nattily dressed in French and Brazilian couture.²⁵ Since 1994, the armed forces and police never received less than a 30 per cent share of the national budget, rising to 41 per cent in 1999, while the share to the social sectors (health, education, housing, social security and welfare) consistently dropped, from 15 to 9.4 per cent.²⁶

Nigeria is potentially Africa's richest country. As the world's sixth largest producer of crude oil, with huge reserves of mineral and agricultural riches and human resources, it should be enjoying some of the highest global living standards. Until the 1980s, Nigeria failed to distribute its wealth to the poor, steering most investment into a few areas. Under a SAP between 1987 and 1992, real GDP increased by 40 per cent in terms of the local currency (but still was lower than during the early 1970s). Households in the top 30 per cent of incomes appropriated 75 per cent of the gain, while incomes of the bottom 10 per cent fell by 30 per cent. The Gini index increased by 20 per cent.

From 1980 to 1996, the percentage of Nigerians living in poverty rose from 28 per cent to 66 per cent. In absolute terms, the population living on less than US\$1.40 a day rose from 17.7 million to 67.1 million. Those classified as the core poor (the poorest of the poor – living on about US\$0.70 a day) increased from 6 per cent to 29 per cent of the population.²⁷ This steep rise in poverty occurred in spite of the fact that between 1970 and 1999, the country earned an estimated US\$320 billion from the export of crude oil.²⁸

In many LDCs, per capita incomes today are lower than they were in 1970.²⁹ Nearly 65 per cent of Africa's population lives below the poverty line. The Democratic Republic of Congo (DRC) fares worst, with 90.5 per cent below the poverty line.³⁰

Poverty is also very much in evidence in the transition economies of Eastern Europe and the Commonwealth of Independent States (CIS), which have experienced the fastest rise in inequality ever. In Armenia, Russia, Tajikistan and Ukraine, the levels of inequality as measured by Gini coefficients have nearly doubled in the past decade.³¹ Russia had the greatest inequality in 1999 – the income share of the richest 20 per cent was 11 times that of the poorest 20 per cent.³² Many countries have experienced sharp declines in gross national product (GNP), large-scale unemployment, declining real incomes, and sharp increases in income poverty over the past decade. For example, in Hungary, the percentage of people living below the subsistence minimum was about 50 per cent higher in 1996 than in 1992.³³ In the seven CIS countries (Armenia, Azerbaijan, Georgia, Kyrgyzstan, Republic of Moldova, Tajikistan and Uzbekistan), more than half of the population lived in poverty in 1999.³⁴

A recent UN-Habitat study stressed the grave implications of this deepening of inequalities – the growth of poverty amidst rising affluence.³⁵ This trend of polarization is also seen in Figure 3.3 and Table 3.2.

In the boom period of the late 1990s, a number of well-favoured countries advanced their economies on the back of the new information technologies

It is also agreed that the more inequality, the harder it will be to stimulate growth and the less likely it is that poverty will be reduced when growth occurs

Trade, globalization and cities

There is probably more confusion about trade and its effects on growth and inequality than any other aspect of globalization. This is because, on the one hand, there are several entrenched positions arguing their cases fiercely, and, on the other hand, trade acts in several different ways, some of which can reduce inequality between and within countries, and others which may increase it.³⁶

■ Trade theory and inequality

According to neo-liberal trade theory, more trade, almost by definition, results in improved national wealth and incomes since arbitrage leads goods to be directed to their most productive use and sold where the best returns are to be had, both increasing producers' incomes and lowering consumers' costs, on average. As well as distributing goods more efficiently, trade also results in more production, since new markets open up for goods and services.

Conventional trade theories see increased trade and a liberalized trade regime as purely beneficial; but, as in all change, there are, in fact, winners and losers. Those participating in the active, growing areas of the world economy, or receiving (unreliable) trickle-down effects, benefit. Those who do not participate at best receive no benefits, but, in fact, are usually losers, since capital tends to take flight from their countries or their industries to more productive zones, reducing work opportunities and business returns as currencies and wages fall or jobs disappear.

There are several opposing trends associated with trade between richer and poorer countries or regions. On the one hand, *diffusion* allows new technologies, capital and jobs to trickle from the richer to the poorer areas where goods can be produced more cheaply. On the other hand, *concentration* causes people, capital and jobs to move to places of opportunity, draining less developed areas of human and financial resources and leaving them in a depressed state. Such areas will also have a great deal of difficulty establishing new industries in the absence of specific government interventions or subsidies, and this argument in favour of nurturing infant industries has become the major reason for the preservation of tariff walls.

Diffusion should not be underestimated since, realistically, it is one of the main processes that can lead to development. It is a major reason why wages for a given activity within a country tend to be relatively uniform and substantially different from other countries, because wages eventually diffuse through the country, which is a free trade area.^{37,38} The transfer of industry to areas where labour costs less usually results in an increase in the overall number of jobs, and this can be very substantial.³⁹

A third effect relating to international trade concerns *deterioration of the terms of trade*. Even in the active industries or countries, the stronger partner in the trade can benefit more (the basis of colonialism). In a case where productivity improves across the board, the higher income countries will receive all of the benefit of their own improvement, and also part of the benefit of the improvement in the less developed partner. This is because falling export costs due to productivity improvement lead to

a worsening in the terms of trade for the weaker partner (their currency falls), passing on extra benefits to the stronger partner.⁴⁰ The extremely strong US dollar in 2001 was at least partly due to this effect.

Falling commodity prices are a related phenomenon. The exceptional growth of the industrializing countries during much of the 20th century was fuelled, in part, by the availability of cheap agricultural and mineral products, which are the major outputs of the developing countries. Improved agricultural productivity, in particular, which is where the vast bulk of aid money went from 1985 onwards, turned out to be something of a two-edged sword. While it fed growing populations of less developed countries, it also cheapened their exports and worsened their terms of trade. At the same time, it released increasing proportions of the population from rural areas to the cities, where there were no jobs for them.

Other concerns relate to *structural* effects depending upon factor inputs. It is usually argued, for example, that tariffs increase inequality because they protect (urban) capital and profits at the expense of workers in more labour-intensive industries and export industries, such as agriculture. Conversely, if, as at present, trade relates to areas that require highly skilled or educated labour, as much of the producer services-driven expansion of the 1990s has done, the educated group will benefit accordingly at the expense of the others, and those countries with a higher proportion of educated people will benefit the most – the higher income countries.

It has been argued that the insistence on free trade has been destructive to fledgling industries in the developing world that hold out promise for much greater long-term growth than existing cash crops and are the only real path to development.⁴¹ It is often pointed out that only countries with developed industries benefit from the luxury of free trade, and that the industrial countries in their early years operated under heavy regimes of protection (and still do, in many cases). The collapse of formal urban employment in the developing world and the rise of the informal sector is seen as a direct function of liberalization. By forcing the developing world to remove barriers through SAPs and other conditionalities is like someone trying to 'kick away the ladder' with which they climbed to the top. It has become very much a case of 'do what we say, not what we did'.⁴²

■ Trade: the reality

A recent study argues at length that globalization and the shrinking of distance as a prevailing dynamic for changes in the world is largely an illusion since many of the changes that are being witnessed have historical precedents, and, in fact, the movement of goods and information remains quite regionalized.⁴³ World trade has increased from 7 per cent of world GDP in 1950 to at least 15 per cent over the period; but the reality is that trade has come to be largely confined to a smaller group of countries, a select club that includes the OECD and a few countries in Asia.⁴⁴ Figure 3.4 shows the growth of trade by region, with the proportion of world exports coming from the HICs steady at about 70 per cent

The collapse of formal urban employment in the developing world and the rise of the informal sector is seen as a direct function of liberalization

over the last 20 years, while Asian countries have almost doubled their share of exports from 9.5 per cent to 17 per cent, at the expense of the other developing countries.⁴⁵

Neither Latin America, burdened by bad debt, nor stagnant African economies were attractive outlets for trade and investment during the period. The real consideration for countries in Africa and Latin America is, therefore, not whether trade increases inequality, but whether the loss of trade and investment share does.

The Asian tigers were mostly strong enough to secure reasonable terms of trade. However, where trade to the LDCs did take place, it was often under conditions that disproportionately benefited the domestic producers in exporting countries. The US and Europe have huge and increasing food subsidies and tariffs that exclude the agricultural products of other countries – the major exports of the LDCs.⁴⁶ The cash crops that these countries can easily produce and export, such as coffee, are at the expense of staple foods. In countries where nutrition levels were worsening during the period, the conversion to cash crops forces them, now, to import staples in many cases, weakening local food security.

The most dramatic turnaround in trade during the 1990s was in the transitional countries, where it was a major factor contributing to economic collapse. Trade between the Comecon countries had been a substantial part of their economies, and the Soviet system, in particular, had been predicated on specialized production in different republics. Following ‘opening’ of the region, trade sank to almost nothing – a huge shock to economies that were severely imbalanced and dependent on each other for particular goods. These countries had not previously been exposed to Western levels of quality and their goods were not competitive, so replacing this trade with world markets – or even maintaining their own share of local consumption – was going to take a very long time. Cuba, which, in fact, had several world-class export businesses, was subject to a US trade embargo that by 1990 had already lasted 25 years.⁴⁷ When Comecon trade collapsed, it was unable to seek other opportunities. Living conditions and human development decreased markedly, with the growth of poverty and of slums backing the historic Havana foreshore, which has World Heritage status.

In the developing countries, with their poorly policed borders, informal, unconventional or illegal trade has been commonplace, and may have replaced the declining share of formal-sector trade to some extent. Structural adjustment, globalization, political change and trade liberalization have come together to extend and intensify unconventional cross-border trade. Substantial amounts of capital and capacity are often deployed to find alternative ways and circuits to move raw materials and process consumables. This trade brings together a wide range of actors, including well-off business people, soldiers, militias, middlemen of various nationalities and petty traders. Unconventional trade is at its greatest in states where chronic political crisis has undermined regulatory systems, or where formal institutions function and retain some level of authority primarily through their participation in such unconventional trade.⁴⁸

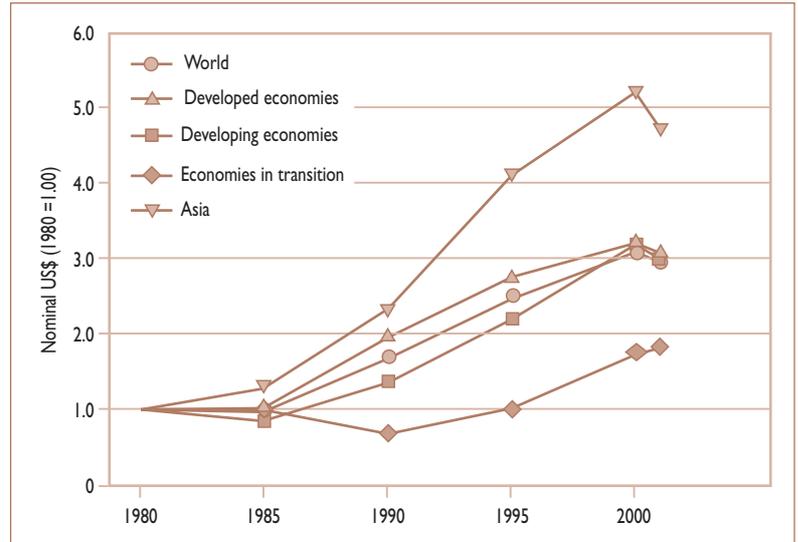


Figure 3.5
Growth of trade by region, 1980 to 2001 (1980 = 1.00)

Source: World Trade Organization (WTO), *World Trade Statistics 2001*, www.wto.org

It is definitely better to participate in increased trade opportunities, as the dramatic examples from East and Southeast Asia show. After they opened up their economies during the 1970s, growth spurred from low levels to averages of 10 per cent per year, in several cases rapidly moving these countries from low development to middle incomes – and it is definitely worse to lose trade, as the equally dramatic examples from the transitional countries and from the Great Depression show. However, it is difficult for the developing countries to participate in trade at all, and when they do it is from a position of disadvantage, converting to export crops that can threaten their own food security and have little long-term prospects for growth.⁴⁹

Increased exposure to trade and the vagaries of international movements of capital almost guarantee that economies will become more volatile. The trouble is that rapid increases in national income are enjoyed less by low income earners, and rapid decreases are felt more, so just about any kind of rapid change is seen to be inequitable and will ratchet inequality upwards. The more unequal the society, the more this is felt – to the point that the lowest income groups may barely benefit at all from prosperity.⁵⁰

■ Finance, information and economic volatility

A number of observers have considered that it is not physical trade that is so important in globalization, but the control over financial flows and information.⁵¹ The opportunities and dangers presented by new communications technologies have been well documented.⁵² On the one hand, access to cheaper telephone lines, faxes and the internet has dramatically reduced the times, costs and capital outlays required for doing international business, while giving people easy access to a range of information and opinions to which they would not previously have been exposed.

Many developing countries have rapidly expanding mobile phone systems, replacing obsolete, underdeveloped land-line technologies. Satellite dishes are widespread, and internet cafés can be found even in the isolated parts of the world. However, as with all new technologies, differential

Structural adjustment, globalization, political change and trade liberalization have come together to extend and intensify unconventional cross-border trade

The enormous increases in the speed and flow of finance and capital around the world have been the most disconcerting feature of the new globalization

Removal of restrictions on international capital flows makes it easier for wealthy citizens and international investors to take their wealth out of the country, while removal of 'capital controls' facilitates capital flight, further reducing productive investment, production, income and employment

access is even greater than access to more established facilities or technologies, and is largely restricted to the educated middle class.⁵³ The access to wider information has not been seen as a blessing by all – because of the dominance of English-language material on the internet and television, for example, some have seen these developments as a tool of 'cultural imperialism', attacking the social and moral foundations of long-standing cultures.

The enormous increases in the speed and flow of finance and capital around the world have been the most disconcerting feature of the new globalization. Rapid liberalization of financial systems during the 1980s within organizations ill prepared to handle the new norms of corporate governance led to a series of banking crises from 1985 to 1992. Technologies of fund transfer made it possible to transfer enormous sums of money within seconds, and exotic forms of derivatives could produce huge leverages against currencies and bonds. The failure of Barings Bank from the activities of a futures trader in 1995, and the rescue of Long Term Capital Management from bankruptcy in 1998, are two well-documented cases of the potential for corporate disaster.

More significant, however, were the activities of unregulated hedge funds during the 1990s in destroying the currency regimes of a number of countries. A conglomerate of hedge funds led by the financier George Soros in 1992 was able to muster more sterling than the Bank of England, selling down the currency and forcing the UK to exit the European exchange rate mechanism, devaluing sterling by 35 per cent, with an overnight profit in the billions of pounds for the traders. After this coup, the number of hedge funds doubled in the following year, with US\$75 billion under management within 12 months.⁵⁴ Smaller operations were successfully mounted against Thailand, Malaysia and Indonesia during 1997, forcing them to float and devalue the currency by between 30 and 70 per cent and sending their economies into chaos.⁵⁵ However, the hedge funds met their match in Hong Kong, Special Administrative Region (SAR) of China, which had very deep pockets and, ultimately, chose to raise interest rates rather than devalue, causing Asian stock markets to plunge and precipitating the main events of the Asia crisis.⁵⁶

It may well be the case that the economies had run out of steam and were overvalued, making the attack possible. Nevertheless, it is somewhat frightening to think that rogue traders were the proximate cause of events that brought whole countries to their knees and left millions in poverty.

Other key developments during the 1990s were the massive growth of pension funds and other financial institutions, which tended to place funds onto stock markets rather than other forms of more direct investment. In the name of diversification, these funds sought to invest on international markets, particularly as the tools became available to do it instantaneously. The much greater emphasis on foreign investment caused a flow of funds out of those countries where they had been previously used for local consumption or investment. In the short run, hasty removal of restrictions on international capital flows makes

it easier for wealthy citizens and international investors to take their wealth out of the country, while removal of 'capital controls' facilitates capital flight, further reducing productive investment, production, income and employment. This has happened repeatedly during the 1990s in Latin America and has been responsible for most of the many currency crises that have occurred throughout the region. As mentioned earlier, capital flight from Russia continues even after a decade of liberal 'reforms'.

■ Labour markets under free trade regimes

There has been very considerable debate regarding the extent to which globalization and trade have affected labour markets. Neo-liberal economic trade theory implies that opening economic barriers would benefit the factors in excess supply, or for which there was a comparative advantage.⁵⁷ For developed economies, this would be capital and highly skilled labour, and for developing countries, unskilled labour. The former is probably true, but the latter is not – skilled workers in developing countries have benefited more from improved trade.

A 1995 study, for example, found that 23 per cent of the increase in relative wages for skilled workers in developing countries during the period of 1986 to 1990 could be attributed to the reduction in tariffs and the elimination of import licence requirements.⁵⁸ Another study concluded that the increase in wage inequality can be attributed to the rapid increase in wages for more educated and experienced workers, while the wage increase was minimal among less skilled workers. The authors concluded that this trend is caused by a shift in demand, skewed in favour of higher skills.⁵⁹

It is generally agreed that there is an across-the-board shift to higher returns to skills and education. Increased trade contributes only a very small part of labour force change, and the result is almost entirely due to increased mechanization of routine jobs in the manufacturing sector, and changes in consumer preferences as global incomes have increased in favour of products with more service and skilled inputs.⁶⁰ In addition, increased professionalization of the work force tends to be internally generated, rather than being specifically connected with international trade.⁶¹

There is very little for unskilled workers in LDCs to do in a globalized economy – so they join the informal sector and live in the slums. The LDCs are caught in a vicious cycle: the lack of skilled workers causes them to concentrate in sectors where limited skills are needed. This concentration, in turn, reduces the demand for more advanced skills – a process further intensified with trade liberalization.⁶² Generating a demand for skill acquisition is perhaps the key area for governmental intervention – and, in some situations, is probably more important than macro-economic management and free trade.

Nevertheless, it is suggested in Chapter 6 that hybrid forms of formal–informal business interaction with a fair degree of local control have become commonplace in the cities of less developed regions. Although currently small, some potential may exist for the shaping of semi-formal

international opportunities that could, ultimately, benefit a wider range of actors and provide a 'filtering down' or even a 'bottom-up' response to globalization.

■ Africa: economic stagnation in a globalizing world

Despite notable successes registered by a few developing countries in adapting to, and actively engaging with, global changes, the LDCs have largely been 'left out' of most facets of globalization. In particular, the so-called new international division of labour has largely bypassed major parts of the African continent. Real incomes have fallen at an annual rate of 1 per cent since the 1980s and minimum wages have fallen between 50 per cent and 70 per cent during this time. It is likely that 22 million jobs will be created between 1985 and 2020, far short of the 380 million necessary to target unemployment to below 10 per cent. Africa's share of foreign direct investment (FDI) continues to decline. In 1997, 8 countries experienced net outflows of FDI and 22 other countries had inflows of only US\$1 to US\$2 per capita.⁶³

The investments attracted have primarily been in mining and cash crop production. These sectors depend mainly on foreign technology, foreign expertise and foreign markets, and are characterized by few linkages with the internal market (labour and commodity, alike). The impact on the overall socio-economic development and technological innovation of foreign direct investments in Africa has therefore been negligible. Increasing capital outflows, poor economic growth, very high debt to export ratios (479 per cent in 1995) and the continent's paltry share of world trade (1.9 per cent in 1997) contribute to a process of institutional and socio-economic disintegration.

The continent has been largely unable to transcend its traditional functions in the world economy as a supplier of raw materials and a captive market for imported manufactured goods. This fact is central to Africa's current economic crisis. Even though an extensive period of import substitution-led industrialization was attempted, many of the firms established remained dependent upon the importation of critical inputs. As these firms were not oriented to produce goods for exports, they could not generate sufficient foreign exchange to cover their import costs.⁶⁴ While total export revenue increased by 5.9 per cent in 1997, Africa's share of world trade continues to decline, shrinking from 2 per cent in 1996 to 1.9 per cent in 1997.⁶⁵ Additionally, deterioration in the terms of trade is thought to account for a 0.7 per cent reduction in the African growth rate relative to other developing countries.⁶⁶

The United Nations Economic Commission for Africa (UNECA) has adopted indicators that measure the capacity of countries to maintain long-term economic growth. According to these measures, there has been little improvement for the majority of Africans even in countries experiencing accelerated growth rates.⁶⁷ Only those countries which have substantial levels of resource endowment, coupled with small and highly skilled populations – for example, Botswana, Mauritius, South Africa, Tunisia and Equatorial Guinea – demonstrate any significant capacity to maintain long-term economic growth.⁶⁸

THE RETREAT OF THE STATE

The main single cause of increases in poverty and inequality during the 1980s and 1990s was the retreat of the state. The redirection of income through progressive taxation and social safety nets came to be severely threatened by the ascendancy of neo-liberal economic doctrines that explicitly 'demanded' an increase in inequality. The neo-liberal ideology was based on individualism, competition and self-reliance, and collectivism in all except the most rudimentary forms was anathema. Markets were somehow regarded as being capable of delivering prosperity for all, and the major problem was regarded as governments who were sapping the ability of the people to generate wealth.

Typical neo-liberal policy panaceas were the reduction of all forms of government spending and government regulation, particularly those that might inhibit people being active in the market, and the reduction of top-level tax rates and support of high salaries, as these high income earners were somehow regarded as the most productive and required more incentive to produce. Following almost 50 years of government intervention and wealth redistribution under the Keynesian or socialist orthodoxies, these policies dramatically increased inequality and social exclusion wherever they took root.

For cities and housing, the major policy changes emerging from neo-liberal policy and the retreat of the state were:

- *The reduction of most forms of public 'welfare' expenditure.* In the developed world, this has been carried out under different spurs – under right-of-centre 'reformist' regimes; or under the terms of treaties such as the Maastricht Treaty in Europe. In the developing world, this was usually carried out under the terms of SAPs following fiscal crises.
- *The privatization of many forms of government enterprise.* The new rule was that the government should not be involved in anything that the private sector could do. The new role of government was to 'enable' the private sector, primarily by withdrawing from many spheres of life, but also by improving its institutions and its planning and supportive capabilities, rather than engaging directly in productive activity. The enterprises most affected were utility companies and public housing; however, there were also effects on employment through the retrenchment of large numbers of public-sector employees.
- *The reform of regulation.* In line with the primary neo-liberal goal of small government, large numbers of regulations and restrictions have been removed in many countries. The most important of these have been the *deregulation of the work force*, which has led to widespread labour casualization; the *reduction of trade barriers*, which has led to increased trade and economic restructuring; the *deregulation of financial systems*, which has allowed for considerably improved flows of capital at the cost of greater instability and less local control; *decentralization of government*,

Generating a demand for skill acquisition is perhaps the key area for governmental intervention

which can create its own problems by moving responsibility down the chain without adequate resources to fulfil them; and the *removal of planning restrictions*, which has generally allowed for more mixed-use areas and development at higher densities, but possibly involving the loss of affordable housing to the redevelopers.

Privatization of utilities

In general, it was the privatization of utility services that was most visible, although the virtual dismembering of public housing in a number of developed countries was also a feature of the reforms.⁶⁹

The basic idea was that long-standing bureaucracies can become self-serving, and the development of formal rules for conduct of all activity, while in theory assisting with transparency, efficiency and safety, can eventually stifle innovation. Government bureaucracies have a tendency to expand until checked and to undercharge for their services. It was believed that the 'discipline of the market' would limit this and would stop government enterprises from becoming 'employers of last resort'. Pricing was also a key issue, since many bureaucracies provide services with a number of hidden subsidies, and it is in the interest of elected governments seeking popular support that they continue to

do so, which can be very economically inefficient and wasteful.⁷⁰

Furthermore, beginning in the US where most utility provision was already private, competition between utilities was considered to benefit the consumer, and many elaborate structures have now been designed throughout the world for utilities such as electricity or water to:

- divide provision between wholesale and retail arms;
- ensure there are competing retailers;
- set up regulatory frameworks to ensure that prices do not rise, quality and safety standards are preserved, and statutory obligations to disadvantaged groups are met.

In the developing world, while pricing and employment were also major issues, the theme was often much simpler: the elimination of corruption. Actions such as the connection of services are often extraordinarily slow and inefficient in developing countries, with waiting times that can be indefinite and low-paid front-line employees who tend to extract payments from the public for 'speed money'. On the other hand, government enterprises were the favoured channel of highly placed officials or political leaders seeking to funnel loan moneys into their own bank accounts without trace. Government provision systems are also notoriously prone to patronage, and high-income areas and key electorates or tribal groups can be the major beneficiaries.

In countries where there have been 'payment strikes' by consumers, which governments are unwilling to risk conflict to deal with, privatization can be an instant solution to the almost zero-cost recovery that drains national budgets. Neo-liberal solutions enforcing cost recovery in these countries can have very unpleasant outcomes, as Box 3.2 shows, and sensitivity to the needs of the most disadvantaged must be paramount in successful privatizations.

In a number of cases, the conduct of privatization was done in a great hurry under overwhelming pressure from foreign advisers, and the result was 'outright theft'.⁷¹ Public assets were sometimes sold to the private sector at a fraction of their true worth. 'Riots' against utility price rises have taken place in a number of places, most notably Ecuador.

The jury is still out on privatization. Privatized utilities are the same as all private enterprises; their primary aim is not the provision of service but the creation of profit for shareholders and rewards for top managers. Privatization generally results in big pay rises for the management and the sacking of many employees. Prices normally rise, and standards and safety may suffer unless strictly regulated and monitored. Financial stability is also at risk – it is relatively easy for a private provider to become insolvent, and protocols for their bailout without interrupting services citywide become necessary.

On the positive side, what can be said decisively is that privatization is a way of shaking up moribund organizations and improving operational efficiency. Service when provided is often better, particularly those such as connections that involve direct payment by the consumer;

In some countries, attempts to facilitate cost recovery can have very unpleasant outcomes

Box 3.2 Cost recovery in water in South Africa

During apartheid, large sections of the population were moved to water-scarce homelands. In some places, water was being provided free – for example, following a drought in Kwazulu in 1983. The African National Congress (ANC) campaigned on a promise of a daily minimum of 50 litres per person. The *Urban Infrastructure Investment Framework*, drafted by the World Bank in 1994, provided for communal water taps and pit latrines where households earned less than 800 Rand (R800) (US\$100) a month. Low volume infrastructure that limited supply to communal taps and 25 litres per day per person was, however, built. In 1996, the government adopted an austerity plan named *Growth, Employment and Redistribution*, which, like other structural adjustment efforts, has delivered most significantly on cutting budget deficits and inflation. As always, a major plank of the programme was to commodify water and other utilities.

From 1995, municipalities started cutting off water supplies to whole communities who could not pay. Major delivery non-governmental organizations (NGOs) such as the Mvula Trust tried full-cost recovery in the mid 1990s, but projects broke down. Even Pretoria achieved only 1% cost recovery and most taps ran dry. In Hermanus, which had introduced an escalating water scale and conservation strategy,ⁱ evictions and attachments of poor people's homes for non-payment began in 1999.ⁱⁱ

Originally the ANC had proposed a rising block tariff to larger users to fund water for the poor. In practice, most cities actually began charging higher rates for the lower consumption blocks – in line with the common situation in Africa that the poor pay more for water.

A more serious outcome was an outbreak of cholera in Kwazulu from 2000 to 2001, with about 106,000 infected, mostly people with no access to piped water. The epidemic began in a community that had its water cut off; inability to pay user fees was cited as the cause by NGOs.

Following the outbreak, and in line with ANC ongoing policy, free minimum allowances of water and electricity have now been implemented in a number of cities.

Notes: i www.hermanus.co.za/info/water.htm; www.hermanuswater.co.za.

ii www.qsilver.queensu.ca/~mspadmin/pages/Project_Publications/News/Bitter.htm;
www.qsilver.queensu.ca/~mspadmin/pages/Project_Publications/News/Project.htm.

but lack of coordination between different bodies and lack of transparency become even more of an issue. In less developed cities, probably the main issue is cost recovery, which public agencies seem to find inordinately difficult, and this is guaranteed under privatization unless subsidies are made explicit.

However, issues of equity then arise as poor people may no longer have access to services. Like everything else, the business goes where the money is. Cross-subsidization between different groups of consumers disappears, and higher levels of service tend to be provided to better-off consumers. Needs-based allocation disappears. As in the transitional countries, services can become completely unaffordable to the poor unless specific subsidies are paid, and such subsidies are subsequently a constant target for budget managers seeking to trim costs. Capital expenditure in slums is unlikely unless the residents can bear the full costs. Exactly as with housing, the kinds of service that they can afford are unlikely to meet the full standards of formal provision, and more informal, lower cost methods need to be tried.

Overall, it is hard to judge today what the net effect of privatized services will be, and no doubt many unanticipated problems will arise as these are implemented within developing countries, while others will be solved.

Structural adjustment, cities and poverty

From a position of leadership in national economies, and a magnet attracting people from the countryside, the city has become the focus of national depression.⁷²

SAPs began in 1980 in the form of conditional loans to floundering economies. The conditions were a package that comprise the main points of the neo-liberal agenda:

- *Trade and exchange rate liberalization.* Tariffs are usually removed. The exchange rate is generally floated (normally causing a large devaluation, averaging 40 per cent, but up to 95 per cent).⁷³ Restrictions on the inflow or outflow of capital are removed, as well as what businesses or banks are allowed to buy, own or operate. These moves usually create a massive load of foreign-denominated debt, but make the economy much more outward looking.
- *Reduction in the role of the state.* Government spending is cut, particularly investment and through laying off staff, in order to reduce public deficits.
- *Public-sector and price management.* Cost recovery is sought on public enterprises by increasing their prices and laying off staff. Enterprises are privatized, if possible. Subsidies to both public and private enterprises are removed or reduced. Public-sector wages are frozen. Price controls on commodities and controls on labour and financial markets are removed, usually including environmental and safety standards.
- *Anti-poverty policies.* Various measures to protect the poor are often recommended, including 'work for food', targeted food subsidies, redirecting social expenditures to the poor etc.⁷⁴

Most SAPs have been carried out in crisis situations, and the SAPs in their extreme 'crisis' form cause a sharp inflationary depression, throwing large numbers of people out of work and causing prices to rise sharply while wages fall substantially in real terms. Many of the economies undergoing structural adjustment in Latin America during the 1980s were in a state of economic crisis, with burgeoning public deficits, rampant inflation and capital flight, and were on the point of defaulting on international loan repayments. The Asian tigers in the years 1997–1998 were in a bust following a bubble economy. In these circumstances, the first SAP actions are always to quarantine the problem and protect the international financial system by rescheduling payments.⁷⁵ Other economies have simply been in a state of stagnation with net deficits. In these circumstances, SAPs are more measured and aim only to remedy structural deficiencies, rather than to shock the system into compliance and soothe international investors.

These adjustments have now been taking place for 20 years, and a great deal of experience has been gained. Certain things can be guaranteed from a SAP:

- The economy will be opened up and exports will improve (in amount, but not necessarily in dollar value).
- The money supply normally undergoes a severe tightening and interest rates skyrocket, so that investment stops and many smaller enterprises are unable to continue.⁷⁶
- The informal economy will increase substantially due to the swelling unemployed and the removal of controls.⁷⁷
- Enterprises will have a large burden of debt and the financial sector will be technically insolvent.
- The urban poor will bear a disproportionate share of the damage.⁷⁸
- Safety nets will be directed to politically powerful groups who may be disadvantaged, and not to the poor who have a low priority on most national agendas.
- As with all neo-liberal programmes, social insecurity in all of its forms will increase.

Government enterprises dominated the economic scene prior to structural adjustment; they were highly inefficient and were often used as conduits for corruption. Ineffective restrictions were being applied to currency and import flows,⁷⁹ which were stifling new investment and the modernization of industry and which, in many cases, led to balance of payments crises. Many countries were fixing prices on food, cement and other staples, or granting monopolies to well-connected businesspeople – resulting in serious price distortions and artificial shortages.⁸⁰

Unfortunately, what has replaced these manifestly inadequate systems has been worse. Economic growth, savings and capital investment have not resumed, even after 30 years in some cases.⁸¹ As this is the major objective once financial stability has been restored, the validity of these

Privatization is a way of shaking up moribund organizations and improving operational efficiency. However, in a number of cases, the conduct of privatization was done in a great hurry and the result was 'outright theft'

SAPs, in their extreme 'crisis' form, cause a sharp inflationary depression, throwing large numbers of people out of work and causing prices to rise sharply while wages fall substantially in real terms

programmes, even according to their own parameters, must be questioned – as SAPs rarely have been. The balance of payments situation also did not necessarily improve because of debt servicing, and productivity gains are more likely to stem from worsened working conditions than new investment.⁸² Government recurrent spending often increased because reductions of expenditure were matched by increases in the interest bill.⁸³ It has been observed that SAPs have contributed to the worsening of urban poverty, inequality and slums – although there is no unanimity on this.⁸⁴

Public-sector employment, often the largest domain of formal employment in many African cities, has been severely curtailed under SAPs, with substantial retrenchment and attrition. Those who remain in the public sector have faced significant reductions in their earning capacity. The removals of explicit and hidden subsidies has left urban populations in increasingly precarious circumstances in terms of meeting basic needs.

Africa had 156 SAPs from the IMF during the 1980s, with 94 later tranches, or new programmes, and 52 structural adjustment loans from the World Bank.⁸⁵ In the DRC (formerly Zaire), for example, a SAP reduced the civil service from 429,000 in 1980 to 289,000 in 1985. About 80,000 health and education workers were cut from government payrolls. In 1985, Ghana employed 1782 doctors. In 1992, it employed 965. During the period of 1980 to 1985, the wages of top-level public-sector employees in Tanzania fell by 61 per cent in real terms; 72 per cent of urban residents in Dar es Salaam in a 1986 to 1987 survey were engaged in some form of secondary economic activity.⁸⁶

The SAPs have not reduced the debt of LDCs, whose principal has been paid back many times over.⁸⁷ Debt service takes a major share of income that countries need in order to keep their people alive, and it also forces countries to keep their economies oriented to production of exports in order to earn foreign exchange. For every aid dollar received by Africa in 1993, US\$3 left Africa in debt service; four-fifths of Uganda's export earnings go to debt service.

A specific feature of SAPs is that they have shifted the focus of policy in African countries away from urban areas. Because export crops were necessary to meet the interest bill, much of the policy effort has turned away from urban concerns. Some analysts believe that the major impact of SAPs is to correct 'urban bias'^{88,89} by removing protection from import-competing secondary industry in favour of rural exports.⁹⁰ The price of food and other urban staples usually rises, making cities less attractive. Tight credit makes it difficult to establish urban businesses or create urban jobs. But, somehow, people keep moving to the city and will do so for the next century.

The overall picture following a typical structural adjustment in a poorer country is that the public budget is balanced, but the long-term economic picture is grim. Fledgling urban industries that might have had a chance for long-term growth are eliminated. Rural food crops have been exchanged for export agricultural commodities. The money earned from these is used entirely to pay off the debt, which

hardly decreases. There is little chance that export earnings will increase in the future with rising world incomes, as the demand for these products has a low income elasticity and competition is increasing due to other SAPs. With no chance for growth and high debt levels, foreign direct investment falls to practically nil.

In a form of neo-colonialism that is probably more stringent than the original (since the developed countries no longer have to make local investments for development), many developing countries have become steady state suppliers of raw commodities to the world and continue to fall further and further behind. As agricultural productivity improves, the surplus rural population moves to the cities to find work. Instead of being a focus for growth and prosperity, the cities have become a dumping ground for a surplus population working in unskilled, unprotected and low-wage informal service industries and trade. The slums of the developing world swell.

THE LOCAL AND THE GLOBAL⁹¹

Globalization has, unfortunately, tended to be treated in the literature as a kind of totalizing rubric or meta-narrative that sums up and provides an overarching order to recent history. This is not necessarily the case; there are, for a start, other spatial orders that are constantly in play – including regionalization and individuation.⁹² All combine in various sometimes complementary and frequently contradictory ways to alter the means of governance, economic production and social formations.

The global makes possible a new visibility and articulation of localities, providing them with new instruments to reshape themselves. The 'nation' no longer monopolizes the mediation of 'inside' and 'outside'. Globalization reflects a process where localities become more significant at a global, rather than national, scale, and where institutions and mechanisms become more globalized through a more direct engagement of localities.⁹³

Globalization has also, by default, been treated as being due to vast impersonal forces, so that governments have no freedom to move except where it takes them and can abdicate their responsibilities to their citizens. Countries do have the sovereign right to be different – but it is being exercised increasingly less frequently – and with increasing sanctions. These actions – the contraction of national functions and responsibilities, the withdrawal of subsidized production and consumption and the marketization of basic needs, which have caused globalization as much as they have resulted from it – have made life increasingly difficult for most urban citizens in the developing world. But what is less evident is the way in which proactive strategies to engage globalization processes or compensate for their more deleterious effects is generating a kind of bottom-up 'globalization' from the ground.

The most visible aspects of this 'pedestrian' globalization include direct actions by local bodies and

A specific feature of SAPs is that they have shifted the focus of policy in African countries away from urban areas

The most visible aspects of 'pedestrian' globalization include direct actions by local bodies and individuals to participate in transnational economic activity

individuals to participate in transnational economic activity. Urban localities link themselves into larger units and direct networks of association. Extending conventional notions of 'social economy', new modalities of integrating local human, physical and spatial resources are being deployed to maximize the scope of local economic initiatives and access to opportunities.⁹⁴ On some occasions, these efforts are tightly organized. During others, they entail more diffuse, open-ended networks of collaboration.

This section aims to highlight some of the dynamics of economic, social and governance linkages, both within and across cities. It seeks to establish the importance of transurban links among discrete cities as a necessary platform for their long-term economic viability. These links heighten the accessibility of a city, connecting it to flows of capital and people. Accessibility ultimately determines a city's potential as a generator of goods and information, and makes intensified transactions among households, firms, agencies and networks critical economic activities in their own right.⁹⁵ Cities are no longer just simply located within specific geographical and historical domains. They are also situated in complex matrices of exchange and movement, where the strength of the city is contingent on the extent to which it can involve itself in cities elsewhere.

Insecurity and the diffusion of the local

The insecurities created by globalization go well beyond income inequality and the demise of reassuring and stabilizing state structures. They extend into many aspects of the economy, social life and networks of support, and the signs and symbols upon which cultural identity is based.

In many respects, the operations of global economies make it very difficult for many people in less developed regions to continue functioning 'inside' their cities. These cities have been penetrated by seemingly arbitrary circulations of the 'unknown' – in other words, what makes people rich or poor; what is valued and why; and 'working assessments' of who is doing what to whom are viewed as more uncertain.

Under these conditions, the capacity to maintain recognizable and usable forms of collective solidarity and collaboration becomes difficult. This collective solidarity has been critical to the way in which traditional societies have been run, particularly those with tribal or strongly family-oriented leanings. Modifying reflections on *habitus*, this collective capacity can be viewed as the crucial means through which localities, as social territories, are marked and are experienced as self-contained, 'organic' environments.⁹⁶ National economic success is critically dependent upon establishing notions of trust so that transactions may be established on a wider basis and critical mass can be established in particular industries. In the absence of that trust or of unifying norms, it becomes difficult to be anything more than a satellite of distant powers and ideas – as in the colonial period.⁹⁷ In extreme cases, this weakening of traditional norms of behaviour can cause societies to become crime or graft ridden as social standards become increasingly threatened by the bewildering attraction of the 'new'.

Under the dislocating effects of globalization, when through the media or economic action the 'distant' can become nearer and more immediate than the next-door neighbour, a sense of being encompassed, drawn into and acting upon a circumscribed world of commonality becomes difficult, as the previously relied upon practices of forging social solidarity dissipate. Urban residents appear increasingly uncertain about how to spatialize their life chances: where will they secure livelihood; where can they feel protected and looked after; and where will they acquire critical skills and capacities? When children across most cities in the developing world are asked about what they will do with their lives, the answer usually entails a life trajectory carried out far away from 'home'.

But this state of being thrown out into a world far away from home is not only something that occurs by default or through media impressions of distant affluence. Given just how increasingly precarious life in urban Africa has become, residents who share a quarter must often find ways of not locking themselves into fixed commitments with each other – in order to pursue their own livelihoods and aspirations on a more individual basis. But, at the same time, they must engage each other in ways that maintain some semblance of local stability. A series of practices and institutions must be elaborated to effectively balance these divergent, yet interconnected, needs. As such, these practices are the beginnings of stable institutions that are capable of constituting new horizons of action and viable scales of economic activity that do not presume a fixed spatial arena – 'local', 'regional' or 'global' – but that entail elements of each.^{98,99}

To a certain extent, the 'worlding' has been a process inherent in the very formations of cities. Because many cities in developing countries, especially in Africa, were essentially colonial cities, the urban 'accomplishments' of individuals were often recognized and supported somewhere else than the particular city in which they lived. In the case of the most successful, there was grudging recognition by colonial powers; but in the case of most, there was repatriation of their earnings back to rural or peri-urban areas and the status that this occasioned.¹⁰⁰ Most cities were shaped by an uneasy mixture of external imposition and local opportunism to carve out hybrid practices of urban life. As such, many colonial cities came to exist in a universe of being rooted 'everywhere and nowhere'. But, at the same time, they have an extensive history of being subject to often highly idiosyncratic compromises and social and economic arrangements that makes them very 'localized' despite the external networks to which they are connected.

Shrinking public-sector employment, overcrowding in informal sectors, increased competition for resources and services, and a growing survivalist orientation on the part of many urban residents re-localizes the ways in which people structure everyday work relationships.¹⁰¹ Firms deal with those familiar to them. Transactions are conducted with those with whom one is in regular contact. For all of its problems – mutual resentments, obligations and loss of autonomy – family relations become the basis of business

All commentators on globalization agree that the power of nation states has been substantially weakened

relations. This is especially the case when particular sectors are unable to effectively absorb any new entrants.¹⁰²

But there are also large elements of dissimulation and masking involved in this process. What appears to be increasingly parochial, narrowly drawn identities and practices may actually operate as markers in a complex social economy where actors attempt to participate in many different identities at the same time.¹⁰³ This is a 'game' where individuals become different kinds of actors for different communities and activities. Social actors use the heterogeneous, yet highly localized, residential domains of their cities to do two things at once. On the one hand, a largely kinship, neighbourhood-based solidarity is reiterated at 'home'.¹⁰⁴ At the same time, social actors are involved in very different ways of associating, doing business, gaining support, sharing information or performing their identities in other neighbourhoods across the city. Additionally, there is often a proliferation of 'officially' clandestine (but, in actuality, highly visible) economic arrangements.¹⁰⁵

Here, actors from different religious, ethnic, regional or political affiliations engage in freewheeling collaboration. As a result, resources can often be put together and deployed with great speed and effectiveness. This is because the process is not excessively deliberated, scrutinized or subject to the demands and obligations usually inherent in kin and neighbourhood-based solidarity systems.

Urban quarters not only serve as platforms for popular initiative – for example, waste management, micro-enterprise development and shelter provision – but readapt local modalities of cohesion and sociality to more regional and global frameworks.¹⁰⁶ Some localities, such as Nima (Accra), Obalende (Lagos), Texas-Adjame (Abidjan) and Grand Yoff (Dakar) reflect a strong relationship between the elaboration of local associations and the generation of new economic activities and resources. In this context, associations become important in configuring new divisions of labour. They help coordinate the cross-border, small- and medium-scale trade of individual entrepreneurs and organize ways of pooling and reinvesting the proceeds of this trade to access larger quantities of tradable goods, diversify collective holdings and reach new markets.

In the more developed regions, the post-Fordist complexion of urban economic life leaves large areas of under-regulated and underutilized spaces intact. There are warehouses, suburbs and markets whose status may reflect their lack of functionality to the immediate local economic setting.¹⁰⁷ But in many instances, they are being seized upon by African and other developing country actors as sites for workshops and storerooms for artisan production to niche markets or as nodes in the trans-shipment of illegal commodities.¹⁰⁸

As these businesses, community and other social associations grow in number and capacity, municipal politics will likely become more competitive and conflict ridden. Already in some cities, business associations, in particular, are going after political power as a way of protecting the interests of their members within restructured municipal regulatory frameworks. They are also going after political power because new associations

are developing all of the time, and the competition for members can get intense.

Subsidiarity and the weakening of national governments

One topic on which virtually all commentators on globalization agree is that the power of nation states has been substantially weakened. In most developing countries, this power has only been established relatively recently, in the post-colonial period from about 1965, and these countries have not had a great deal of time to build up a unified national pride and character, democratic institutions or a balanced national economy.

The weakening of nation states has occurred through several major mechanisms:

- The development of *multinational corporations* that now control most of the world's economic activity – these corporations exist beyond national boundaries and the control of governments, and can move their operations to anywhere that offers the most favourable input costs or subsidies and the least restriction to their activities.¹⁰⁹
- The widespread availability of *contact and information* beyond national boundaries – this is achieved through the internet and rapidly cheapening telephone costs, so that entrepreneurs or small businesses can easily create international operations without the formal structures and state intermediation that larger businesses are subject to, and with little reference to the usual gatekeepers at national borders.
- The move of responsibility to lower levels of government, known as *subsidiarity* – in theory, this should strengthen national governments by enabling them to focus on their principal roles of centralized financial support, rather than the minutiae of local management or service delivery. In many more developed countries, this has, in fact, happened. However, this is not the case in a number of developing countries, where the central government is left in something of a vacuum, unable to articulate what its real role should be. This has been partly due to the reluctance to dismantle large bureaucracies, formerly responsible for service delivery, and to transfer the funds to local government. But it is also due to a sense of bewilderment in the face of rapid change, as long-standing channels of authority and support are dismantled.

Contributing to this loss of central autonomy are the activities of *international aid agencies*, which now also prefer to deliver their activities to the local level, generally through non-governmental organizations (NGOs) or city governments. This is partly because it is felt that many national governments have had their chance and have misdirected aid money to their own elites or according to different objectives than those of the agencies; partly because it is easier to monitor local projects and ensure they are being

targeted, through local organizations that have a vested interest in meeting international objectives of transparency and accountability; and partly due to the prescriptions of neo-liberal theory. Another very palpable advantage is that it permits widely different strategies to be tried in different places, allowing a whole range of possible strategies to determine good practice in activities where really nobody knows the answer.

These are considerable benefits. However, on the negative side, the whole, apparently decentralized, structure is foreign to the notion of national representative government that has served the developed world well, while it is very amenable to the operations of global hegemony. The dominant international perspective becomes the *de facto* paradigm for development, so the whole world rapidly becomes unified in the broad direction of what is supported by donors and international organizations.¹¹⁰ National governments lose control over the direction of economic planning or policy, and the means to create a unified nation representing the will of the majority and the cultural, language and religious differences that are embedded in different societies.¹¹¹ Activities may also become piecemeal and disconnected, so that many different agencies are trying to achieve the same ends.¹¹² The typical bureaucratic failures of duplication and overlap, which so often occurs when different government agencies get involved in the same activities, are *writ miniscule* throughout the development administration as hundreds of different agencies take control – unless significant efforts are spent on coordination. The situation is not analogous to private service competitive delivery, where the ‘discipline of the market’ prevails to restore order. In this case, the paying clients for the executing bodies, such as local governments and NGOs, are not the public, who have no money to pay for such services, but the funding agencies, and successful delivery means meeting the norms of these agencies, which are established at the international level.

The danger, also, is that the successful local governments are no longer the ones who can follow national government policy and meet their requirements for good practice, but the ones who can put on a smooth front for donors and meet their norms, and have the capacity to put together first-rate proposals. The poorly governed have little chance in this system – and rarely do they have the chance to find out what they are missing out on and act upon it.¹¹³

A major tenet of neo-liberal thinking is that development can only proceed through a more proficient mobilization, organization and deployment of local and individual resources and resourcefulness. This mobilization can be assisted through a comprehensive decentralization of governmental authority and financial responsibility to the municipal level. At this level, it is hoped that citizens will be more aware of the rigidities or misdemeanors of government and will act directly or politically to improve the situation. Only when urban citizens take responsibility for the management of their political affairs, it is believed, will they

feel secure enough to become proficient entrepreneurs and forward looking in their individual and collective initiatives.¹¹⁴

In this process of subsidiarity – that is, of bringing the management of public affairs and goods down to the most immediate and practical levels of where they actually take effect – municipal authorities are also supposed to act with increased fiscal autonomy. Municipal authorities are to take on more responsibility for covering larger shares of their operating costs. In this respect, nascent municipal governments in many cities are caught in a persistent bind: improvements in physical and administrative infrastructure are necessary in order to make people’s activities more productive. By being more productive, these activities can generate increased amounts of revenue. Municipal governments can use this revenue to improve the overall urban environment. But as the tax base of most cities remains very limited, how do municipalities raise sufficient funds, in the interim, in order to have some kind of working capital to register such improvements? Trying to address this dilemma has been one of the main features of externally induced policy and project initiatives.

Local urban economic development has concentrated on putting into effect the locational decisions of foreign investment through offering tax breaks and other inducements to attract firms that would then create jobs. The fear of being uncompetitive has probably been the prime contributor to the weakening of labour market laws and industry protection throughout the HICs and a number of developing countries, creating the insecurity that has been the hallmark of the post-Keynesian period.¹¹⁵ This struggle to offer inducements to international capital to locate or invest, and the desire to be ‘competitive’ at all costs became a rather pointless merry-go-round in which countries scrambled to give ever-greater inducements to multinational firms. An inordinate amount of time and money was spent on ‘boosting’ the attractions of a given city; but the payoff, in terms of the amount of investments secured, just was not there.

Offering direct subsidies to locating industries is now somewhat in decline, since recent WTO regulations prohibit any domestic subsidy that could displace inputs in domestic markets or other countries’ exports in international markets. These regulations deter local governments from offering subsidies to specific industries within their jurisdictions or from using tax breaks to attract particular firms.¹¹⁶

The current trend is towards creating local economies of agglomeration – that is, basically taking what exists and finding new ways of organizing, linking and effecting it. Part of the strategy involves creating ‘clusters’ or areas that are amply provided with infrastructure, and where related firms can benefit from the presence of vertically or horizontally linked firms.¹¹⁷ Another component is to foster greater links between education, training and job creation, which hopefully will result in a human capital base more closely aligned to the requirements of the labour market.^{118,119}

Transurban cooperation and integration: towards new urban economies

In many respects, the focus on decentralization and the related production of urban infrastructure circumvents the broader issue of how discrete cities can move towards greater long-term economic viability of scale. What are the real economies that are potentially attainable? How are the developmental trajectories of discrete cities dependent upon expanding the possibilities of transurban interactions, while elaborating complementarity and niche functions within a larger nexus of regional economic growth?

As the economic activities of actors at various scales attempt to extend beyond local operations and national boundaries, it is important to learn more about how they operate and what prospects they have. It is vital to examine the relationships between long-established economic and cultural transurban corridors and the emergence of nascent ones. Cities throughout Europe have formed themselves into networks of influence. In Asia, the 'southern growth triangle' of Singapore, Johore Bahru in Malaysia and the Riau Islands in Indonesia is among the best known transnational clusters. The corridor that runs from Abidjan to Ibadan has over 70 million urban inhabitants with a long history of dealing with each other.

The critical point is the extent to which regionalist policies can engage with the fact that many adjacent regions are characterized by a substantial disarticulation from each other. It is easier to find goods from sub-Saharan Africa in San Francisco than in Egypt. It is easier to book travel in southern Africa in Sydney than in Nairobi. Many of the contexts in which cities in the LDCs have common goals are being mediated through the developed world rather than through direct contact – as they were during the colonial period.

This disarticulation extends to specific localities, where it reflects the fact that multiple forces – local, transnational and national – are interacting with each other in different ways. Consider the Kivu region in the DRC, with its patchwork of multinational extraction centres, militias and community-based smuggling networks. Or take the Foutou Jallon region of Senegal and Guinea, with its patchwork of gold and bauxite mining company towns, religious-cum-commercial centres, transportation hubs and isolated but culturally important mystical centres. Thailand, too, is a patchwork of the old and the new where the sharpest urban operations, factories and beachside tourist resorts rub shoulders with ancient shrines of meditation and peace and densely populated traditional rice-growing areas.

In these regions, markedly different capacities and local characters are forged in different towns and settlements. Different places, even neighbouring cities, are connected in very different ways to transnational capital, the national state, and regional social, cultural and economic networks. This process is especially the case in rapidly expanding urbanization on short-lived resource fronts – for example, temporary 'frontier' sites of intense cross-border smuggling, and timber and mining centres.

On an international scale, the role of migrants in facilitating trade with countries of origins has often been observed. Because of barriers of network, language, culture and government, it has been difficult to do business without intermediaries who understand the system. Education of developing world students in more developed countries continues to be a means through which international networks are preserved, particularly if the students return to their countries and take up key positions in government or industry. If, therefore, opportunities for international investment eventually appear, the long-term 'worlding' through population exchange of the elite will ultimately prove to be a valuable hidden resource.

Even outside of these more elite connections, one only has to witness the ways in which Djeddah, Dubai and Bombay are becoming 'Africanized' – as well as a number of European cities – to see the concerted efforts some urban Africans are making to 'reach the larger world'.¹²⁰ One only has to take note of Senegalese-based Mouride currency speculators and traders in cities across the world, and the spate of new banks and other facilities being constructed in Lagos, Malabo and Libreville, without funding from major multinationals or multilaterals. Chapter 6 will show how even the lowly informal sector can be enriched through international interchange. However small or limited these domains may be, they increasingly take on a public presence, even if the details of their operations may remain largely invisible.¹²¹ Regional orientations have focused on preparing actors and institutions to act with greater flexibility and plurality across the sectors, localities and scales incumbent in reflexive capitalism.¹²² Here, economic development becomes a matter of enriching and extending diverse institutional arrangements, and of being able to cohere various forms of intersections among the relational assets of specific communities, different productive sectors, institutions of governance, and private capital that can bring about development.

This flexibility is being demonstrated in the ways in which specific urban places, separated by marked physical and cultural distance, are being interpenetrated, in large part by the actions of individuals. For example, cities as diverse as Mbuji-Mayi, Port Gentile, Addis Ababa and Nouadibhou are being tied together through the participation of those who make them their base in an increasingly articulated system of counter trades involving mutual connections to Bombay, Dubai, Bangkok, Taipei, Kuala Lumpur and Djeddah.

These circuits, in turn, 'spin out' and link themselves to the more conventional migratory paths of West and Central Africans to Europe and, increasingly, to the US, and East Africans to North America and the UK.¹²³ While these circuits are organized around different commodities, a common profile has taken hold where valuable primary commodities, such as minerals, in particular, are diverted from 'official' national export structures into intricate networks where large volumes of underpriced electronics, weapons, counterfeit currencies, bonds, narcotics, laundered money and real estate circulate through various 'hands'.¹²⁴ The diversion can also include oil, agricultural products and timber.

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International migration is a global extension of the 'bright lights' urbanization phenomenon, where migrants are seeking economic opportunity in the expanding economies

To a fair extent, this is a global extension of the 'bright lights' urbanization phenomenon, where migrants are seeking economic opportunity in the expanding service economies of the developed world and East Asia, or the purchase of cheap goods from urban markets in these regions. However, it is more than a dependence on remittances or the extension of hegemonic control from core economies. Instead, an intricate framework for operating at a 'world level' is being created. It is produced through individual travel, the cultivation of permeable boundaries through which goods and money can pass with minimal regulation, the incorporation of formal financial and political institutions within informal mechanisms of disposing goods and accessing markets, and a willingness to take substantial risks.

The question is who benefits from this internationalization of commerce? In which direction are the true benefits proceeding? This 'worlding' may be a constantly unstable and precarious practice, unable to substantially alter the positions and capacities of poorer cities within a globalized urban network.¹²⁵ Operations at this translocal level are limited to a small part of urban populations. Nevertheless, the attempts on the part of various associations, syndicates, and networks to articulate themselves and to access possibilities to act within this 'worlded' domain are not insignificant in the everyday social life of many cities in the LDCs.

In many ways, this 'worlding' ensues from the ways in which spaces of incapacity and marginality can be linked to reconsolidating political and economic power through a density of knowledge-based transactions represented by an elite cadre of urban centres. In one dimension of this articulation, one recent study refers to Africa's 'perverse connections' to the global economy.¹²⁶ Globalization entails speed, unimpeded capital flows, the hyper-reality of credit and fiscal policy, and the amplification of micro-dynamics and characteristics as key elements to profit-making. Accordingly, globalization provides new opportunities for economic and political actors to operate outside of increasingly outmoded laws and regulatory systems. While many of these activities may not be strictly legal, there may be much to learn from them that could be applied to more socially acceptable economic activities.

The critical question is how can geographically proximate cities be more effectively articulated in formal ways, given a history of largely informal connections? What we know about the potentials of transurban connections primarily comes to us through a growing understanding of informal, unconventional and sometimes illicit economies. How can we take these understandings and apply this knowledge to promote 'above-ground' articulations among developing country cities within specific regions? To begin addressing this task, the focus should be on some of the following questions:

- How could cities make more intentional use of such actual or potential inter-urban linkages as mechanisms to generate new development strategies and abilities to act in concert around issues deemed of mutual importance?
- On the more formal scale, by what means can cities or regions with mutual interests join together to prevent the process of 'divide and conquer' that global capital uses to weaken their already limited bargaining power and capacity to act independently in order to direct their economies for the benefit of their citizens?
- Can the official or quasi-official consolidation of transurban zones as planning and development entities in their own right have any strategic advantages? If so, what are the appropriate administrative forms that ensure a viable deployment of this critical mass and concomitant synergistic relationships?
- What kinds of concrete and complementary collaborations among municipal actors across sectors are possible in terms of beginning to consolidate a sense of shared urban space? In other words, what can local and national authorities, planners, city technicians and managers, NGO workers, activists and entrepreneurs start doing now to bring greater coherence and efficacy to the potentials inherent at such an urban scale? How are individual contributions to be managed; what rights and responsibilities will partners have?

Different institutions and spaces within different cities in the developing world are increasingly connected to cities around the world. This connection at a globalized urban scale is consolidated through a broad range of informational flows, financial transactions and inter-institutional affiliations that are negotiated within transnational private arenas. This consolidation, emerging from highly informalized processes, is increasingly subject to new notions of legality, private standards and norms that operate with substantial authority.¹²⁷

Many aspects of economic governance shift from the public realm to transnational private arenas. Economic crises in the developing world have occasioned opportunities for the working out of highly innovative financial deals, structured by the collaboration of investment banks, accountants, international legal firms and public officials. These deals are then used to consolidate a primarily privatized domain of economic governance in which, unfortunately, local interests are rarely paramount or even considered, except to the extent that they assist with profits.¹²⁸

The conventional idea remains that cities in less developed countries are largely made up of well-bounded local communities and that their strengthening is the key to development. But these communities are becoming increasingly tenuous and ineffective within a globalized urban world. The enclosure and sustenance of coherent local spaces increasingly depend upon the capacity to secure

- How can networks of inter-city exchanges be consolidated into ongoing policy and urban development fora that capitalize on historical, cultural or geographic connections as a means of developing economic blocs, trade zones or integrated markets?

effective individual and corporate engagements with the wide range of networks and flows that make up translocal domains. To a large degree, communities can usually only come to this larger stage by using terms and practices that emerge from their own aspirations and logic.¹²⁹

The less developed regions are not passive bystanders to the elaboration of transnational private arenas – unless they choose to be. Specific and long-standing traditions of social regulation and collective effort are being reworked as elements in elaboration of spaces of economic transaction, knowledge production and cultural influence. These spaces are translocal and transnational in terms that – although subsumed to the constellations of power that define the prevailing dynamics of what is ‘global’ – reflect substantial local control.

Slums and globalization

From the point of view of this Global Report, who are the winners from this dual-sided creation of transnational economies and spaces? Is globalization demolishing traditional institutions and corrupting social fabrics? Is it only the urban middle class and the most educated and skilled who benefit from globalization? Is escalating poverty and the often brutal deconstruction of polity and community in the developing countries worth the potential gain from a minimal trickle of international capital? Are there real opportunities from globalization that will ultimately benefit all of the world and all of its citizens?

At present, one direct benefit that slum dwellers receive from globalization is greater direct access of aid agencies to local aid NGOs and local governments and, therefore, better targeting of pro-poor programmes. Increased expectations of the possible might also be a benefit in that improved information might make some dwellers seek out livelihood solutions or opportunities that they had not previously considered. The more skilled or educated workers may be able to find jobs in international firms at advantageous pay rates – but these are unlikely to be slum dwellers.

Facing these very limited advantages is a truly formidable array of disadvantages – so many, in fact, that some national governments might be excused for not wishing to participate at all, if they genuinely have the welfare of the urban poor at heart. The major disadvantage is the wholesale *loss of formal-sector job opportunities* in both the public sector and the private import-substitution industries, so that informal-sector jobs, with no security and often with subsistence wages, are all that is left. As well, *inequality* increases as the part of urban society able to access global opportunities increases its income. This means that the prime resources of the city are increasingly appropriated by the affluent. And globalization is *inflationary* as the new rich are able to pay much more for a range of key goods, especially land. This is exacerbated by removal of price fixing on subsistence goods, and increased utility charges through privatization and the removal of cross-subsidy. The poor are *marginalized* in the worst parts of the city – the slums. The ability of national governments to act

on their behalf is curtailed, while local governments in poor areas have no tax base with which to assist. In addition, *social cohesion* is damaged through a bewildering array of new ideas, images and international norms, and through the general precariousness of existence, all of which undermine the traditional bases of authority.

‘Trickle-down’ theory has usually been advanced by the pro-growth theorists as a means by which entropy will eventually improve the incomes of the working poor. However, Kuznets-type theories have not been confirmed, and the consensus now is that any trickle down is confined to a relatively small part of society. Aid agencies such as the World Bank are now seeking to address the global problem of poverty quite directly.¹³⁰

Overall, it would seem better for developing countries to participate in global opportunities than to isolate themselves in a ‘splendid’ poverty, as a very few countries have done. Nevertheless, countries might do well to emulate the examples of developed countries, who have been very choosy about allowing projects that have no local flow-on or tax benefits worth considering, or that do not benefit their citizens for other reasons. This requires a fair amount of sophistication on the part of governments – which very few local governments have.

Looking ahead

*The poor have sometimes objected to being governed badly. The rich have always objected to being governed at all.*¹³¹

The world, it would appear, has entered a new era of *laissez-faire* globalization, with everything that this implies – in particular, mercantile booms and busts that ratchet up inequality and distribute new wealth increasingly unevenly. In the past, this world system was responsible for creating the famous slum areas of major cities in the developed world; and it will, no doubt, do the same again in the developing world.

The long growth period from 1945 to 1973 was typified by falling inequality and improving equity. The situation then reversed: income inequality and poverty increased without respite during the recession years from 1978 to 1993, and real incomes actually fell for the bottom income groups in most countries and for the world as a whole – with a resulting increase in income poverty. The reasons are hotly contested. They include the withdrawal of the state; the cyclical nature of capitalism; increased demand for skilled labour; and the possible effects of globalization – all of which, in fact, are connected.

During the late 1990s, economic conditions improved in most of the HICs, with a typical asset boom concentrated in the fledgling information technology industries. The basic problem was that much of the increased wealth and income of the 1990s went to the very highest income groups, while low income groups at best stabilized their position or continued to go backwards, continuing a trend that had begun in the mid 1970s. The reason for this is quite simple: *except in situations where labour has strong bargaining power*

The policy question is what are the real opportunities from globalization that will ultimately benefit all of the world and all of its citizens?

and/or governments actively seek to redistribute wealth, the most powerful groups will always be in a position to take the lion's share.

To a large extent, it is not globalization *per se* that has caused countries and cities to abandon redistributive policies that benefit the majority of their citizens, but the *perception* that they need to be competitive. The fear of being overtaken by Asian low-cost producers led many countries to deregulate their labour markets and lower social spending. In fact, the trade position of the developed countries *strengthened*, if anything, and Asia's gain was at the expense of the rest of the developing world.

There has, therefore, been no particular need, as long as they are doing well, for cities and countries to damage the prospects of their low income citizens through adopting aspects of neo-liberal policies that redistribute incomes in favour of high income earners and business. Yet, that is what has happened, and that is what is responsible for most of the various phenomena that have come to be known collectively as globalization. The changes are somewhat mediated by new technology and falling transport and communication costs. The widespread feeling of insecurity that cities and countries are 'falling behind' and are in the grip of vast impersonal economic forces has provided an excuse to do nothing and to allow programmes of social redistribution and improvement to languish. In the end, the growth in inequality has happened because national governments have abdicated their responsibilities to their citizens to promote fairness, redistribution, social justice and stability in favour of a chimera of competitiveness and wealth for the few. It is also the outcome of international organizations that have adopted a dominant neo-liberal philosophy, which has failed to deliver on most of its promises almost everywhere that it has been applied. In the face of these failures, those organizations that have a mandate for aid, or are environmentally aware, have backpedaled rapidly since 1993 from a position of supporting growth for its own sake, and now have adopted poverty reduction as their imperative.

If a boom decade like the 1990s leaves the world with a gnawing feeling of insecurity and a reality of lack of social justice, then a bust decade will be many times worse. The cities most affected have been, and will be, in the half dozen or so new countries that have received an invitation to join the developed world because they are in the full path of global cycles. The fate of the remaining countries that are largely left out of this 'international gentrification' project remains uncertain, but it is not encouraging.

This globalization is now being performed against a background of urbanization flows that have peaked in rate, but will increase in absolute magnitude for the next 30 years – largely in the countries excluded from the development club. These countries will need a great deal of help to prevent their cities from going under due to congestion, environmental degradation and social unrest.

In the absence of a coordinated effort to address the crisis of urbanization and globalization, it will be left to the

countries and cities themselves to try to articulate a role. If they are unable to establish working relations to ensure that they are not perpetually marginalized or exploited, then informal sector enterprises, including their international networks, will be the principal players. Unfortunately, these kinds of activities are less than fleas to the organized and coherent industrial and financial behemoths of the 'Centre'. They are, by definition, marginal, and although they are the only response possible, the chances of them amounting ultimately to a hill of beans are not great. Nevertheless, informal sector networks are, in fact, a key precondition for ultimate growth and integration into the Centre. It was in such humble beginnings that many of today's great corporations and industries had their origins; so if the cement of capital and resources can be found to enable the more directed of these loose configurations to adhere, anything is possible.

The medium-term prospect however, in the absence of a dramatic about-turn in policy, is for stagnation amidst urbanization in most of the developing world, and for the process that led to urban improvement in the developed world to continue in those countries benefiting from globalization. Even in this select group marked for success, it involves the growth of a middle class, the marginalization of certain areas increasingly occupied by impoverished minorities and disadvantaged groups, and their eventual recolonization by the middle class when it suits their economic interests. This process can, in fact, result in cities that are slum-free; but it has taken 150 years or more where it has occurred. This is rather too long for even the most extended policy horizons.

The answer, therefore, lies, as it has always done, with countries and city governments to decide what will benefit their people and to put together strategies in partnership with their citizens and donors that will enable these outcomes to be reached. Because slums are both a result and a manifestation of urban poverty, such strategies must address the fundamental problems of unemployment, lack of income-generation opportunities and rising income inequality. Put simply, the journey towards cities without slums must be part of the more difficult journey towards 'poverty eradication', which is essentially a search for sustainable urban livelihoods. It is up to the countries to articulate these aims and insist on them – without ignoring the realities of a global world, but not ultimately enslaved by it. Where goals are unequivocal and have universal support, the record is that they will be reached. Targets have already been reached to a fair extent with health, because everyone knew what had to be done. Good progress has also been made with connecting urban services, although there is still a long way to go. The same thing can happen with other social goals. In the end, social prosperity and economic development decisions should be in the hands of the people and their governments, and these rights must be exercised to maximize social welfare and to improve the fabric of the cities where all the change of the next decades is going to take place.

Decisions on social prosperity and economic development should be in the hands of the people and their governments, and these rights must be exercised to maximize social welfare and to improve the fabric of the cities where all the change of the next decades is going to take place

NOTES

- 1 This chapter is based on two background papers – ‘Urban slums and poverty in context’ by Joe Flood of Urban Resources and ‘Towards the worlding of African cities: transurban approach to economic development’ by AbdouMalig Simone of the Graduate School of Public and Development Management, University of Witwatersrand, South Africa.
- 2 These factors were identified by Alan Greenspan, Chairman of the US Federal Reserve Board, on his presentation to US Congress, 12 September 2002.
- 3 Typical figures for trade as a fraction of GDP were UK 60 per cent from 1870 to 1914, 35 per cent in 1950. Tariff rates were about 5 per cent in Germany, Japan and Sweden in 1875 and 25 to 40 per cent by 1931. The US stayed protectionist with tariffs over 30 per cent throughout the period and trade rarely rose above 15 per cent of GDP (Held et al, 2000, pp158–159).
- 4 Kanbur and Lustig, 1999.
- 5 Berry, 1991, p2. Many conventional economists have dismissed the idea of a long, roughly periodic wave of inflation and deflation in human affairs; but the evidence is compelling. Certainly, the booms and busts of the 19th and early 20th century show a surprising regularity.
- 6 Case study – Sydney.
- 7 Less exposed cities such as Birmingham did not show this ring distribution.
- 8 Stiglitz, 1998.
- 9 Stagflationary episodes at the top of the cycle may also cause a sharp reduction in inequality since real wealth and capital income for those at the top of the distribution erode more quickly than jobs at this stage. This is one reason why inflation causes neo-liberal economists such huge concern.
- 10 Maddison, 2001.
- 11 Maddison, 1995, p22.
- 12 UNDP, 1992, p34; UNDP, 1999, pp36–38.
- 13 Hahnel (2001) writes: ‘The truth is quite simple: international investment flooded into East Asia in the 1980s and 1990s because East Asia was a more profitable place to invest than anywhere else, and there was a sea of global wealth looking for dry land’.
- 14 See www.crd.bc.ca/poverty/abstract.htm.
- 15 See Jenkins, 1997.
- 16 Milanovic, 2002a.
- 17 Dolinskaya, 2001.
- 18 The Irish advance was a spectacular example of ‘convergence’, with many US firms locating their US production facilities there, encouraged by local incentives and low wages. Finland’s Nokia became dominant in the rapidly growing mobile phone industry. While (or because) Australia had no significant involvement in new technologies, by 2002 it had the fastest growing economy in the OECD, encouraged by a favourable exchange rate and a lowering of transportation and communication costs.
- 19 Because of labour shortages, by 2000 it was estimated that up to one third of programmers in Silicon valley were from India or East Asia. At home, the growing software industry in Bangalore sat uneasily with worsening urban poverty.
- 20 Polyani, 1944.
- 21 For example, Sarel (1997) avers from a cross-sectional analysis of 15 medium- and high-income countries that controlling for other factors, growth and investment reduce income inequality, suggesting that lower-income households benefit relatively more from economic growth. Dollar and Kraay (2000) support this. However, longitudinal results, such as those for the US and Canada, do not bear this out. Kanbur and Lustig (2000) find from a literature survey that there is no discernible relationship.
- 22 Baldacci et al (2002) find that financial crises are associated with an increase in poverty and, in some cases, income inequality. Urban households, wage employees and households headed by very young and very old individuals are particularly hard hit.
- 23 Bruno et al, 1997. Cashin et al (2001) say: ‘Comparative studies find that growth reduces poverty; but the estimated relationship varies widely. The effect is stronger in countries with less inequality, both of incomes and assets.’
- 24 Drennan et al, 1996; Brotchie et al, 1987.
- 25 For a detailed account of the chasm between the petro-diamond capitalism and wretched poverty found in Angola, see Hodges, 2001.
- 26 United Nations Integrated Regional Information Network (IRIN), 11 June 2002. Accessed at www.irinnews.org/report.asp?ReportID=28066&SelectRegion=Southern_Africa&SelectCountry=ANGOLA on 27 June 2002. The data come from a study conducted by Angola’s National Institute for Statistics carried out with the United Nations children’s agency (UNICEF) in 2001.
- 27 Thomas and Kanagarajah, 2002.
- 28 United Nations IRIN, 11 June 2002. Accessed at www.irinnews.org/report.asp?ReportID=28258&SelectRegion=West_Africa&SelectCountry=NIGERIA on 27 June 2002.
- 29 UNDP, 1999, p36.
- 30 See UNCTAD, 2002. Available at www.unctad.org/en/pub/ps11dc02.en.htm.
- 31 World Bank, 2001c.
- 32 UNDP, 1999, p36.
- 33 Lokshin and Ravallion, 2000.
- 34 IMF and World Bank, 2002.
- 35 UNCHS (Habitat), 2001; UNDP, 2000.
- 36 Bussolo and Solignac Lecomte, 1999.
- 37 Uniform government regulations and wage setting also play a major role, in practice.
- 38 One of the greatest advantages of the US is that internally it has been the largest highly developed free trade area in the world.
- 39 The worked example shows how the transfer of manufacturing jobs can easily create eight times the number of jobs in the recipient country. Goldsmith (1996), using a simpler reckoning, states that up to 40 times as many jobs could result.
- 40 For this reason among others, Latin America and Africa during the 1960s and 1970s conducted a regime of import substitution, which improves the terms of trade (at the expense of higher domestic prices if tariff walls are used). Australia also followed an import substitution policy for much of the century, for similar reasons. This argument has, however, fallen out of favour, and it is generally agreed that at least in the short term, the tiger economies have not suffered from a loss of trading power.
- 41 Michael, 1997.
- 42 Chang, 2002.
- 43 Hirst and Thomson, 1996. Held et al (2000) state that this is not strictly the case since trade is more extensive than ever before, with most pairs of countries engaging in some form of trade.
- 44 Held et al, 2000, p169.
- 45 Kaplinsky (2001) shows that trade has actually increased as a per cent of GDP in all regions since 1960; but the change is much larger in India and East Asia.
- 46 Stern (2000) estimates that trade embargos and subsidies by the developed world cost the developing world far more than the aid that is received.
- 47 Sugar, rum, tobacco and an excellent building design industry, particularly for holiday resorts.
- 48 Ellis and MacGaffey, 1996; Flynn, 1997.
- 49 Goldsmith (1996) argues eloquently that the world should be divided into free trading blocs of similar levels of development and wage costs.
- 50 Bruno et al, 1997.
- 51 ‘What the IMF has most to answer for is the leading role it has played in liberalizing the international credit system whose unrestrained dangers now frighten even those it was designed to serve’ (Hahnel, 2001).
- 52 UNCHS (Habitat), 2001; UNDP, 2001.
- 53 This limited contact is, however, regarded as a threat to local culture and ideals in a number of developing countries, particularly the Arab states and China. Because of the US dominance of English internet content, it is seen as a medium for the more rapid spread of US-based culture.
- 54 This has now risen to US\$270 billion, controlling flows of close to US\$2 trillion. See www.business-times.asia1.com.sg/companies/story/0,2276,57529,00.html; www.pressreleasenetwork.com/newsletter/2000/main7_news29.htm.
- 55 See www.asiaweek.com/asia/week/97/0228/biz4.html.
- 56 The hedge funds continued to harass Hong Kong for some time through expedients such as shorting the stock market and attacking the currency, taking profits when the Hong Kong government raised interest rates. Eventually, they were driven off by regulation.
- 57 The Samuelson-Stolper theorem.
- 58 Hanson and Harrison, 1995.
- 59 Cragg and Epelbaum, 1995.
- 60 Krugman, 1996; Krugman and Venables, 1995.
- 61 Hamnett, 1993.
- 62 Wood and Ridao-Cano, 1999.
- 63 UNCTAD, 1998.

- 64 Aryeety and Nissanke, 1997. Keeping currencies artificially high to protect local capital was also a necessary precondition.
- 65 UNECA, 1998a.
- 66 Elbadawi and Ndulu, 1996.
- 67 UNECA, 1999.
- 68 UNECA, 1999.
- 69 Forrest and Murie, 1988.
- 70 As an extreme example, almost free water supply in Uzbekistan, also used for cotton irrigation, led to the virtual emptying of the Aral Sea, while water sits in pools in the desert and over half the water supply leaks away.
- 71 Milanovic, 2002a; Stiglitz, 2000.
- 72 Riddell, 1997.
- 73 Thomas and Chhibber, 1989. Bolivia's currency depreciated by 93 per cent (Jenkins, 1997).
- 74 Subbarao et al, 1995.
- 75 This created a moral hazard for international lenders who had made unwise loans but were effectively insured by the IMF. It is fair to say that most SAPs are made on behalf of international lenders, not the countries, who do not end up with any long-term improvement in their financial situation but have a short-term cash flow problem averted.
- 76 Albert, 2001.
- 77 Riddell, 1997.
- 78 This has been conceded by many authors – for example, Illife, 1987; Moser et al, 1993; Amis, 1995, 2002; and, most significantly, the World Bank, 2000, 2001.
- 79 For example, even in the mid 1990s a few countries were recording the serial numbers of all foreign banknotes brought into the country. Travellers could gain the distinct impression that the local level of development was inversely related to the difficulty of entry to the country and the difficulty of conducting business there due to pointless government constraints.
- 80 The main effect of price fixing, monopolies and border controls is to create artificial scarcities – which, in the first case, can cause hardship for low-income producers and, in the latter cases, creates extra profits for local capitalists at the expense of consumers.
- 81 Killick, 1999.
- 82 Killick, 1999; Jenkins, 1997.
- 83 Humphreys and Jaeger, 1989.
- 84 Killick (1999) says that SAP agendas are somewhat peripheral to poverty and are unlikely to have much effect either way, but agrees that the programmes are associated with growing inequalities and have impacted particularly adversely on the urban working poor. Stern (2000) strongly opposes the idea that SAPs cause inequality, citing the (non-crisis) examples of Ghana, Uganda and Viet Nam.
- 85 Riddell, 1997.
- 86 Potts, 1997.
- 87 'The poorer the country, the more likely it is that debt repayments are being extracted directly from people who neither contracted the loans nor received any of the money' (Albert, 2000).
- 88 Riddell, 1997.
- 89 Becker et al, 1994; Potts, 1995.
- 90 Incidentally, but perhaps not coincidentally, this benefited industrial exporters from the West.
- 91 This section (and some others) draws on a paper prepared by Abdou Maliq Simone (2001) of the Graduate School of Public and Development Management, University of Witwatersrand, South Africa: 'Toward the "Worlding" of African Cities: Transurban approaches to economic development'.
- 92 Held et al, 1999.
- 93 Ould-Mey, 1994.
- 94 Develtere and Van Durme, 1999–2000.
- 95 Rimmer, 1996; Brotchie et al, 1985, 1987.
- 96 Bourdieu, 1990.
- 97 Fukuyama, 1995.
- 98 Jessop, 1999.
- 99 Brenner, 1998a.
- 100 Hopkins, 1973; Mabogunje, 1990; King, 1990; Cooper, 1994.
- 101 Mhone, 1995.
- 102 Kanji, 1995.
- 103 Berry, 1995.
- 104 An extreme example would be Masai businessmen or professionals who regularly return to their villages for ceremonies, or expatriate Indians who may lead a strongly family-oriented lifestyle but participate in complex international negotiations of the type Fukuyama (1995) regards as necessary for the conduct of extensive business.
- 105 Ellis and MacGaffey, 1996.
- 106 This is the conclusion of a broad range of initial field study reports under the auspices of the MacArthur Foundation Council for the Development of Social Science Research in Africa Programme on Africa's Real Economies.
- 107 Augé, 1999.
- 108 Carter, 1997; Kesteloot, 1995; Sassen, 1999.
- 109 Dunning, 1993.
- 110 This relates to the 'end of history' as Fukuyama (1993) has called the lack of effective counterbalance to the dominant paradigm.
- 111 This is a considerable plus, according to neo-liberals.
- 112 For example, in Thailand in 1999, some 12 different agencies were working on water supply, mostly supported by different donors and largely uncoordinated.
- 113 The city of Naga in The Philippines, which successfully instituted a People's Forum in the early 1990s (against government direction) and is regarded as the apotheosis of a well-run local government, has virtually had an aid-led prosperity, with five international projects going on at any one time, while few other local governments have even one. The donors are, in fact, aware of over-targeting favourites and are seeking new prospective partners in poorer areas.
- 114 This attitude relates closely to the US political system and is not widely held in other parts of the HICs, where it is believed that a stable and responsible government – at all levels – is the key to economic security and development.
- 115 Krugman, 1996.
- 116 World Bank, 1999.
- 117 Porter, 1998.
- 118 These activities are intended to be largely outside of the public realm but, in fact, are carried out by governments almost everywhere.
- 119 Unfortunately, there are no guarantees, and some societies have become over-educated without the requisite professional jobs. Shop assistants in Manila mostly have college degrees, and signs in windows can be seen, such as 'Nightwatchman wanted: Criminology degree required'.
- 120 See Kloosterman and van der Leun, 1999.
- 121 African Economic Research Bulletin, Financial, Economic and Technical Series, 1997.
- 122 Storper, 1997.
- 123 Constantin, 1996.
- 124 Observatoire Geopolitique des Drogues, 1999; Bayart et al, 1999.
- 125 Herbst, 1996.
- 126 Castells, 1996.
- 127 Sassen, 1998.
- 128 Sassen, 1998.
- 129 Ranciere, 1998.
- 130 World Bank, 2000, 2001a, b. According to Ali and Sirivardana (1996), the move from growth to poverty reduction strategies is of sufficient significance to constitute a new aid paradigm. However, mainstream United Nations agencies, including UN-Habitat, have always had a pro-poor orientation.
- 131 G K Chesterton, English essayist (1874–1936).

