

REPORT

on the

AGENCY URBAN DEVELOPMENT WORKSHOP

held at the

Urban Life Center  
American Life Building  
Columbia, Maryland

August 28 - 30, 1972

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CONTENTS

Foreword ..... 1 - 5

Summaries of the Addresses..... 6 - 18

Reports from Field Mission Representatives..... 19 - 31

Reactions to the Monograph..... 32 - 37

Results of the Working Group Deliberations..... 38 - 50

Appendices:

1. Agenda for the Agency Urban Development  
Workshop..... 51 - 53

2. List of Workshop Participants..... 54 - 56

3. List of Working Discussion Group Members..... 57

4. Addresses:

(a) "The Role of Urban Development in  
National Development," by  
Professor Archibald Dotson ..... 58 - 86

(b) "The Urban Challenge to Government,"  
by Professor Herman Berkman ..... 87 - 105

(c) "The Absorption of Labor in the Urban  
Economy," by Professor John Friedmann ..106 - 136

## REPORT ON THE AGENCY URBAN DEVELOPMENT WORKSHOP

The Urban Life Center in Columbia, Maryland, the new town between Washington and Baltimore, was the site of the Agency Urban Development Workshop on August 28-30, 1972. Sponsored by the Urban Development Staff, Bureau for Technical Assistance (TA/UDS), the Workshop was attended by twelve representatives from eleven field missions and more than twenty headquarters officials.

In welcoming the participants to the Agency Urban Development Workshop, William R. Miner, Director of TA/UDS, commented that the three-day Workshop "celebrates a beginning, ... represents the culmination of a process, and ... could well point the direction of future developments." The Workshop was convened on the second anniversary of TA/UDS. It marked the final step in a series of consultations in the USA and abroad with a significant number of urban specialists and other knowledgeable people to consider a possible role for U.S. assistance in helping developing countries address the problems of rapid urban growth and development.

The Workshop was designed by the Urban Development Staff to enlist the counsel of A.I.D. field mission and headquarters officials in the preparation of options and recommendations for the early consideration of a policy determination by the Administrator's Advisory Council.

Dr. Joel Bernstein, Assistant Administrator for Technical Assistance, explained the rationale for an Urban Development Staff, and its relationship to the mandate of the Bureau for Technical Assistance, the subsequent Key Problem Area exercise and to Agency reorganization and reform. He closed by posing the following basic questions for the consideration of the Workshop:

1. Should AID be involved in urban development in a more concerted way? Should it be a major area of concentration? Why?
2. Is urban development a sector? Subsector?
3. If urban development is an area for major Agency attention, (a) what problems should be addressed and (b) what activities should be developed?  
(c) At what level? What is the rationale?
4. What should be the division of labor within the Agency? With other donors?

Three outstanding urban specialists addressed the Workshop, led the working discussion groups, and made other valuable contributions to the Workshop. Professor Archibald Dotson, Chairman of the Department of Government, Cornell University, gave the keynote address, "The Role of Urban Development in National Development." On the second day, "The Urban Challenge to Government" was the subject of Professor Herman Berkman's address. He is Senior Professor of Planning, Graduate School of Public Administration, New York University. The third address, "The Absorption of Labor in the Urban Economy," was given by Professor John Friedmann, Head of Urban Planning, School of Architecture and Planning, University of California at Los Angeles.

Reports from field mission representatives were given the first afternoon of the Workshop. Eric Chetwynd, Jr., Urban Development Advisor, TA/UDS, presided at this session. The reports reflected a wide range of approaches to urban development by the several missions and host governments.

The TA/UDS monograph, FOCUS ON URBAN DEVELOPMENT: PERCEPTIONS, PROBLEMS, APPROACHES, AND NEEDS - A Potential Role for U.S. Technical Assistance, had been sent to participants in preparation

for the Workshop. They shared their reactions and suggestions during the morning session on the second day.

With the monograph, addresses, and field reports as a basis for their deliberations, the participants convened in three working discussion groups on the second afternoon and again on the final morning of the Workshop. The groups were led by Professors Berkman, Dotson, and Friedmann. William Miner, Eric Chetwynd, and Stephen W. Cooley, an urban affairs specialist from Washington, D.C., served as rapporteurs.

The groups concentrated primarily on the questions which Assistant Administrator Bernstein had offered the first day. The results of earlier consultations with two groups of U.S. urban development experts were shared with the groups, as well as some tentative project proposals. Reports from the groups were made to and discussed in plenary session on the final day.

The following pages contain summaries of the addresses, reports from the field representatives, reactions to the monograph, and results of the deliberations of the working

discussion groups. A copy of the Workshop agenda, a list of participants, a list of the members of the working discussion groups, and a copy of each of the principal addresses are appended.



A SUMMARY OF PROFESSOR DOTSON'S ADDRESS

"The nation is a single, whole developmental space, and there is no tenable rural-urban dichotomy," Dr. Dotson, Chairman of the Department of Government at Cornell University was making the keynote address on "The Role of Urban Development in National Development" at an Agency Urban Development Workshop on Monday, August 28, at the Urban Life Center in Columbia, Maryland.

Stating that there is little doubt that urbanization in developing countries is proceeding at unprecedented rates, Professor Dotson condemned urbanization policies in those countries as being "unconscious, partial, uncoordinated, and negative." He said that national plans which are primarily economic and urban plans which are physical in nature are uncoordinated, competing, and conflicting.

He indicted the ideas which inform those policies and plans as being centered in perceptions and interpretations which looked on rapid urbanization "with alarm and dire predictions" and offered only "orthodoxy in investment and intervention" in urban areas. The results of a recent SEADAG study of Malaysia,

the Philippines, and Thailand, were cited which showed none of the negative associations often attributed by alarmists. On the contrary the study showed that the central tendency in the relationship of urbanization to national development is positive.

There are constraints in functional and policy relationships, as well as resources constraints. The situation, according to Dr. Dotson, requires, (1) a basic reorientation of urban development policy, (2) a more intensive public intercession in the urbanization process, (3) changes in national economic and urban physical plans, (4) a national urban strategy and management, (5) a national urbanization data base, (6) a restructuring of urban decision-making units, and (7) a recasting of external assistance for urban development to "stop the dissemination of doom" and to "exploit the influences of marginality.

"There is no cause for despondency," Professor Dotson concluded. "The only real urban crisis is the policy crisis!"

Replying to questions, Dr. Dotson explained that external aid for urban development should be recast in a development plan

with due regard for the spatial components. Within an aid-giving organization, there should be an urban dimension (or focus or assessment); among donor organizations, cooperation using the particular strengths of each.

A national urban development strategy would be at a level below macro planning. It should be realistic and not prohibitive, scaled to what can be done. Dr. Dotson explained that it would entail the formulation of goals in economic and spatial terms, an organizational framework for decision-making, and the development of sectoral investment priorities and their effect on migration and environment. He recognized that it would not be simple to add an urban strategy to national aggregate planning, and mentioned methodology and political considerations as being two of the difficulties. Nevertheless, he felt that a beginning could be made by questioning where investments take place and their effects, the choice of institutional/organizational structures and administrative procedures the lack of local involvement, and the frustrations of planning by sectors. As to who determines a national urban strategy, Dr. Dotson noted that not enough decision-makers are involved. Political leaders don't trust the technocrats, who are run over by economic

planners, he observed.

Questions were raised about public intervention and how to overcome political constraints when so many decisions about betterment are individual. If the rates of development are enhanced, there is no assurance that intervention will work. Professor Dotson felt that public intervention is required unless there is to be continued frustration of national development planning and goals. The need is to act, not only react to existing situations.

It was noted that many of the changes in economic and urban planning which Dr. Dotson advocated were occurring already in Latin America. Mention was made also of the deliberate attempt in Korea to translate the national economic plan into a national physical development plan. However, the urbanization tendency was omitted.

Dr Dotson was challenged on his indictment of conventional wisdom. Even though people do not return to rural areas, it does not mean that urbanization is good. There are social costs to the economy, nevertheless. Dr. Dotson replied that the migrant feels that life is better in the city and that the

oft-mentioned social costs have not been documented. Moreover there are societal benefits as well as costs to urbanization. To a comment that the rate, not the fact, of urban growth is the question, Professor Dotsch added that place, type of settlement, and other factors also need to be considered. He agreed that the rural and urban sectors are interdependent.

A SUMMARY OF PROFESSOR BERKMAN'S ADDRESS

Dr. Herman Berkman, Senior Professor of Planning in the Graduate School of Public Administration of New York University, addressed the Agency Urban Development Workshop on Tuesday August 29, on "The Urban Challenge to Government." He described governing as a process which includes administering and regulating and whose "critical factors are time, resources, and their allocation." He noted, however that the priority of other concerns impact the urban process (or situation or environment), and he mentioned political stability, economic imperialism and development, and control of inflation.

Dipping into earlier experiences in Korea and more recent ones in Brazil, Professor Berkman gave examples of innovating approaches and institutions: public investment in one area being used to provide finance for development of another area of a country; the unintended results of government developmental efforts by so-called sectoral programs; the many governmental responses which do not appear on organizational charts; the "package" quality of governmental responses; and the special authorities which are used to coordinate ministries and governmental

efforts to develop specific areas.

"We need to think in comparative terms," Dr. Berkman said, "in order to reach reality." Since no one country has all the answers, there is need for comparative study and exchange of information. "There is experience which is applicable or adaptable across cultures," he added.

Professor Berkman made five recommendations of appropriate programming activities: (1) evaluation and monitoring of existing efforts; (2) comparative research in administrative approaches; (3) manpower development to understand the urban "package"; (4) an intergrated rather than a sectoral approach to development; and (5) a collaborative, multidimensional, and mutual approach to assistance.

In reply to a question, Dr. Berkman stated that some of the examples of innovations and initiatives in Brazil probably resulted from external assistance; others were Brazilian ideas.

Professor Berkman did not intend to ignore the urban dweller in favor of a technocratic approach to integrated management.

Examples were given from Brazil (little city halls) and Korea (new cities). He added that urban development is not a linear process and that urban management and the management of urbanization occur on different levels and are different. To date more attention has been given to urban management than to the larger questions of the management of urbanization as a part of national development.

Even with Brazil's unlimited resources, Dr. Berkman felt that help is needed in monitoring government activities in terms of their impact and in looking at secondary types of effects. For example, the location of water and sewage facilities and services is a priority, political, and management problem, as well as a health problem. Dr. Berkman did not believe that A.I.D. could intervene at the community level (the level of people's felt needs), not only because of the number and weakness of municipal governments, but also because of limited resources and tools of intervention. A higher level of generality is needed. He felt that the national level is most appropriate for significant inputs and intervention to affect patterns of national development.



A SUMMARY OF PROFESSOR FRIEDMANN'S ADDRESS

In his address on "The Absorption of Labor in the Urban Economy," Professor John Friedmann, Head of Urban Planning in the School of Architecture and Urban Planning of the University of California at Los Angeles, presented three working hypotheses, none of which has been tested empirically, to the Agency Urban Development Workshop on Tuesday afternoon, August 29. He stated in his opening remarks that there are scarce and unreliable data on unemployment in developing countries. Occupational classification at the bottom rung of the employment ladder is poor. In addition, industrialization is not reaping the intended results, especially in labor absorption.

Dr. Friedmann used charts to explain the structure of urban employment in a developing economy, the principal market relations among urban occupational and rural sectors, and intersectoral labor mobility. He described the survival, non-protected, protected, and privileged sectors of urban employment, showing their relationship to sources and kinds

of income and levels of education on the one hand and, on the other, to the types of employment (individual, family, corporate), the uses of income, and the degree of capital intensity.

The three hypotheses which Professor Friedmann presented were:

1. Equilibrium unemployment (that is, among the unemployed workers and individual entrepreneurs in the survival sector of urban employment) will be stable, a holding operation.

There are expectations of finding steady employment at twice the going rural wage. As long as there is an available income surplus, migration will continue.

2. There is pressure to subsistence.

Refusal to share is not an available option; shared poverty is.

3. There is proletarianization.

The gaps between the individual entrepreneurs, family entrepreneurs, and corporate entrepreneurs increase over time.

"The policy implications of these hypotheses," Dr. Friedmann observed, "would stand urban development on its ear." He suggested the following: (1) emphasize rural development in regional areas with a concern for the symbiosis between agriculture and urban development, tertiary urbanization (market towns and intermediate-size cities), and the integration of national and local planning; (2) increase and make more productive family-centered enterprises by dealing with the problems of off-season employment for rural workers, access to credit, availability of institutional support, etc.; (3) promote industrial dualism by protecting family-centered enterprises from undue competition from corporate enterprises; (4) develop a housing policy which emphasizes housing as a product of community investment by focusing on communal facilities and services, incorporating work and living in the same area, and involving community decision-making and labor in constructing the facilities; and (5) make selective investments in urban infrastructure by applying resource/capital-

conserving technology, providing an essential minimum of services to all parts of a city, and emphasizing shared communal facilities and the development of rural service centers.

If his hypotheses were proved, Dr. Friedman<sup>n</sup>replied, they would provide answers to questions on the role of social services in urban development and overall national development.

It was suggested that fifty is a better cutoff point than ten in the number of employees for family enterprises in Professor Friedmann's model.

A more serious challenge was the assertion that the model over time would tend to be disastrous, requiring too great sacrifices to absorb unemployment when social, economic, and physical mobility are constrained in developing countries. The model does not consider externalities and the problems of scale, and it was predicated that income would be lowered over time, even though there would be favorable short-term results. Some of the factors in upward mobility which were not cited were the military, job training, population policies, and rising real income. In reply, Professor Friedmann observed that large cities will continue to grow anyway. This model may slow somewhat the rate. In the U.S.A. and Japan the

experience has been that agricultural production increases as urbanization increases. The model would facilitate a re-orientation of policy, not eliminating the corporate enterprise sector, but limiting it to what the family enterprise sector cannot produce. He agreed that agrarian and land reform and the economics of location also should be involved.

It was suggested that institutional support and factor price manipulation would be more effective than policy changes in reversing or arresting the tendency toward proletarianization. It was pointed out also that unemployment is not always equated with poverty, as seemingly suggested in the first chart; for example, white collar unemployment. It was noted that some of the characteristics are culture specific as regards the various categories/sectors of urban employment.

Speaking of the relevance and use of the model, Dr. Friedmann commented that a major research effort is needed to test the hypotheses in the field and to flesh out the model. It can help the Agency do better some of its existing programs (e.g., small business and industrial development). The model expands on the growth pole approach.

REPORTS FROM FIELD MISSION REPRESENTATIVES

(in order of presentation)

Indonesia

For all intents and purposes there is no concerted urban development program in Indonesia. However, over the last 3-5 years an estimated 70-100 million dollars have been invested in urban-related activities. What appears to be needed is more and better analysis of such types of investment as they impact urban areas.

Institutional Resources. The Indonesians themselves do have some formalized resources for coping with urban development. The Ministry of Public Works maintains a regional and city planning staff of about five or ten persons. Additionally, the City of Djakarta has its own planning staff, some of whom have had overseas training. At the Bandung Technical Institute there is a graduate program in planning. However, the institutional planning capacity as it exists in Indonesia may be seen to be limited; the National Planning Office, for example, makes use of the regional/city staff of the Ministry of Public Works.

Indigenous Programs. Two basic programs were noted. In an attempt to provide national assistance for local planning, national governmental authorities have loaned personnel to

localities and have promoted limited in-service training to local officials. Second, the staff of the National Planning Office is considering the inclusion of a regional focus for the next 5-year plan. Three or four growth poles may be designated.

AID Program. The AID program in-country is not substantially involved in urban development. Mission reticence to be involved was noted. Other than traditional participant training programs, there is some ongoing research on the role of intermediate-size cities in development. One further point was noted to the effect that the Mission is cognizant of the work of other donors, for example, the sites and resource study of IBRD.

#### Peru

The present Peruvian program in urban development is almost wholly a result of disaster-relief efforts in the aftermath of the recent earthquake. AID response has included about 28 million dollars in Housing Investment Guaranty Loans as well as 15 million dollars in housing and small business loans. The effort on the whole is aimed at all levels of income and at the rehabilitation of shantytown and the support of commercial centers.

AID Program. Working with the Committee on Coordination of Relief in Affected Areas (which boasts a staff of 50), AID promotes investment in consideration of the following four guidelines: (1) development of community participation and identification of community leadership; (2) strengthening of institutional capacity; (3) development of local building material<sup>s</sup>; and (4) employment generation, with specific attention given to the construction industry. The loan and grant programs are tied closely together.

The point was made that AID's program was a "disaster" not "development" program; however, an AID spokesman noted that no major changes would be evident had the earthquake not occurred. Moreover, the Peruvian Government's perception of urban development is positive, and GOP expresses interest in integrating urban considerations into national level planning.

Institutional Resources. In light of the above, some concrete response to urban development may be seen in the Peruvian Government's support of PIAPUR and a National Office of Urban Studies.



## Honduras

Only five of the twenty-three million acres of Honduras are tillable. Yet, it remains one of the least urbanized countries of Central America. Recently, however, there has been evident a 6.2% urbanization rate as well as a further decline in the tillable acres per head-of-family ratio. Obviously a need for urban development policy exists -- given these trends -- and some efforts are visible.

Institutional Resources. The National Planning Office of the Government of Honduras maintains a national/regional planning staff. An urban development planning staff may be found also in the Ministry of Public Works and Urban Affairs. Additionally, the Municipal Development Bank (found in 1962) has served as a municipal credit office, despite political problems encountered since inception. Today, however, the Bank deals mostly in commercial paper.

Indigenous Programs. In 1967 GOH determined that a regional focus in national planning was necessary. A spatial approach was suggested which involved ten development regions and eight growth pole cities. Data are presently coming in concerning flows of market forces and the impact of spatial investments. These data are being evaluated by both USAID and Peace Corps.

AID Program. The present AID program emphasizes four areas of concern:

1. Marginality: Marginal inputs are required to gain some knowledge of the urban consequences of investment. This effort is seen to be "catalytic and gap-filling." Coordination with other donors is stressed in order to plan and integrate the implementation of sectoral investments. The fragmentation of public authorities at all levels tends to be an impediment;
2. Institution-building. Assistance may be directed towards strengthening and refining institutional capacity. Technical assistance and training are given to both national and local level institutions. As noted above, the institutional capability to implement programs at both the national and "Street" levels is a key problem;
3. Information. Information is direly needed for urban development efforts. Experimentation with a regional grid system of information generation is a noted development;

4. Advocacy. By advocacy is meant the role of USAID in alerting other donors to the urban implications of their programs and to assist them in identifying the obstacles to implementation of some (e.g., fragmentation of national/local authorities).

#### El Salvador

As in the case of Peru, El Salvador's urban activities may be seen in the light of response to natural disaster. After a severe earthquake in 1965, the Metroplan for San Salvador was initiated with AID help. While the components of the plan treated a number of urban matters, it was decided that concentration of effort was to be towards redeveloping the CBD.

Institutional Resources. Metroplan required the cooperation of both the Central Planning Office planning staff and CONMU, a public/private sector commission charged with the renewal strategy. An Urban Development Corporation was formed and given powers of eminent domain, issuance of bonds, and taxation. At present, political obstacles and lack of consensus have mitigated effective redevelopment programming. The planning staff has dwindled from 12 to 4 professionals.

Indigenous Programs. The case of Metroplan is exemplary. It is the case that indigenous urban development programs have failed to emerge. Political opposition is concentrated in urban areas. War, election, and a coup attempt have intervened in the development process. The private sector is reluctant to invest in costly (e.g., high land values) urban programs. The government has had a "plan" orientation (possibly nurtured by AID), but purportedly now is identifying areas for further consideration (data, training, and infrastructure requirements).

#### ROCAP

ROCAP's urban activities are of two types: bilateral and regional. The bilateral program assists with the planning function and works with specific loan proposals. One example may be found in the assistance to the National Housing Bank of Honduras to legitimize a savings and loan system and to initiate a mortgage insurance operation.

The regional program of ROCAP has three recent emphases. First, with the help of CABEI a multinational, secondary mortgage market is being formed. Second, under the HIG program, two model communities are being devised on a demonstration basis and will manifest the integration of housing with commercial and industrial development. Under this second activity, the

possibility of industrial park development will be studied; also, the housing mix will show a range of \$3500-8500 per unit. Third, effort is being made to ensure good communication between housing and urban development specialists in all of the five constituent countries. One mechanism has been the Central American Housing and Urban Development Conference of July 1972. Twelve nations participated and over 200 delegates. The conference resolved (1) to promote government interest in urban planning and (2) to form a central data bank for both planning and housing technology.

Meetings of the bilateral missions and ROCAP have underscored the need for strengthening sector analysis and for assessing the regional implications of all HIG, loan, and grant programs. The Program for FY 1974 includes (1) data collection, (2) training in urban development on a regional basis, and (3) project analysis from a regional view. It is fair to say that HIG is presently contributing the most funds (in the neighborhood of 91 million dollars in projects and authorizations) for urban activities in the region.

R.E.D. (Asia)

At the present time RED is not sponsoring any urban projects. However, a transportation study is underway to examine the development of Thailand's deep-water port at Sattahip.

With regard to research, SEADAG's Urban Development Panel is undertaking some important studies. The legal aspects of urban planning are being investigated in Korea and the Philippines. The administrative capacity to handle refugees is being given attention in Thailand. Finally, the East Asia Research Program comprises the following:

1. In Indonesia, studies on middle-size cities and migration;
2. In Thailand, an effort by Chulalongkorn University to establish baseline information on development regions;
3. In Singapore, an effort on the part of the Environmental Control Organization to review the problems of environmental degradation in urban areas (a thrust which hopefully will take on a regional focus);

4. In Singapore, research by the Council on Asian Manpower Studies on migration and employment (this effort is formative).

RED is hoping to expand its role; questions remain with regard to the supporting assistance countries and Malaysia.

#### Kenya

Field efforts in Kenya are inhibited by the fact that there are only two program officers. However, urban development is thought to be gaining attention and credence in governmental circles.

Institutional Resources. According to a field spokesman, the climate for conscious attention to urban development is great. Both national and local officials are interested, the Ministries (Land Settlement, Public Works, Planning, Finance) are talking about the problem, and the willingness to effect intergovernmental (national, provincial, urban) cooperation exists. Coupled with this is the fact that during the 1960's Nairobi grew at about an 8-9% rate and is expected to reach three million population by the year 2000. Extra-governmental organizations such as the University of Nairobi and the Nairobi Urban Study Group have recently given urban development attention.

Indigenous Programs. Two recent urban activities were noted. First, the University of Nairobi Workshop met in August 1972, to study urban concerns. The workshop was assisted by a 211(d) grant and manifested excellent Kenyan participation. Second, the Nairobi Urban Study Group, financed by the Nairobi City Council with minimal U.N. help, is developing plans for the years 1985 and 2000.

A third important trend is the National Planning Ministry's rural development program, which comprises division, district (country), and regional elements.

AID Program. Other than possible HIG projects, there is no AID urban activity.

#### Brazil

Brazil has 53% of its population (or 53 million people) in urban areas. Four thousand municipalities exist and nine metropolitan areas have been recognized in the constitution. However, it is thought that a regional emphasis will emerge without concern for an integrated national development strategy. Moreover, while Brazil has invested heavily in urban related activities, there does not appear to be interest in considering urban development as a part of an overall development strategy.



AID Program. Over the years AID has invested two to three hundred million dollars in various urban related endeavors (institution building, information, housing, planning, community development, administration, and training). However, a systematic appraisal of urban development has been lacking. Proposals for change -- made informally -- have included:

1. Technical assistance for the formulation of a policy for urban growth, which might include participant training;
2. Program development to include (a) short-term consultants in areas such as low income housing, employment, and migration, (b) assistance for an urban development sector strategy, and (c) applied urban sector research;
3. Coordination of GOB programs, which have suffered from governmental balkanization, intergovernmental competition, and ineffective management.

Nevertheless, AID is doing little more than talking about the problem, while GOB is attempting to come to terms with itself. The urban development situation was termed "transitional."

Institutional Resources. One key question concerning urban development in Brazil focused upon the apparent neglect of its widely-known and long-used institutions. SERFHAO and IBAM were mentioned specifically. It was pointed out that IBAM suffered from government neglect, while SERFHAO

manifested an inability to reach out to the municipalites. Coupled with the above are (1) lack of university resources, (2) an apparent dependence by governmental authorities on the ad hoc approach to programming, and (3) official ignorance about Brazil itself.

It was mentioned in passing that the Federal system as it exists in Brazil may do much to impede urban development planning. The political and financial powers of the states appear to heavily burden the cities.

#### Colombia

The urban sector loan for Colombia is by now well known to Agency urban development enthusiasts. The loan is based on the rationale that urban development may be built into the national plan. To a great extent, the National Planning Department is providing direction for the loan. Elements of the loan include credit for industrial development in intermediate-size cities, for municipal infrastructure, and for low-income housing. Other considerations include development of new types of low-income housing, provision of training for municipal development, and establishment of a legal and operative savings and loan association to finance low-income housing and facilities as well developed construction industry.

### REACTIONS TO THE MONOGRAPH

The monograph, *FOCUS ON URBAN DEVELOPMENT ...*, provided the basic framework for the Workshop. Copies were sent to participants with the invitation to attend the Workshop.

During the Workshop, the large (219-page) monograph was introduced by the Urban Development Staff (TA/UDS). The purpose, organization, and content were described and the findings were reviewed.

The reactions of the participants are presented below with an emphasis on reporting the kinds of modifications which were suggested. They are divided into three sections: general comments, suggested weaknesses and omissions, and suggestions for revision.

#### General Comments

1. The urban crisis is undersold -- e.g., the urban growth rate in poor countries is even greater than the general rates indicated in the monograph -- but it is a persuasive document.

2. Of the two sets of problems -- delivery of services and affecting national policies -- the field missions are more interested in the former.
3. The return on social investments is a research problem. Some studies have been made, but the results are not clear to decision-makers.
4. There is limited income, so the total has to be enlarged before better distribution can be considered seriously.
5. Think of opportunities as well as problems in the title and thrust of the document. For example, the concept of the city as being useful in development is so fundamental that it should be included in the title.
6. Coordinate with other donors, especially the World Bank.
7. The main task is getting a policy (existing or new) used after it is adopted.

#### Suggested Weaknesses and Omissions

1. The discussion of technology is too narrow. Technology is more than cheaper water treatment plants.
2. The financial policies are not considered enough. For example, the rates for public services are too low in many LDCs. These are critical problems because they involve difficult political decisions.

3. Housing is not considered sufficiently. For example, the irrational housing policies in Latin America, where subsidy levels are beyond their means and there is "one showcase project per year." If finance cannot be amassed, housing cannot be provided. On the other hand, housing may not be a real priority in an LDC. (A suggested role for AID: help governments look at secondary and unintended impact of housing investments.)
4. Education and health are omitted. They are more important to rural-urban migration than housing and motivation.
5. Transportation is not dealt with sufficiently. As a sector, it involves donor investments, is government controlled, represents a major portion of both public and private investment, is a national priority in most LDCs, and it interfaces with marketing and the system of distribution. The US has competence in this field, and AID and other donors are collaborating already.
6. Technical assistance components of national policy are not emphasized. A national policy framework is needed; the ad hoc, project-by-project approach is dead.
7. A.I.D.'s existing policy for urban development is neglected. A policy exists; it has not been carried out.

8. Agency historical introspection is lacking. Extract from Agency experience to find direction for the future. For example, how the Agency's program has affected urbanization, and other interface factors.
9. The prevailing mentality in the Agency and LDCs -- that urban areas are sponges soaking up but not producing scarce national resources -- is not sufficiently taken to task.
10. More aspects could have been dealt with including (a) political implications of urban development in relation to national priorities, and considering aid as a part of long-term foreign policy; and (b) internal AID organization that is, one which stresses an integrated not a sector approach, and has the structure needed to carry out policy (the present structure not to be regarded as a constraint).

#### Suggestions for Revision

1. Make a distinction by city size.
2. Make a distinction between Brazil and Chad; that is, take into consideration geographical isolation and levels of development.

3. Look at urban development as a sector, not in narrow technical assistance terms.
4. Make a distinction between sectoral and overall research, and do both kinds.
5. Think of the long-term strategy, rather than tomorrow's program.
6. Avoid generalizations. Look at urban development on a country by country basis, and avoid isolating it from rural development.
  - a. For example, in Africa some countries tax imports; other countries tax agricultural exports.
  - b. For example, there is rural as well as urban unrest.
7. Avoid the trap that the only A.I.D. input is the interface of urban development with other sector program emphases and with national development.
8. Provide more precision so that the monograph is a guide to Agency policy and administrative decision-making --
  - a. e.g., management of urban growth as the kind of focus which will capture Agency's imagination. This involves
    1. location and timing patterns of urban growth
    2. direction of urban growth

3. constraints of urban growth on development process
4. polarization tendencies as result of migration  
and natural increase ;
- b. e.g., more related to Agency priorities and guidelines,  
such as employment, income distribution, equity, etc.
9. Don't have an inferiority complex about possible U.S.  
contributions to urban development. For example, U.S.  
skill in assessing consequences.
10. Incorporate any revisions or other modifications in an  
addendum. The monograph is useful as it is, reflecting  
what TA/UDS found "out there." Don't change it.



RESULTS OF THE WORKING GROUP DELIBERATIONS

The following questions were put to the Workshop for discussion:

1. Should AID be involved in urban development in a more concerted way? Should it be a major area of concentration? Why?
2. Is urban development a sector? Subsector?
3. If urban development is an area for major Agency attention, (a) what problems should be addressed and (b) what activities should be developed? (c) At what level? What is the rationale?
4. What should be the division of labor within the Agency? With other donors?

The responses are summarized below.

1. SHOULD AID BE INVOLVED IN URBAN DEVELOPMENT IN A MORE  
CONCERTED WAY? SHOULD IT BE A MAJOR AREA OF CONCENTRATION?  
WHY?

---

The Workshop gave a strong affirmative reply. It was felt that urban development should be an area of major concern to the Agency. The consensus seemed to be that:

- a. AID certainly should not move to a lesser level of conscious involvement than what currently exists,
- b. such additional steps as are necessary should be taken, and that
- c. much can be done by a reordering of existing resources, especially with respect to capital assistance and in-house manpower requirements.

The Workshop articulated a rationale for this approach, the main points of which are as follows:

- a. Rapid urbanization is inevitable and cannot be made to go away.
- b. Urban development is a positive factor in national development; the role of cities is crucial.
- c. The scope and magnitude of AID's past and current programs are such that the Agency already is heavily involved in urban development. A large portion of its activities impact on urban development directly and indirectly.

d. This same statement holds true for other donor agencies and for the developing countries too. There is a high level of investment from all sources that directly and indirectly affects urban centers and their role in the development process.

e. Urban development is strongly related (cause and effect) in many ways to the priority concerns of the Agency, such as income distribution, employment, population, environment, civic participation, health, education, and rural development.

f. Urban development problems and potential are emerging as an area of serious (often critical) developmental concern in the developing countries.

## 2. IS URBAN DEVELOPMENT A SECTOR? SUBSECTOR?

The Workshop was not able to resolve this issue. The participants underscored the Agency's inability to date to arrive at a satisfactory definition of sector.

3. IF URBAN DEVELOPMENT IS AN AREA FOR MAJOR AGENCY ATTENTION,  
(A) WHAT PROBLEMS SHOULD BE ADDRESSED?

---

Of the many problems which were discussed, six emerged as critical ones for AID to address. They are:

1. A lack of perception of the urgency of urban problems, of the role of the urban place and the urbanization process in national development (as "engines of development"), of Agency experience and its impact, and on the part of university educators.

Some of the underlying factors are: a lack of understanding in the Agency and in LDCs of what really has happened, a possible disparity between the level of perception in LDCs and in the Agency, and the role of US assistance in fostering LDC perception.

2. Lack of a national urban development policy in LDCs. Among the considerations are: the need for a rational framework within which to address day-to-day functional problems, the lack of developmental guidelines for providing and accepting assistance, poor use of existing resources, both internal and external, and the difficulty of recognizing and

exploiting the linkages between cities and the national environment and between the urbanization process and national development.

3. Lack of information and information diffusion.  
Included are: the use of existing information, mechanisms for sharing information, and the state-of-art. Information is needed not only to increase the awareness of the nature and scope of the problems of urban growth, but also to make accessible existing approaches and resources.
4. Lack of coordination within the Agency and with other agencies. Some areas of possible coordination are: of capital and technical assistance projects, of sectoral programs, of policy/goal-oriented activities, of field missions and headquarters, and of related programs, projects, and activities across agency boundaries.
5. The need for institutional development. Targets include: national policy development, manpower development, better use of existing institutions for information dissemination, building linkages among LDC institutions and between LDC and US institutions, and developing US and LDC institutions.

6. Deficiencies in the state-of-the-art, including insufficient knowledge and use of existing resources, a limited amount of expertise, a limited understanding of the urban process and of the role of the urban place in national development, a lack of focus and orchestration of existing efforts by related professions, and a dearth of support for research and development in urban development.

3. (B) WHAT ACTIVITIES SHOULD BE DEVELOPED?

Within the framework of the problems cited above, it was suggested that five specific activities (or activity areas) be developed by the Agency, as follows:

1. Assess the impact of AID projects on urban development.

This notion was unanimously supported by the group, although there were no specific suggestions on what approach might be used. The rationale includes the following:

- (a) The magnitude and scope of past, present, and future AID investments suggest that the Agency has a responsibility to assess the effects its programming is having on urban development.

(b) Such an assessment is necessary for reordering the Agency's resources in a more effective way, in terms of both urban and national development. This includes the Agency's direct involvement in urban development as well as its many related activities.

(c) The role of urban development in national development (a whole complex of linkages) is being demonstrated continuously through the Agency's experience, but this is not generally appreciated nor is it widely recognized.

(d) Agency assessment of its own activities in this context can bring about substantial improvement and development in methodologies available for analysis of this nature.

2. Demonstrate the role of urban development in national development.

This should be approached by examining Agency experience (see 1 above), testing the range of existing and seemingly plausible hypotheses, reviewing carefully the existing research findings in this field (assessing the state-of-the-art), and promoting research and development on methodologies for analysis in this field.

In developing a rationale for this activity, the Workshop noted that the role of urban development in this context is a widely acknowledged notion but direct implementation of the concept has not been common due to lack of supporting empirical evidence. It was felt that support of this activity would help promote better understanding and use of this notion in national development planning and implementation.

3. Promote and sponsor information dissemination activities in urban development. AID efforts should include:

- (a) In-house Agency activities in AID/W, in the field, and between AID/W and the field,
- (b) Promotion of information exchange between developing countries and development of their potential as an information resource, and
- (c) Helping in the building of an international information development and exchange network with maximum LDC involvement.

The Workshop concluded that these activities were needed so as

- (a) To make better use of existing information, already considerable but not sufficiently organized or accessible,



(b) To raise the level of awareness of problems and potential in urban development,

(c) To help advance the state-of-the-art in this field, now surprisingly far behind relative to existing needs,

(d) To respond to the need for mutual exchange in this relatively new field,

(e) To promote international network development, and

(f) To enhance international cooperation and collaboration in this field.

4. Make a concerted effort at manpower development for urban development. This should include:

(a) Using more effectively existing Agency talent (e.g., through mobilization, workshops, career training, etc.),

(b) Developing access to a wide range of outside resources such as universities, private firms, and other institutions in the U.S. and elsewhere (don't stop at developing university resources),

(c) Applying both short-term and long-term approaches to manpower development, and

(d) Promoting and supporting exploration and experimentation with urban development content and methodologies in LDC manpower development institutions.

Manpower development would help overcome the dearth of manpower in this field in the Agency, the U.S., and the L.D.C.'s, and would make better use of existing knowledge and tools in Agency programming of capital and technical assistance resources (including general developmental advice).

5. Support and encourage activities that would contribute to development of national urban policies or strategies. These could include institutional development, support for analysis of linkages in urban development, identification of points of intervention, and collaboration with other donors in these activities.

The reasoning of the Workshop participants was that, in order to exploit the developmental potential of cities (their role in national development), there is a need to relate urban policies and programs to national development policies (the city as a subsystem in the national space economy). Sectoral inputs into urban centers should be orchestrated because the city is a system. In addition, AID could achieve a better

developmental return on its investments through the integration of national and urban development policies and programs.

3. (C) AT WHAT LEVEL?

The Workshop offered general guidelines, rather than specific ideas about the program level of activities. The participants felt strongly that every effort should be made to legitimize urban development in the Agency. At the same time, they counselled caution about doing too much too soon. It was felt that much could be accomplished by doing better what the Agency is doing already. While there are knowledge and skills gaps in this field, nevertheless, the participants stressed that enough is known to address more effectively the problems of urban growth and development.

The Workshop placed more of an emphasis on "repackaging" than on "reapportioning" Agency resources. Nor were major additional resources recommended at this time.

4. WHAT SHOULD BE THE DIVISION OF LABOR WITHIN THE AGENCY?  
WITH OTHER DONORS?

As for a possible division of labor among donors or within the Agency, there were no definitive conclusions. Some of the suggestions were:

- (a) Take fuller advantage of existing Agency skilled manpower.
- (b) Legitimize urban development in the Agency, but avoid the checklist approach (a la environment), posing a threat to other programs, and going "piggyback" on other programs.
- (c) Give due respect to country initiatives.
- (d) Develop a policy framework which conceptualizes and orders Agency involvement in urban development. Needed are terms on which the Agency will continue to be involved. Operationally there has been a substantial investment already of Agency and host country resources.

One set of suggestions as to the role of the Bureau for Technical Assistance (TAB) in urban development contained the following:

- (a) development of awareness within the Agency,
- (b) research leadership,
- (c) development of an in-house training and recruitment capability,

(d) development of university and other centers of expertise/resources, and

(e) improvement of LDC institutional and manpower capabilities.

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D.C. 20523

51.

Bureau for Technical Assistance  
Urban Development Staff

AGENCY URBAN DEVELOPMENT WORKSHOP

Urban Life Center  
American City Building  
Columbia, Maryland

August 28 - 30, 1972

Monday, August 28, 1972

- 8:30 a.m. Bus leaves State Department for Urban Life Center
- 10:30 a.m. Welcome and Introductory Remarks
- Dr. Joel Bernstein  
Assistant Administrator for Technical Assistance  
Agency for International Development
- 11:15 a.m. Address: "The Role of Urban Development in National Development"
- Professor Archibald Dotson  
Chairman, Department of Government  
Cornell University
- 12:30 p.m. LUNCH
- 2:00 p.m. Report on Activities of the Urban Development Staff
- Dr. William R. Miner  
Director
- 2:30 p.m. Reports from USAID Mission Representatives
- 3:30 p.m. COFFEE BREAK
- 4:00 p.m. Reports from USAID Mission Representatives (Cont.)
- 5:30 p.m. Adjournment

Tuesday, August 29, 1972

- 9:00 a.m. Address: "The Urban Challenge to Government"
- Professor Herman Berkman  
Senior Professor of Planning  
Graduate School of Public Administration  
New York University
- 10:00 a.m. COFFEE BREAK
- 10:30 a.m. Field Reactions to the Monograph
- (a) Accuracy of definition and analyses of the problems
  - (b) Representativeness of the examples of the approaches and resources being used
  - (c) Appropriateness of the suggestions for external assistance
  - (d) Adequacy of findings and analysis
- 12:30 p.m. LUNCH
- 1:30 Address: "The Absorption of Labor in the Urban Economy"
- Professor John Friedmann  
Head of Urban Planning  
School of Architecture and Urban Planning  
University of California at Los Angeles
- 3:00 p.m. COFFEE BREAK
- 3:30 p.m. Workshop Groups to develop appropriate options and recommendations
- 5:30 p.m. Adjournment
- 5:30 p.m. Bus Tour of Columbia, Maryland

Wednesday, August 30, 1972

9:00 a.m.	Workshop Groups (continued)
10:00 a.m.	COFFEE BREAK
10:30 a.m.	Reports from the Workshop Groups and Discussion
12:30 p.m.	LUNCH
1:30 p.m.	Discussion (continued)
2:45 p.m.	Summary and Concluding Remarks
3:00 p.m.	Adjournment



AID/W  
TA/UDS

PARTICIPANTS IN THE  
AGENCY URBAN DEVELOPMENT WORKSHOP

August 28 - 30, 1972

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## WORKING DISCUSSION GROUPS

AGENCY URBAN DEVELOPMENT WORKSHOP

Tuesday, August 29, 1972  
 Wednesday, August 30, 1972

GROUP I

John Friedmann, Leader

William Miner, Rapporteur

Donald Murray	AFR	Robert Robertson	LA
Paul Vitale	LA	James Dalton	ASIA
John Kilgore	LA	Harold Robinson	LA
Howard Johnson	ASIA	Robert Ballantyne	ASIA
Glenn Schweitzer	TAB	James Brown	ASIA
Melvin Schuweiler	PPC	Marshall Brown	LA

GROUP II

Herman Berkman, Leader

Stephen Cooley, Rapporteur

Stephen Weissman	LA	Lynn Catoe	AFR
Harlan Hobgood	LA	Alan Jacobs	SA
David Steinberg	ASIA	Peter Kimm	SER
Mary Mozynski	TAB	Ronald Bobel	LA

GROUP III

Archibald Dotson, Leader

Eric Chetwynd, Rapporteur

Ronald Barton	ASIA	Edwin Cohn	PPC
Aaron Benjamin	LA	Willis Schaefer	TAB
Ronald Nicholson	LA	Frances Johnson	ASIA
Charlotte Cook	AFR	Fred Annis	HUD/OIA
Mary Fox	LA	Ronald Venezia	LA
William Mann	SER		

"The Role of Urban Development in National Government"

Arch Dotson  
Professor and Chairman  
Department of Government  
Cornell University

Keynote Address, Urban Development Workshop  
Washington, D.C.  
August 28-30, 1972

May I, at the outset, declare what I intend to say. This is a hedge: if at the conclusion, what I have said is misunderstood, it will have been a deficiency of performance, not of purpose.

My remarks will seek to do three things: (1) to depict the present state of urbanization policy; (2) to indict the ideas which inform it; and (3) to offer certain proposals for change. I am obliged to say that none of these purposes has been reached suddenly; nor the second one, lightly. Much of my own professional life has been spent in the subject-field of this meeting, and most of that quite literally in the field: that is, in developing countries themselves, confined however considerably to West, South, and Southeast Asia. You are

entitled to know that you have paid for part of that instruction.

The present state of urbanization policy

May I go directly to the first purpose. It requires, surely, no extensive recital to establish what is happening concerning urbanization, itself, in the so-called L.D.C.s. That demonstration has been made by the Urban Development Staff. The facts are, as reported in its succinct monograph:

".... urban growth rates for less developed countries have approached tripling their total population growth rates. .... As part of the quadrupling of the world urban population during the last 50 years, the developed regions increased their urban population by a factor of 2.75 .... while the less developed regions increased their population by a factor of 6.75 .... . If current projections hold, the total population of the less developed regions from 1920-2000 will have quadrupled, while the urban population will have increased from 69 to 1,46 million, or by a factor of twenty."

That, quite simply, is the way it is. These broad, demographic strokes paint vividly the state and trend of urbanization. Appropriate questions may be raised as to whether or not the concentration of population within confined spaces at high densities is the best indicator of the complex phenomenon, urbanization. But there can be no doubt, to be dispelled by more elaborate surrogates, that in all its expressions urbanization in the developing countries is occurring at unprecedented rates, unmatched in history and far faster there than elsewhere. Let that representation be accepted.

May I (to continue the metaphor which I seem to have adopted) - introduce another exhibit: an essential concept. A nation is a single developmental space. This is to recognize, merely, that urban areas are interdependent with their environments. There is no practical rural-urban dichotomy, and certainly no antinomy. Nations have investments and interventions to make in relation to their development; and that is a single matter. The issue for policy - the

options on the U.D.S. scale which we are invited to consider - concerns only which will maximize that development. Parenthetically, it must be added that the policies involved are also interdependent - a condition which I hope will be demonstrated amply in what follows.

With these preliminary submissions of fact and conception, what then is the present state of urbanization policy? That state may be described adequately and accurately by four characterizations: it is (1) unconscious, (2) partial, (3) uncoordinated, and (4) negative. May I document and elaborate each briefly.

Urbanization policy is unconscious in the sense that those who effect it are largely unaware of its proportions and features. The investments and interventions which are urban, and urbanizing, are of course no respectors of sources. The great bulk of investments may, indeed, originate in the private, not public, sector. They consist of the unnumbered, unmeasured decisions by private individuals and business associations of various forms to concentrate houses,



factories, offices and service establishments in confined spaces.

They include population movements to and among such areas. Included as well are all the public expenditures by all levels of government, domestic and foreign, which cause or facilitate these concentrations.

Notably, when a national government, perhaps with an international loan, builds a large steel mill either in a previously rural area or adjacent to an existing city, that is an urbanizing investment.

When a municipal government extends a street, provides new or additional schools, hospitals, or performs other services - these are certainly urban and possibly urbanizing in their consequences.

Neither in toto nor in tendency do the public agencies involved now have an accurate picture of either the overall dimensions or the components of this real policy. They do not recognize it; nor do they have information which might be aggregated as a "national urban budget.

It is partial in relation to the public sector. Few of the

points at which governments might act to manage urbanization, affect its course and shape, are in fact utilized. The really powerful levers are in the hands of national units, and extend mainly from their economic policies: credit, subsidies, tariffs, taxes, regional investments. But these are not used for urban direction. The intermediate, and especially local, units are left to apply much feebler instruments, which are heavily regulatory and considerably focussed on the physical aspects of the urbanization processes. Even here, it is, for example, a rare exception where municipal or metropolitan governments employ deliberately - or even possess - an urban land policy. The great bulk of private urbanizing decisions are untouched by public power.

To the extent that it is conscious and does affect, present urbanization policy is uncoordinated. National plans are formulated apart from such urban plans as exist. The national plans are primarily economic; and the urban ones, primarily physical - revealing inter-

sectoral as well as intergovernmental and interfunctional detachments. This compound disjunction usually results in competing policies. Such divergencies are structural. But, of course, given separate constituencies and purposes, frequently they are deliberately conflicting. Thus, Manila dumps its squatters in Sapang Palay; and Djakarta prohibits by edict further in migration; and urban units elsewhere in developing countries attempt to externalize their costs.

The entire thrust of outstanding urbanization policy is negative.

Public investments and interventions choose - to the extent that they are conscious, effective, and concertive - to divert, retard, or stop urban growth. Especially do they aim to inhibit the expansion of metropolises and primate cities. To this end, a great range of instrumentalities is brought into play: rural community development, cottage industries, alternate growth poles, satellite cities, new towns, and so on. The anti-urban preference extends into political representation, in which rural and urban populations are quite unequally registered. No national policy seeks overall to foster urbanization.

The indictment

I come now to my second purpose: the indictment of the ideas which inform this urbanization policy. I believe that you will concur that such a harsh charge is justified, since they regulate that policy and the policy itself is fundamentally mistaken.

Let me attempt to explain these informing ideas, and their responsibility. They center in perception and interpretation, the effective compasses of policy.

No doubt, a major source has been scholarly. I invite you to examine the learned literature. With negligible exceptions, and those only recently, it is suffused by alarum and dire prediction. Perhaps the ultimate expression of this tradition has been offered by Professor T. G. McGee.

an urban geographer of international reputation. He, in an arresting recent monograph, (The Southeast Asian City, Bell, 1969) has argued that the urbanization occurring in the Third World nations is "pseudo." It is unlike that of the advanced areas where "the growing cities gradually absorbed an increasing proportion of the total population, until the majority ..... was living in cities and an 'urbanized society' had come into being." Absorption was possible because while "the industrial revolution brought about the increasing concentration of people in cities, it also introduced the technical improvements which made possible increased productivity in agriculture and allowed the rural population to shift to cities." (McGee 1969:16). But the developing areas are not following this path. There, "cities grow, despite their failure to industrialize, not because of industrialization,

As a result, a great regional "wasteland" will develop.

The professionals in urbanization, by and large, have adopted this general interpretation. They have extended it to their specialties

- housing, transportation, sanitation, city planners, etc. - and expressed it in their products. Here, one needs but review the papers, findings, and resolutions of conference after conference under national and international auspices to see the outpouring of despondency, and despondent proposals. The Senior Advisor on Regional Development of the United Nations simply echoes the McGeevian explanation, by asserting:

"The 19th century industrial revolution in Europe and North America .... proceeded at a relatively moderate pace. .... People and factories were settling in the developed areas of the most advanced nations, and world trade favoured their industries. Now the rush to the capitals and metropolises of Africa, Asia and Latin America is the most intensive, massive and rapid in countries whose natural resources remain underdeveloped and their man-made counterparts - the economic and technical resources and skills - are insufficient. Now the terms of trade are highly adverse to the developing nations .... " (Preface to Aprodicio A. Laquian, ed. Rural-Urban Migrants and Metropolitan Development, Intermet, Toronto, 1971).

Our own consultant, James Bogle, in the employ of Metcalf and Eddy has advised fellow urban planners and you that:

".... certain Asian cities, unhinged from the industrialization that caused Western urbanization, are growing at dangerously fast rates. .... Growth of this magnitude may cause serious economic and political difficulties."

Indeed, "urban centralization" in primate cities may preclude significant national growth.

Then, there are the rationales of all the master plans, the multitude of special functional studies of infrastructure and services projects which seek solutions to urban "problems." (At one of the conferences to which I referred earlier, also financed considerably by A.I.D., I counted no less than 63 such problems. It could as readily have been 630, for the number is simply a function of detail). With few variations, the themes are apocalyptic.

It is not surprising, then, that when so instructed by academics and counseled by professionals, politicians and administrators

have translated this orthodoxy into investments and interventions.

Indeed, everybody knows that the less developed nations confront an "urban crisis." A systematic reinforcement has been set in motion.

But are these perceptions and interpretations correct? That the developing areas are urbanizing as the U.D.S. monograph describes is undoubted; but does that state and condition mean what others have done with it? I submit that it does not.

That evaluation is supported by several kinds of evidence (the development of some of which you have, again, financed). First, let us analyze the demonstration of the "wasteland" thesis. When one asks, why is the urbanization that is sweeping over the Third World, "pseudo," the answer is found in certain assumptions and inferences. Comparatively, this urbanization departs from a model. That model is Western, in which urbanization (a) proceeded more slowly; (b) was associated with rising industrialization; (c) allowed social adjustment gradually; and (d) was accompanied by advantage in international trade.



This is not, in fact, an accurate representation of the Western experience.

The urbanization/industrialization ratio has not been consistent. A few countries only - notably Britain, France, and the United States - could furnish the index. Wide disparities still exist between industrialization/urbanization ratios in developed countries. Trade disadvantage and late-starts have not precluded urbanization and rapid national development in many non-Western nations. Tensions and revolutions do not correlate with urbanization.

The analysis has other defects. The state of technology is profoundly different today from the period of rapid Western urbanization. The precious "surpluses" required to release men from the production of food and fiber may now be accumulated easier and faster, despite population increases. If industrialization be taken as the indispensable requirement for true urbanization, then the advanced nations are now entering a period of rapid deurbanization.

The proof is unsound methodologically. How does pseudo-urbanization, explicitly defined, somewhere, lead to the results predicted? No empirical evidence is provided. Nor has the problem of dependency been confronted. If the wrong kind of urbanization can produce a wasteland and impair national development, then the latter - national development - is depicted as a dependent variable. But as industrialization occurs, urbanization can proceed, as will national development. Industrialization must, therefore, occur first. But no significant industries can be established without a complex infrastructure - energy, transport, roads, public services - the necessary skilled and unskilled labor, access to capital, the advantages of complementarities, externalities, etc.: all of which imply concentration. In short, all require urbanization.

The logic locks. The less developed countries cannot have national development without urbanization: but they cannot have urbanization without national development. And the independent

variable is industrialization, a condition which is in fact dependent and which has been presumed incorrectly to have characterized a model. Detectable, of course, is the classical problem of redundancy. Without explicit specifications of urbanization and national development, the argument slips easily into an equation in which pseudo-urbanization becomes simply not-rapid-national-development.

That is but one kind of evidence - analytical. It is enough to discredit the wasteland thesis. At the very least, it is not proved that urbanization leads to the predicted result. Other evidences not only challenge the tradition but, in fact, point the other way. Some are circumstantial and theoretical; but, even so, are more persuasive than the grand estimate of the apocalypse.

These alternative evidences need not be reviewed in detail here. Illustrations may suffice. Comparative economic data suggest that the urban component of gross domestic product is increasing as

the national product increases, when one would have expected that if urbanization were false the opposite tendency would appear. We, surely, would have anticipated that perhaps the most problem-ridden, most depressed and depressing metropolis in the world - Calcutta - would be losing its contribution to the non-urban areas of India; but it is not. It is only being surpassed by competing urban areas, and especially other metropolises. One would expect diminishing real income per capita; lower standards of health; education; and the other amenities which are associated with qualitative improvements in standards of living. But they are not manifest. One would think that the push-pull rationale works both ways. In its present application, it is an explanatory shell-game, in which only the urban areas lose. Hence, if people migrate from rural places to cities, they are pushed out of the countryside; or else, they are pulled to cities. No one asks what pushed them, if rural conditions are preferable; or what pulled them, if urban conditions are worse. We are, in effect, asked to believe that the millions of people all over

the two-thirds of the world that is underdeveloped who have during the past three decades migrated to cities are either suicidally psychotic or are human lemmings, swimming to their own self-destruction. Allow me the understatement: neither seems probable.

All this aside, a growing body of administrative theory suggests that urbanization allows the things to be done which are required if national developmental targets are to be achieved. They have to do with complex organization, task specialization, functional externalities, the structural coordination of interdependent activities. Psycho-social studies indicate that the pains of displacement and urban anonymity, the breaking of provincial ties, the disintegration of the extended family, are offset by new pride in individualism, sophistication, and independence. These and other corpora of evidence are quite contrary to the alarum traditions.

But there is another body of demonstration to which I alluded earlier - the one you paid for. Under the auspices of SEADAG, a group

of social scientists (both Asian and American) for which I served as Principal Investigator, undertook over a three-year period comparative research on the relation of urbanization to national development.

We simply inverted the wasteland thesis, and hypothesized that:

urbanization yields national development. Both were defined so that they might be measured, and their relation tested empirically. A vast array of data was collected from three developing countries: the Philippines, Thailand, and Malaysia. Were the hypothesis to be demonstrated, it was necessary that:

- (1) increases in national urbanization be positively associated with increases in national development;  
and at the sub-national level, that;
- (2) increases in urbanization be positively associated with increases in development;
- (3) the more urbanized the region, the higher its level of development; and

(4) the more urbanized the city, the higher its level of development.

This is not the place to review the complicated statistical methodology necessary, or the confounding problems of underdeveloped data, or to display the resulting computer print-outs. The full report is now almost complete, and components are available in SEADAG papers. The findings not only yield no support whatever for the alarm traditions; on the contrary, they confirm their opposite. Each of the propositions just stated was persuasively substantiated. Moreover, and perhaps of greater explanatory promise, some light was shed on the intervening mechanisms which link the two primary phenomena, urbanization and national development. One set of factors emerged consistently in the analysis, which we designated "administrative capacity." What appears to occur is that urbanization produces structures and patterns of individual and group behavior which, in turn, enable social, economic, and political systems to be more productive.

Now, concerning those urban problems - so noted, reported, and decried. Do the cities of the developing nations confront problems, 63 or 630? Well ... uh ... yes. But before that response can be interpreted, please recall my submission concerning a "single developmental space." In light of that essential concept, plus the analysis of the wasteland thesis, and the contrary evidence - circumstantial, theoretical, and empirical - it is as readily interpreted that they are not "problems." The conditions cited are certainly real. But one may argue in this context that they are rural problems: or they are national problems. They are not urban; they are functions of development occurring in a single national space. They must, therefore, be assessed in a larger benefit-cost framework. If national development cannot be had without them, and if development is the overriding value, then they assume a different significance. Of course, this is not to suggest that human welfare should not be improved wherever possible; but it is to provide a larger, rational referent.



Proposals for change

I come finally to my third purpose. What should be done?

Obviously, the need has many dimensions and elements.

At least three critical, and different, relationships are involved. The first is functional, the relation of urbanization and national development. That is the connection to which most of the indictment just offered pertains. The second relationship is national policy, and urbanization, and national development; and the third, external policy, and national policy, and urbanization and national development. We here are thrice removed in a compound policy equation. What we can, or should, do is considerably regulated by this position.

We have additional constraints. Our resources, political and budgetary, are limited, we must consider opportunity costs and yet other effective factors of choice. We are but one of the participants

in the "third relationship": other bilateral and international agents intervene. We face, still further, the questions of where and how to intervene. What we should do, therefore - what policy option in the constructive scale suggested by the U.D.S. - is a matter of refined optimization, to which an outsider has a limited contribution.

What I do feel prepared to suggest, however, are proposals which center on the first relationship, the role of urban development in national development, and what I consider to be our critical opportunity. I offer eight recommendations, and a final interpretive observation.

(1) A basic reorientation of urbanization policy is necessary.

This is the basic, critical requirement. What is done to affect urbanization, the investments and interventions to which I have alluded repeatedly, must be designed to employ, not frustrate, the demonstrable central tendency of urbanization to facilitate and accelerate national development. This is the proposal on which all else hangs.

- (2) More intensive, and comprehensive, public intercession in urbanization is required.

For urbanization to contribute optimally to national development, government must guide, regulate, and time their interrelationship. Where the private sector is permitted to pursue its own objectives, when the urbanization process is laissez-faire, potential contributions must be lost.

Governments must cease to be spectators. They must, instead, apply their supravening powers to the activities which underlie urbanization - public and private investments; patterns of settlement; the ownership, uses, and development of land; the provision of housing and all other facilities that affect the character and rate of urban growth. In effect, urbanization must be made a public process.

- (3) That intercession will require extensive changes in outstanding practices in urban and national economic planning.

National economic plans cannot continue to ignore spaces and places, and leave their practical articulation to competing program agencies and fragmented sub-national units. The scope, coverage, and content of national plans must reflect the unity of the developmental space and the interdependence of the productive processes that occur within it. Economic plans and urban master plans should be replaced by multi-level, functional, development plans.

- (4) A national urban strategy must be adopted.

The coordination of such plans, in both their formulation and implementation, would yield a national urban strategy. Such a strategy is composed of the public investments and interventions, at all levels, in urbanization. It would

relate urban and national development, adjust, adapt, shape their component processes. No less is required than national urbanization management.

(5) A national urbanization data base must be developed.

At least one of the reasons why policy makers have been so unaware of the role of urbanization and the consequences of their decisions has been the lack of pertinent information. Censuses are conducted decennially, by regions designed long ago and classifications intended for other purposes. It is presently almost impossible to correlate critical information concerning the demographic, economic, and social aspects of urban areas. Public budgeting and accounting data are also ill-designed, inadequate, and often inaccurate. The entire enterprise of urbanization management must be supported by related records. No other investment would so facilitate it.

(6) Urban decision-making units must be restructured.

These things cannot be done effectively through the organization which now characterizes most urban areas in developing countries. No genuine metropolitan government exists, save a few capital districts. No real regional governments are to be found.

If urbanization is in fact to be manageable, either local units must be consolidated or federated into what are effectively regional jurisdictions, or national agencies must assume their tasks. The problems of coordination are, otherwise, simply insuperable; and their costs bankrupting to poor nations.

While this proposal focusses on urban areas, the need for revisions in national decision-making processes is only slightly less urgent. In most cases, the political sanitation of economic planning bodies has pushed the selection of urbanizing investments into agencies unequipped and wrongly situated to make them.

- (7) External intercession in urbanization must be extensively recast.

External assistance for national development, particularly our own because of its proportions, has been associated with most of the deficiencies against which the preceding proposals are directed. Indeed, we have fostered, if not sponsored, many of them.

We have purveyed the alarm interpretation; worked against urbanization's constructive tendency; submitted negative proposals to deal with urban growth; sent consultants to prepare unimplementable physical master plans; favored investments in rural projects; endorsed and assisted national aggregate economic planning; and trained and professionalized thousands of planners and sectoral specialists in the traditions and techniques of negativism. We have been unaware of the urbanizing effects of our own investments, and made no provision for them. We have attacked the symptoms of

"problems" rather than their causes.

The policy indications of this record are perfectly plain. Stop. Stop disseminating doom, stop preparing urban master plans, stop promoting aggregate national planning .... and so on. Instead, associate with each of the positive policies just outlined: use the developmental forces of urbanization; determine the urbanizing effects of our own investments; foster the new planning; assist in the formulation of national urban strategies; promote the rational reorganization of urban areas ....

(8) External intercession must exploit the uses of marginality.

In doing these things, however, the unique constraints of the third relationship must be recognized. External intercession, including our own major portions of it, cannot regulate urbanization in developing countries. It can be most effective when marginally inserted into patterns which must be dominated by national policy. This indicates



the selection of projects most critical to the interdependence of urbanization and national development. It suggests priority for technical assistance, the provision of scarce skills and specialized equipment, those investments for which the marginal returns to development are most promising. Fortunately, we have examples in our own policy which need only to be located, replicated, and extended.

A final, general observation may be offered. There is no cause for despondency concerning urbanization in less developed countries, or for that matter in our own. The only real urban crisis is the policy crisis. Actually, an extraordinary opportunity is at hand, which although still missed need not be lost.

THE URBAN CHALLENGE TO GOVERNMENT

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Two days ago I was in Brazil. This lecture was begun in the American made Electra flying from Brazilia to Salvador. All here will agree that Washington is perhaps altogether too close, at least on occasion, regardless of where in the world they are located. And to many of us, who in fact have traveled all around the earth, there is no greater shock than the fact that the earth is truly round and that it is really a small world.

Clearly, no longer can we think in provincial terms but in comparative ones. Our problem then must be to think in comparative terms if we are to approach reality.

Now this the problem -- reality. Government means administration and direction and regulation. These are real. These are real elements for getting things done. Regardless of how inarticulate and inadequate the policy, the planning, the organizing, the staffing, the coordination, and the budgeting, the expenditure, the revenue

1. Presentation before the Urban Development Workshop, Columbia, Md., August 29, 1972.

raising these are involved in governing and administration though sometimes overlapping and out of phase.

Of course, we can study and research governing and administration, and that is essentially what we are doing here. But that study can at best only be a reflection of the process itself. It is because the process itself is decisive action, sometimes irrevocable, which action should be strategic, that it is so important to study this process as a discipline. Thus for example, Pohang in Korea and Brazilia are facts, expenditures resulting in housing projects, the new cities around Brazilia, the existence of self-made shelters on planned lots in accordance with standards, are all facts, realities. Money, personnel, and the resources have been poured into specific activities -- construction. The result bombards sight, sound and smell. It is good, bad, right, wrong? This is irrelevant because a fact resulted from decisions and actions.

The new city outside of Seoul, and Pohang and Ulsan in Korea, the fact of Brazilia, the fact of Aratu, the industrial part in Salvador, Brazil, the industrial park in Kwanju in Korea, the metro being constructed in Sao Paulo, for example, belie the need to discuss whether they should

or should not have been built. Their existence, however, continues to have impacts on further actions and decisions. How to manage choice making in the light of past commitments and constraints and existing reality and priorities is the fundamental problem facing government in all countries. The critical variables are time and resources, and their allocation. Decisions on their allocations once made are generally irrevocable. Hence some attention to planning in advance of action is, if possible, desirable. Our discussion here falls into this category.

But as you all know, talk is cheap and talk without on the spot experience provides only some framework to revealing reality. All organization charts are dated and archaic in real time. For experience provides the best basis for analysis. Yet no one is an expert, particularly when experience is limited to a specific time and place. For people in positions and the significance of units on organization charts change as does policy. Therefore despite my own experience, it cannot be said that I am as able an analyst on problems of development as those of you who are continuously on the spot. Yet some observations

might be shared. I will concentrate on my recent experience in Brazil and Korea.

First, we must not theorize too much. Rather we should turn to experience. Despite the possible enumeration of Governmental agencies responding to urbanization, on the first level, the most important observations are those which hit one personally, which bombard ones senses and psyche. When one is warned not to drink the water, not to eat raw vegetables, not to stray too far from the hotels alone, to use care in crossing heavily trafficked streets, and left sleepless by traffic noise, there is thereby encountered a series of serious existential problems. When one goes into a shop and prices food, clothes, and other necessities, to find that prices are high, still another problem becomes clear. For example, in Brazil, the rate of inflation is 20% a year, reduced from 300%. Because of this condition, a technique of applying a correction factor to savings for housing purposes has become a method of inducing capital formation. When one prices imports widely used, yet priced high, other problems appear. For in Brazil high duties are placed on manufactures not produced there. When one sees

sleepers and beggars in the street, highly packed pedestrian and traffic congestion and mud-constructed, make-shift, tightly over-crowded shelters in the midst of newly constructed apartment and office buildings -- all emitting high noise and other polluting components, it is difficult to make sense as to what can be done. But it is just as difficult to deny these as elements in the package of urban problems.

A second level of observation is then required in the light of these first level observations. That level relates to numbers, to quantifiable measurement in perspective.

Our perspective in these terms is contained in the excellent report prepared by the Urban Development Staff of the Bureau of Technical Assistance of the Agency for International Development.

What we found there we need not repeat except to note the urban growth rate between 1960 and 1970 in every country studied was higher than the general rate of population growth, almost double in many.

Even without personal experience, it is clear that urbanism and concentration of persons in agglomerations of

varying sizes is reality. Concerned as we must be with economic, political, social and physical development of people and places, clearly these systems are made manifest and are being reflected in the increasingly heavy concentration of developments in agglomerations.

In Brazil an illustration is easily afforded of the scope of the problems of urbanization. In 1970, out of a population of 95 million, 53 million lived in cities. Metropolitan-wide crises exist in nine cities. Two thirds of Brazil's population lives on 26% of Brazil's area located in the central south region. In Sao Paulo each year 6% of its population or 300,000 to 400,000 new people must be provided for in a region already accommodating eight and one half million people, up from one million in 1940. Thirty-seven separate municipalities exist in the region. To give some perspective this matches the six million people concentrated in Seoul in the Republic of Korea, where by 1980 the population is expected to reach 10 million. In Brazilia, an area initially planned for one half million now contains 630,000. The population between 1960 and 1972 alone grew about 15%. The Brazilia metropolitan region is now the eleventh largest "city" in Brazil; one of its "suburbs," Taguatinga, is the twenty-fourth largest city with 230,000 people. The Brazilia region is 96% urban. It

contains eight central places, of which six now contain populations in excess of 20,000 each. This all occurred since 1956. Highways from Brazilia to all parts of the country, undeveloped, developing and developed, will certainly see even greater migrations which now is 40,000 to 60,000 new people per year, an annual growth rate of 10% with natural increase accounting for only 3½ percent. The estimate for the region by the year 2050 was a million. Now that million will be reached easily by 1980, 70 years before. Brazilia itself will contain about 40 percent of the region's population. Every ten years, the population of this region doubles.

Salvador, in Bahia, now has a population of one million people, increasing at the rate of 3% a year. Every year 30,000 people, the equivalent of a new city every year, by Brazilian definition, are being added to an already densely built-up city. Along the Transamazon highway, being constructed to open an area the size of Europe, plans are being made to develop settlements varying in size from small villages, "agrovillas", to "agropolises", to "ruralopolises", by an agency now located in the Ministry of Agriculture to help accommodate the population now living in less developed regions of the country, particularly in the northeast where 25% of Brazil's population is living on 15% of its land area. The Amazon area being opened up contains 60% of Brazil's land area but only 8% of its population.



But these conditions reflect not only Brazil. They reflect worldwide situation. My personal experience in the Republic of Korea was similar. In every region of that country, not only the Seoul area, urban concentrations are being founded and growing as much as 20% per year. Another fundamental fact of these concentrations is that the populations are for the most part being built up of newly arrived migrants from the more rural, less densely occupied areas. Attracted by lack of economic and social opportunities from where they came, these populations are being pushed literally and pulled into agglomerations. For the most part, the populations are young and unskilled but energetic. From the economic point of view, investment in this presently unproductive human capital is needed, public expenditure to support a presently unproductive population. From the social point of view, aspirations require fulfillment, and from the political point of view physical mobility must be translated into political stability if sound political, social, and economic institutions which afford opportunity are to develop. Yet, clearly, these concentrations constitute the basic sources of wealth. For example, in the South/Central region of Brazil there is produced 83% of all national income, and the Rio area produces 60% of the income. The urban generated income supports development programs in other parts of the country. Consider that in the northeast, with 15% of Brazil's land area and 20% of its people, there is produced only 13% of its income, and one dimension of the migration problem and what support must come from the "successful" urban centers become clear. Consider that in Sao Paulo 50% of the population was not born there. Consider also

that in the Brazilia region for example, some 50% of the population is under 15 and 75% under 18, that in relatively unskilled construction the average wage is \$40 to \$50 per month, and in the best middle class position the wage is still only \$400 a month, and the scope of the economic and aspiration problem becomes a little clearer. From these incomes an average of 40% is taken in taxes and public charges to support public activity.

Think of an area where in eight months 30,000 people were settled and imagine the results. This is Salandia, where areas were subdivided into 16,000 lots by government, people allowed to construct shelter however they wanted to in accordance with a street pattern that was bulldozed through a dusty red soil, where public water pumps provide water to queues armed with buckets, where limited standards for construction were imposed, and another dimension of urban challenge to government becomes evident. Consider that in Rio some 40,000 families or 200,000 people live in unwatered, unsewaged, make-shift housing, where man-made trails wind through congested habitation, and the urban challenge becomes clear.

In the Rio area increasing traffic must be accommodated in a topography characterized by mountains through which tunnels have been constructed. In Sao Paulo over 500 new cars a day are added to the streets already packed with autos and buses which provide 70% of the means of transit. By 1990, over 1/3 of the transit will be private cars. A metro system is being constructed here where the present

people-to-car ratio is still 13 people to one car. In Sao Paulo also only 40% of the population is served by public water supplies. Most sewage drains into waterways. In Brazilia pollution of the artificially created lake is already beginning to cause concern.

We have tried so far to sketch some real parameters. We have not touched on higher priority problems of military and political security, of building foreign trade balances, of economic development, problems of internal security, of social unrest, of political instability and the maintenance of the existing power structure, these are higher priority problems than urbanization per se. Nor have we mentioned important problems of enabling and encouraging political and self-expression and development. Surely however, all these problems are embedded, reflected, and affect and are affected by the urban parameters noted.

For this reason, our sketch of urban development experience acquires concern. The urban challenge of government assumes greater meaning in the light of these broader problems. These broader problems impact and are impacted by urban development. Not to heed the challenge of such elements in urban development is disastrous.

Fortunately, all over the world governments are beginning to recognize and respond to the urban challenge. In each

country the response is reflected in innovative, creative and experimental public institutions which are derived from conditions, customs and more indigenous to the regional situation.

For the United States, these methods for coping with problems of urban development afford opportunity to learn from others' experience. The innovative mixes of public and private participation afford enriching perspective. These innovations range from institutions for new town construction, to institutions for financing and constructing housing, to institutions for developing under-developed rural economies, to innovative ad hoc governmental organizations to cope with specific problems. Both in the Republic of Korea and in Brazil, for example, public investment in one area is being used to provide capital for public investment in other areas. A new town in Seoul sold to private developers is providing the capital necessary to build public housing elsewhere. In Sao Paulo renewal of a former red-light district to a civic center is being financed entirely by sale of some of the property to private enterprise. In both Korea and Brazil housing, in part financed with public loans, is being used not only to help resolve problems of social unrest, but, as importantly, to help provide some capital to those with none. This occurs not necessarily as deliberate policy, but as a result of the fact that housing to which a particular family is entitled is sold by that family to others who have already "made it". This of course does not provide housing directly to families

receiving the aid, but it does generate economic activity in construction providing employment, which in turn, generates demand for good and services and further employment opportunity while creating new housing stocks in the short run. All this, while enabling families to get a start in building their own capital resources to help sustain them in countries where social security systems are not developed or where responsibilities now rest on individual families. There are always therefore indirect effects which may be as or more important than direct objectives. In Brazil one official quite rightly said that essentially the housing is being given away. This is justified since housing is an instrument of development. Of course, in that country, the lowest income groups are still not provided the adequate shelter. For families must earn an income 1 1/2 to 3 times larger than monthly payments to qualify for loans. Indeed, the housing programs are resulting in high foreclosure rates, or families receiving housing aid either find it cheaper to purchase lots for constructing make-shift housing to be developed over time as economic opportunity allows or selling or renting such housing as they receive and moving elsewhere. This is the character of a developing situation where development policies by government while single purpose in intent have multiple impacts. There really is no real time sectoral policy. Spinoffs and spillover externalities are always present. While the housing finance system attempts to be self-financing, it apparently is resulting in a

high foreclosure rate, once again proving the point that housing is a public good requiring public subsidy. Yet it does encourage saving for housing through an 8% charge on employers and 8% from employees which is put into the National Housing Bank which lends money to voluntary associations and state and local public corporations to build housing. True, many of these building bodies are near bankruptcy, but the housing is built, capital is being accumulated and savings to help control inflation encouraged. An interesting feature is a United States advised correction factor to reflect changing living costs applied to lenders. Instead of varying interest rates, a correction factor to correct inflation is added to savings deposits and housing securities. The funds deposited can be tapped for emergency by savers at no interest. These examples point out the multiple character of any given urban problem solving institutional response and point out the relation of urban development to national development.

Another institution reflecting the package quality of development in urban policy is the development bank and the tax system related to it. These have been established in

specific regions where development by industry is to be encouraged. In such areas, up to 60% of business or individual income taxes can be invested rather than paid to government. Thus, an individual can deposit in a specific development bank half of his taxes. He has up to two years to decide in what industry in a designated area he would like to invest these funds. By the end of that period, he can decide to purchase shares in a particular firm. Thus, instead of being taxed, through the National Housing Bank Plan and the development bank income is drawn off for development and is being used to establish capital funds and savings.

Further, to assist in encouraging industrial development in established regions and to assist thereby in building alternate magnets for population settlement, special development corporations have been established which attempt to coordinate public expenditure policy of all ministries in selected areas. To encourage development in Bahia near Salvador, an industrial park is being developed with a new port which will become the economic heart of a settlement over three times bigger than Salvador itself. An estimated

one and one half million people will be living here. Land in this area is being sold for as little as 12¢ per square meter with the land price depending on the investment a company will make in the area, the higher the investment the lower the square meter price. The highest price is about 15¢ a square meter. Further, industries locating here do not pay land taxes and are exempt up to 60% of their income taxes for 5 years. After that time they continue to pay taxes. Included in the sales price are all utilities. It is expected that the taxes generated by employment will pay for the development. In Korea, public policy of supporting rice prices at one level and selling it at another is raising the value of rice paddies. This may attract people back to the land.

In terms of urban challenge, then, new institutions are being generated. Problems of labor or capital intensive investment differ with the country. In Korea development is labor intensive, in Brazil it tends to be capital intensive. The point is that social and political and economic development, controlling inflation, encouragement of export industries, of agricultural development, and



ultimately of security and world peace rest on the government responses developed for nation building. It is clear that the urban challenge to government results from these efforts at nation building. Urban development, generating its own peculiar set of problems, is affected by priorities and by all sectoral policies. For all policies ultimately find expression in space and time when implemented. Hence, physical development is the ultimate expression of national development. It is concretization. Hence, translation of national economic and social development into physical plant requires an articulation as to national policy. In the Republic of Korea, the recognition of this reality has led to the development of national plan for physical development. In Brazil this recognition is not as comprehensive but the concept of "integrated" development is. Indeed the use of the term "integrated planning" has been substituted for the term "comprehensive". But such integration requires administrative organization and control over the administrative process. Countries differ in how this is done.

In Korea, "special" cities are being created as a recognition of the problem of urbanization. In Brazil there is

now establishment of metropolitan levels of government, even by-state metropolitan areas. Cities such as Sao Paulo are subdivided into administrative districts for servicing the population.

There is interest all over the world in comparative metropolitan area administration and organization, in management techniques for managing garbage and public sanitation systems, in health care public service delivery systems, in methods of relating rapid urbanization to budget controls, in techniques for historic site preservation, in transportation administration.

Exchange of information in these areas is important to national development. If the materials in this paper are to serve any purpose it is hoped that by seeing others' problems the importance of comparative study and information exchange will be revealed.

Methods of achieving cross-fertilization are now perhaps more important than provision of technical assistance per se. No one country necessarily has the answers to problems of another in urban development. But illustration upon illustration, such as the construction techniques used in Guara, in the Brazilia region, which are applicable to Seoul, Korea, and Korean experience with national physical

development planning is useful in Brazil. How to expedite information exchange is the focus of the report prepared by the Urban Development Staff and previous consultation by those of us who have participated in review of the document, Focus on Urban Development.

Clearly there is no question that urban development is generated by any policy of AID. The question is should the subject of urban development be attacked on a project-by-project approach or by an articulate policy where other AID activities will be examined for their implication on urban development. The urban development implication of AID programs appear to be a necessity if any aid is to be given at all. This is a primary conclusion.

Secondly, there is need for sharing comparative information and research on urban development problems.

Thirdly, in my own experience I have been asked time after time for a way to provide the manpower trained to understand the urban package.

It is local people that must receive the information and training on comparative methods for dealing with urban development. How to help accomplish these objectives is the challenge of this seminar.

We must move from a sectoral approach to an integrated process, system approach to development. We must develop instruments throughout the world to cope with the package quality of development as that development becomes manifest in urban agglomerations which themselves generate micro-scale problems within metropolitan regions.

Managing developing urban change poses a severe problem throughout the world. Answers must be sought through collaborative not "expert" approaches, through substitution of bi-lateral in favor of multi-dimensional institutions and approaches which permeate each country in the world. Focus on urban development becomes essential to each country's well-being and, as importantly, to a system of world development and security. Clearly even if the United States, for example, decided to withdraw all technical assistance, it would do so at its own peril if it did not participate in sharing urban development experience encountered by others. The question is how to make the experience articulate, how to build the infrastructures for mutual aid in understanding and dealing with urban development processes. Such mutual aid is not a give-away but essential to the understanding of how to deal with our own domestic problems.

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THE ABSORPTION OF LABOR IN THE URBAN ECONOMY:  
THE CASE OF DEVELOPING COUNTRIES

John Friedmann  
Flora Sullivan

The employment question in developing countries has until recently received only scant attention from development economists and policy makers. It is increasingly clear, however, that the familiar strategy of raising gross national product through import-substitution and accelerated industrialization is incapable of dealing successfully with what we believe to be a central issue in economic development: the absorption of a rapidly expanding labor force into productive employment in cities. The available statistics are unreliable, and their coverage is incomplete. Such fragments as are available, however, suggest that low productivity employment in non-agricultural occupations is steadily increasing on top of a layer of open unemployment that varies between 5 and 15 percent of the urban labor force.

Two facts seem to account for this situation. The first is the relentless movement of people to cities. In the developing countries, urban growth rates are typically twice the natural rate of increase, and major cities have often doubled and even tripled their population within a single decade.<sup>1</sup> Assuming the rate of natural increase in cities to be equal to that in the nation as a whole, remaining urban growth can be attributed directly to migration.

The second notable fact is that manufacturing industry, despite impressive gains in the value of its product, has not been opening up new opportunities for work at anything like the rate required by the increase in the urban labor force. Most of the gains in industrial production--often at annual rates between 7 and 10 percent--are due to increases in productivity; industrial employment is growing at more modest rates of 1 or 2 percent over a relatively small base. Although the expansion of industry has been accompanied by the creation of jobs in government, commerce, transport, construction, and utilities, the bulk of the manpower available to the urban economy is found in small-scale enterprise, personal services, a non-defined "miscellaneous" category, and open unemployment.

As a result of these trends, the city in developing countries seems to be perpetually struggling with crisis, even though national indicators, chiefly gross national product, may give a satisfactory reading. Despite substantial investments in housing, squatterments accumulate (they are called "mushrooms" in Chile), and no amount of slum removal seems able to eradicate, once and for all, the miserable shacks in which a majority of the urban population is often housed. Other urban services, such as water and sewage disposal, health care, primary education, and transportation, also lag dramatically behind even minimal needs.

Most disconcerting of all, occasional spurts in urban investment and production seem only to bring more migrants to the city. The phenomenon has not been studied, so that only impressions can be recorded, but one is tempted to suggest that the elasticity of migration as a function of urban investment is greater than unity. If this is so, there

is no chance whatever of "solving" the urban crisis in the developing countries, unless thoroughgoing and profound changes in policy are adopted. Some non-conventional thinking is beginning to appear in the specialized literature.<sup>2</sup> Given the limited prospects of expanding agricultural employment, the starting point in every case is the question of how increases in the labor force can be productively absorbed in the urban economy. The present study is concerned with this same question.

In the following pages, we present a heuristic model of urban employment. The model is intended as a starting point for empirical analysis. It is believed to be applicable to countries with urban growth rates that are two to three times the rate of increase in national population, and whose larger cities have a "modern" sector that accounts for at least 15 percent of the urban labor force. Implicit in the model and supporting data are major policy implications. Before discussing policy, one would normally wish to wait for a larger data base and empirical verification of the hypotheses advanced. The issues with which we are concerned, however, are of such magnitude and practical urgency, and the process of empirical validation is usually so drawn out, that we intend to outline the major policy implications even before all the evidence has been collected and analyzed. The paper, therefore, concludes with a section devoted to development policies for urban areas and, on a larger scale, for the national economy as a whole with which such policies are intimately connected.

### The Structure of Urban Employment

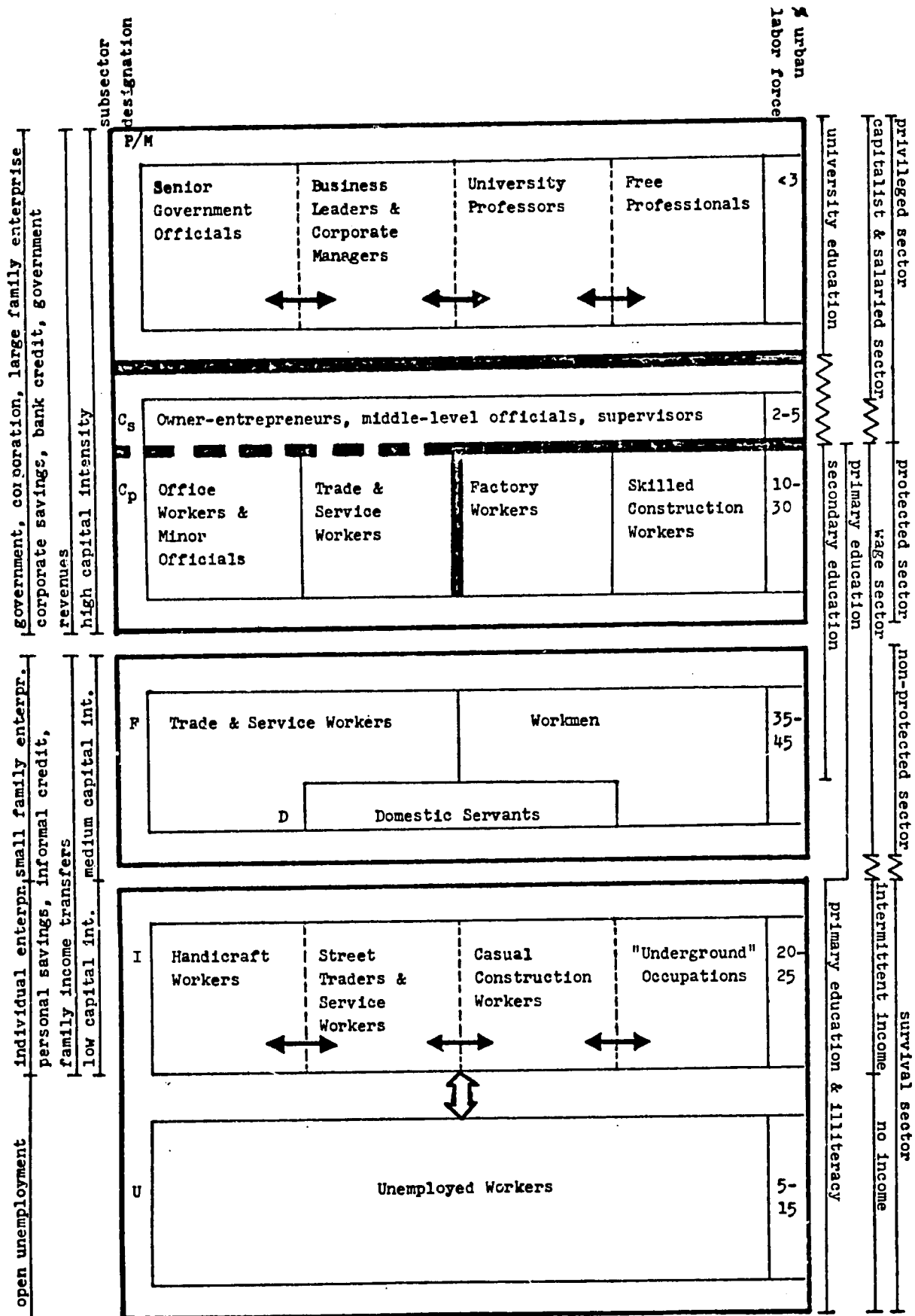
The urban economy in a developing country can be divided into three major employment sectors distinguished according to the form of their organization. In Fig. 1, these sectors are arranged hierarchically according to an ascending scale of labor productivity, economic power, and social status.

Occupying the lower rung, the individual enterprise sector (I) includes the unemployed and self-employed workers that make up the "street economy" of a city. It is followed by a family enterprise sector (F) consisting of workers in small trade and service establishments and industrial workshops with fewer than ten employees. (In some cases, it may be useful to include in this sector all enterprise with less than 50 workers.) Highest in rank is the corporate sector (C) that includes, in addition to workers in corporate enterprise properly speaking, those in family-run businesses that are larger than in the F-sector, as well as the government bureaucracy, universities, and free professions.

If urban employment sectors are broken out in this way, a number of characteristics are revealed that go along with the primary criterion of organizational structure. These are shown in the margins of Fig. 1. The I- and F-sectors, for instance, are for the most part self-financed, whereas the C-sector has direct access to government revenues, bank credit, and corporate profits. Partly as a result, capital intensity (and therefore labor productivity) rises progressively with each step in the hierarchy. (Some benchmark estimates of the amount of capital per worker are shown in Fig. 2.) On the right-hand side of Fig. 1, additional characteristics of each sector relate to educational thresholds, sources of income, and degree of economic protection.



Fig. 1. THE STRUCTURE OF URBAN EMPLOYMENT IN A DEVELOPING ECONOMY



Note: Agricultural labor force residing in urban areas is excluded from this model.

Summarizing, we can say that each of the three major employment sectors functions as a distinct subsystem of the urban economy. In addition to the economic attributes already mentioned, each sector is characterized by forms of social relations and rules of ethical conduct. The significance of this dimension, particularly the ethical requirement of income sharing, will become more apparent in subsequent discussion. Each subsector will now be briefly described.

1. The individual enterprise sector. The lowest-ranking subsector of the urban economy includes unemployed workers (U) in the following four categories: recent migrants to the city, first-time job seekers (the off-spring of urban residents and for the most part adolescents), laid-off workers from jobs in any of the subsectors above, up to corporate production ( $C_p$ ), and white collar unemployed who are downwardly mobile from P/M and  $C_g$  subsectors and who may never have worked but are disinclined to accept jobs below the level for which they think themselves qualified by reason of education and/or social standing.

Of the first three groups, recent migrants tend to be the most qualified workers. They are often equal to, if not superior, in education to the resident population, and there is some indication that, after their arrival in the city, they remain in open unemployment for only short periods of time. New entrants into the labor force, mostly school leavers, are at a competitive disadvantage with respect to this migrant group--being generally younger and less experienced--and so may remain unemployed for a considerable length of time.<sup>3</sup> The third category, workers laid-off from jobs, are likely to be either less skilled than those continued in employment or, alternatively, to have worked in the least protected and most volatile sectors of the urban economy (I and F).

Many of them may eventually return to the rural economy (R).

The next-ranking, or individual enterprise subsector (I), may in practice be difficult to distinguish from open unemployment. Workers move readily from U to I and back again. Moreover, for each business transaction in the I-subsector, the time actually spent on the job may be quite long. Hawkers may pace the streets from sunup to sundown, completing only a few sales. Even so, it is necessary to distinguish this subsector because, in contrast to the destitute workers in U, its members do produce something, however small in value, and contribute to family income.

The I-subsector includes handicraft workers (seamstresses, embroidery makers, basket and mat makers, rope makers, silversmiths) working on their own account, street traders and service workers (peddlers, shoeshine boys, parking lot attendants, messengers, street entertainers, repairmen, gardeners, masseurs, food vendors, letter writers), casual construction workers (carpenters, bricklayers, plumbers, electricians), and "underground" occupations (prostitutes, professional beggars, police spies, dope peddlers, tricksters). There is a good deal of lateral movement of workers from one category to another, with some workers having had experience in all categories and others actually holding down several jobs at a time. This pattern makes for an astonishingly versatile urban experience and probably facilitates upward job mobility later on.

Workers in the individual enterprise subsector are typically in business for themselves. The situation of some of them may be so stable that they may justifiably be called self-employed. For others, however, such designation may be too dignified; they have to hustle jobs wherever

they find them. Their place of work is typically the street or the bazaar, but occasionally, as with handicraft workers, also the home.<sup>4</sup> Central city locations are of vital importance to these workers who, as opposed to squatters, generally occupy hopelessly overcrowded, unsanitary quarters in already built-up sections of the city.<sup>5</sup>

The market for I-workers is an intensely competitive one, and job specialization reaches an extreme. The available work is spread among the largest possible number of workers at the expense of income which is not only very low but frequently intermittent. Estimated income per worker in the I-subsector may range from less than \$30 per month (equivalent to a rural wage) to \$60 (see Fig. 2). If we take the upper figure as the urban subsistence minimum, many who earn less than this amount fall burden to their kinsmen (or members of their village and/or tribal association) who are frequently obliged to share whatever surplus they may have, in cash or kind, with less fortunate members of their own group. Both the U- and I-subsectors, therefore, tend to subsist in a survival economy in which a downturn in urban production may force the least protected workers to return to the countryside (see Fig. 3). Any upturn in the urban economy, on the other hand, is likely to bring additional job seekers into the market and may lead to a further fractionizing of the available work (see below).

A good many members of the U- and I-subsectors are officially invisible, and only the most imperfect, unreliable records are kept of their actual number. Most job classification systems break down when confronted with the great diversity of job experiences and the temporary, uncertain nature of the jobs themselves. Workers live in

tenements and squattments that are frequently considered illegal and are thus left off official city maps. Some may live on the street. When they operate without the necessary license, they will be hunted down by the police. In some countries, their very presence in the city may be illegal. Underground occupations, of course, are by their very nature "invisible" and may only be recorded on police records. A large proportion of the urban labor force has therefore no legal existence at all. Its members live within the interstices of urban society. This, surely, is one of the most incredible facts of city life in the developing countries.

2. The family enterprise sector. This sector is distinguished from the I-subsector in that it involves (a) a higher degree of organization, (b) employs both wage and unpaid family workers (the latter working primarily for room and board), (c) has a fixed abode, and (d) operates with a larger amount of capital per worker. Here, again, statistics are most unreliable indicators of the numerical importance of this sector; in some countries, establishments with fewer than 5 workers are not even counted. But a rough guess suggests that small-scale family enterprise may employ between 35 to 45 percent of the urban labor force. Clearly, this is a key sector of the urban economy.

The sector is roughly divided between (a) trade and service establishments and (b) manufacturing workshops. (Domestic servants are also included here as members of the household economy in the P/M- and C<sub>S</sub>-subsectors. In many respects, their situation resembles that of workers in the family enterprise sector as a whole.) The former include sales workers in bazaar stalls, garage mechanics, truck and bus drivers, and restaurant workers, among others; the latter include workers in various

kinds of small-scale manufacturing, such as bakeries, rice mills, noodle factories, shoe and leather ware manufacture, tailor shops, carpentry shops, and metal work. For the most part, they are engaged in the production of traditional commodities that are characterized by their appeal to a low-income mass market, a lack of standardization and quality control, and the use of indigenous materials. The pricing of F-sector commodities and services is exceedingly competitive; because they embody a high proportion of labor costs, the lower price limit (usually established in bargaining) is the survival capacity of the family group engaged in production, or an estimated \$60 monthly minimum per worker for the entire group. As a result, it is extremely difficult for workers in the F-sector to earn more than the amounts required for subsistence.

Given its continuing requirements for equipment and operating capital, this raises the question of how the F-sector is financed. Because of the requirement of income sharing, capital accumulation within the F-sector is minimal, except as the ethical mandate is avoided or income transfers among related families are effected. Bank credit is generally not available. Occasionally, as in the case of family production units selling directly to the corporate sector, the latter may advance some funds and raw materials. The intermediary services of small-time money lenders (who, incurring high risks, are forced to charge exorbitant interest rates) may also be called upon.

3. The corporate sector. The corporate production subsector (C<sub>p</sub>) ranks immediately above the F-sector but qualitatively is very different. Its workers are members of bureaucratic organizations; they operate with

capital equipment that is seven to eight times the value of that in the F-sector; and their employment is legally protected. The legal protection they enjoy is related to the large, impersonal organization to which they belong. Labor legislation is chiefly aimed at this sector; at least, it is enforced there more than elsewhere and places  $C_p$ -workers in a special relationship to their employers. Such legislation varies among countries but may include regulations concerning the employment of child labor, regulated working hours, job security, minimum wages, paid vacations and sick leave, special food supplements, preferential claims on housing, etc. Workers in the  $C_p$ -subsector are, indeed, a favored group. Some of the advantages accruing to them are a result of militant unionism that is concentrated here;<sup>6</sup> more often, their advantages stem from social legislation passed in imitation of advanced industrial societies.

In most countries, important social distinctions are made between white collar and blue collar workers. Such distinctions make little sense in any of the lower-ranking sectors and subsectors; here they serve as a basis for granting special privileges to the salaried class, such as shorter working hours, longer vacations, maternity leave, access to specially designated stores where goods may be purchased at subsidized prices, preferential housing loans, and so forth. As a result, lateral mobility between white and blue collar occupations is relatively low within the  $C_p$ -subsector, and school leavers, particularly those with a secondary education, may remain unemployed for relatively long periods in hopes of gaining salaried employment. As in bureaucratic organizations generally, skill levels are carefully differentiated. At the lower end of the scale, generally applied to women and children, the average wage may be below subsistence, but at

the highest levels, in such white collar jobs as section chiefs in government departments or senior clerks in private business, a maximum salary of up to three times subsistence may be paid.

As the principal beneficiary of development policy, corporate manufacturing is also the most productive source of work in the urban economy. Gains in excess of seven percent in industrial output are not at all unusual, but increases in employment are not nearly so high. Indeed, on a net-basis, and accounting for the jobs eliminated in the F-sector by the expansion of corporate enterprise, employment changes for the industrial sector as a whole may even be negative. The capacity of the  $C_p$ -subsector for absorbing employment is therefore quite restricted, and most of its gains will be in white collar employment (construction tends to be a fairly constant percentage of employment over time). Only 10 to 30 percent of the urban labor force is employed in this subsector.

Functionally, the corporate supervisory subsector ( $C_s$ ) is closely integrated with production, but socially it is quite sharply separated, a fact which is indicated by a heavy line in Fig. 1. The basis for social differentiation is primarily education, a completed secondary or university education being generally required to rise into supervisory corporate positions. This tiny employment sector, accounting for only 2 to 5 percent of the urban labor force, constitutes the backbone of the nascent middle class, even though some minor officials and clerical workers in the  $C_p$ -subsector may likewise aspire to preferred social positions and adopt middle class life styles. (In developing countries, the middle class rarely includes more than 25 percent of the total population and is frequently a much smaller proportion.)



Separated from the C<sub>g</sub>-subsector is the city's professional-managerial elite (P/M). Accounting for less than 3 percent of the labor force, this employment subsector of senior government officials, business leaders, corporate managers, university professors, and free professionals is set apart from those below it by traditional family status, wealth, and education. As in the lower-ranking I-subsector, employment in P/M is characterized by a good deal of lateral movement, and individuals may frequently hold two or three jobs across several occupational groupings. For each one of these, remuneration may be on the order of \$300 a month (or five times the subsistence minimum). By cumulating jobs, however, and by receiving additional income from real estate investments, business profits, and bribes, total income may be very much higher than this.<sup>7</sup> The urban elite is consequently the only subsector capable of accumulating a sizeable personal surplus. It is protected against excessive income sharing by the impermeable social barriers which separate it from lower-ranking employment subsectors. Much of this growing surplus, however, will be channelled into conspicuous consumption such as villas, automobiles, servants, jewelry, travel, private education, and art objects, and into "safe" but profitable investments such as real estate.

The Dynamics of Urban Employment:  
Three Hypotheses

Based on the foregoing model, three hypotheses may be advanced, each of which, if proved correct, will have tremendous practical significance for urban development policy.

1. Equilibrium unemployment. The percentage of the labor force in the individual enterprise sector (U+I) tends to remain fairly stable over a wide

range of variable conditions. It is essentially a "holding" sector for migrants from rural areas, with workers queueing up to wait for more steady employment in the family enterprise and corporate sectors ( $C_p$ ). (Some I-employment may itself be steady and permanent at subsistence levels, whereas certain F-jobs, to the extent they are below subsistence, will be regarded as temporary, "holding" occupations.)

The maintenance of a sizeable I-sector (with up to 15 percent of open unemployment) requires explanation. According to economic theory, one would expect large-scale unemployment and "underemployment" to depress wages in high-ranking sectors until all but frictional unemployment is absorbed. But for a variety of reasons, this does not occur, and the I-sector continues to provide an entry into the urban economy for 25 to 40 percent of the urban labor force.

To explain this apparent anomaly, it may be suggested that the rate of entry into I is controlled by (1) expectations of finding steady employment at subsistence levels or better<sup>8</sup> and (2) the surplus over subsistence available in the urban economy, principally from F- and  $C_p$ -subsectors. The expectational calculus acts as the principal encouragement to urban migration; the greater the expectation of finding a good job, the larger will be the volume of migration (holding constant for subsistence surplus). On the other hand, the available income surplus establishes an upper limit to the absorption of labor force by the urban economy. Existing I-sector employment (and unemployment) will therefore be in equilibrium (given a "normal" level of expectations for finding employment at or above subsistence) subject to the constraint of the available surplus necessary to maintain the labor force in I. A significant improvement in the urban job situation

will tend to raise expectations, accelerating the inflow of migrants into the city above the actual increase in the number of jobs. (The job elasticity of migration is assumed to be greater than one.) Any slack in the urban economy will, therefore, be quickly eliminated, with expectations (and migration) returning to their original levels. Similarly, as more people move to the city, any increase in the available surplus will be used up (given the incapacity of the urban economy to absorb all newcomers into employment at subsistence or above). This will tend to depress living levels below the acceptable subsistence minimum, rendering migration less attractive until such time as employment and unemployment equilibria in the I-sector are restored. (Declines in job and/or income surplus will tend to have precisely the opposite effects.)

2. Pressure to subsistence. A worker can expect to survive in the urban economy only to the extent he earns a subsistence minimum which we have established at about \$60 a month.<sup>9</sup> Moral pressures for income sharing are often very great for kinsmen and tribal members, particularly in the F- and C<sub>p</sub>-subsectors. Thus, a clerk employed in the C<sub>p</sub>-subsector earning \$100 a month can support both himself and two additional I-workers (say, his wife and his wife's cousin) each of whom contributes \$40 to the family's monthly income. Alternatively, if both husband and wife have full-time jobs in the C<sub>p</sub>-subsector, with a combined monthly income of \$200, they can support not only themselves (\$120) but also one unemployed kinsman (say, the husband's brother at \$60) and the wife's cousin earning an average monthly income of \$20. A third scenario involves a family workshop (F) with a monthly net-income of \$600. This enterprise employs 8 workers in addition to the owner: a foreman who is paid \$100, a foreman's assistant

at \$80, 3 workers to whom the owner has no direct family obligation and who together receive \$120 (they will have to find additional support among their own kin), and 3 unpaid family workers whose full support costs the owner an estimated \$180. This amounts to a total imputed wage bill of \$480, leaving the owner himself with twice the subsistence wage. A portion of this remainder, however, may have to be used to help other needy relatives.

A system of income sharing that works along these lines results in a relatively flat income distribution across all employment subsectors, from U to  $C_p$ , at close to the subsistence minimum of \$60.

Urban services, including housing, are therefore always stretched to the maximum. For any given volume of work, the ultimate limit to urban size is at subsistence levels. The more housing is built, especially for lower income groups, the more income in kind is available for sharing, and the higher will be the rate of immigration from rural areas (subject to the constraint of job expectations). Refusal to share available surplus will, of course, be rewarded with a disposable income (and level of material well-being) above subsistence. But for many urban dwellers, each of whom may someday be himself in need of help, refusal is not an available option. Family (and tribal) obligations must be honored. In developing countries, the moral economy rewards shared poverty.<sup>10</sup>

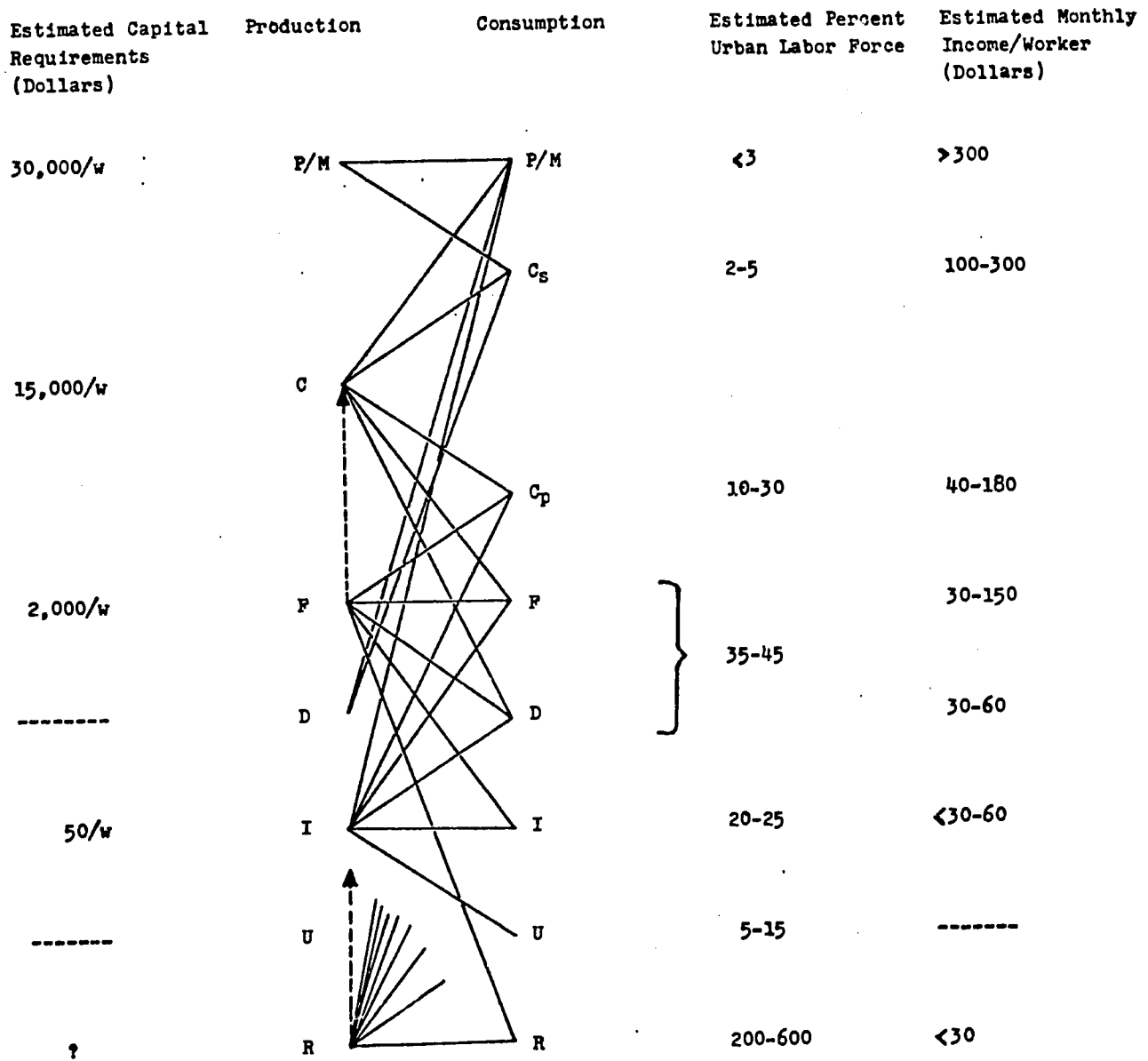
3. Proleterianization. Shared poverty is the common experience of population employed in the I- and F-sectors and also, to some extent, in the less protected niches of the  $C_p$ -subsector. Any income gains in these sectors will be quickly dissipated among new arrivals to the city. Incomes remain above subsistence primarily in the  $C_s$ - and P/M-subsectors. The income gap between the urban poor--comprising the vast majority of the

population--and the privileged sector will therefore increase over time. Moreover, the continued expansion of production in the corporate sector, especially manufacturing, will tend to drive out "inferior" goods and services provided in the F-sector with which it is, in part, competitive. Because of higher labor productivity, job increases in the corporate sector will not only be less in proportion to production gains but will also destroy a larger number of jobs in the F-sector. This situation, coupled with the limited capacity of the rural economy to absorb additional labor, means that the expansion of "modern" industry ( $C_p$ ) will drive labor from regular employment in small-scale family enterprise into the I-sector. Theoretically, one would expect that downward mobility of labor from F to I will be compensated by a comensurate decline in migration from rural areas. In fact, however, rising expectations of employment in the  $C_p$ -subsector will cause urban immigration to be at least maintained at prevailing levels, if not actually increased. But this is likely to be accomplished only through a lowering of the subsistence standard. Accelerated industrialization in the corporate sector will, therefore, be accompanied by increased unemployment, a lowering of labor productivity in the aggregate, and the growing impoverishment of the population in both the I- and F-sectors of the urban economy. This process, of course, is bounded, at the lower limit, by the absolute subsistence income at which an urban population can survive.

#### Market Relations and Labor Mobility in the Urban Economy

Additional aspects of the urban employment model are summarized in Figs. 2 and 3. The diagram of principal market relations (Fig. 2) suggests the following conclusions:

Fig. 2. PRINCIPAL MARKET RELATIONS AMONG URBAN OCCUPATIONAL AND RURAL SECTORS



See Fig. 1. for Sector designations  
 R= Rural Sector

1. The individual enterprise subsector sells directly to all other subsectors in the urban economy. This helps explain the relative size of this subsector (20 to 25 percent of urban labor force). At the same time, job specialization is carried to extremes, the quality of workmanship is uncertain, business competition is fierce, and prices are depressed. This situation compels workers to establish personal, quasi-familistic relations with their clients, in an effort to assure themselves of a small corner of the market. Business relations in this sector (and to a certain extent also in the F-sector) tend therefore to conform to social as much as to economic rules of conduct, except that social rules tend to be suspended in the case of transient strangers who will then have to bear the full brunt of economic rationality in which incomplete information on the clients' part inevitably redounds to their own disadvantage.

2. The markets for F- and C-sectors are partially overlapping. For reasons of design, quality, and prestige (and sometimes even price), the C-sector will tend to dominate in any situation where the two sectors compete (e.g., supermarkets vs. grocery stores) and give rise to increased proletarianization discussed in hypothesis 3 above.

3. In the case of the P/M-subsector, market relations apply only to university professors and free professionals. The clients for these occupational groupings are principally from families within the P/M- and C<sub>S</sub>-subsectors and are consequently quite restricted in number. Given the small number of potential clients, the intensity of competition here is similar to that encountered in the I-subsector. For this reason, a good many of those active in the professions or university teaching are earning incomes below their station and are able to maintain an expected living standard only by

accumulating several jobs at a time. Still others, though professionally qualified, are unable to establish themselves in practice at all and either remain unemployed (and a continued economic burden to their families) or are forced to accept employment in lower orders of the corporate sector. This is especially true for journalists, architects, lawyers, economists, and sociologists.

Economic insecurity at the top of the occupational pyramid is partly counteracted by the ability of the elite to defend itself politically through legislation favoring its interests. Something like a guild system may thus evolve, restricting the entry of new members into the professions while laying exclusive claims to certain types of work.

The diagram of labor mobility (Fig. 3) shows some of the mobility paths discussed throughout this paper. (It should be noted that apparent "advancement" from D to F and "decline" from F to D are, in fact, lateral movements within the same sector.) The following conclusions deserve emphasis:

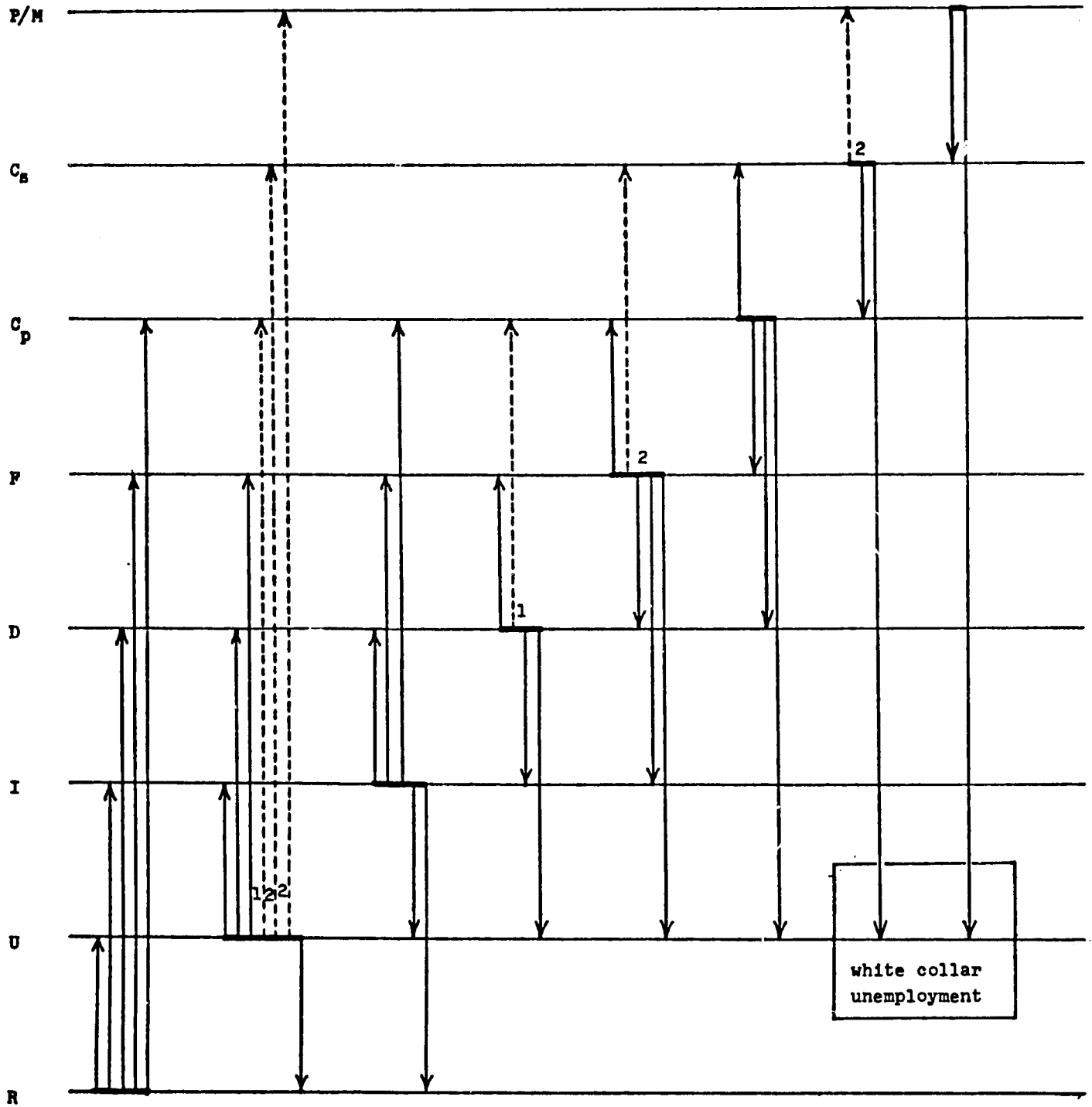
1. Mobility paths conform to a loose hierarchical structure. Although some subsectors may be skipped, top occupations are generally reached only from "superior" subsectors. The rise to the F-sector, however, can be accomplished with roughly equal probabilities from any of the subsectors below it. Downward mobility, on the other hand, particularly to U, is possible from any employment subsector without regard to hierarchical position.

2. Four major reasons may be advanced to account for downward job mobility:

- a. The destruction of jobs in F by an increase of production in  $C_p$ .



Fig. 3. INTER-SECTORAL LABOR MOBILITY



1 - blue collar only  
2 - white collar only

See Fig. 1. for Sector designations  
R= Rural Sector

- b. Overtraining in relation to available job openings, particularly at C<sub>s</sub> and P/M levels and in the white collar groupings of the C<sub>p</sub>-subsector.
  - c. Prolonged unemployment (or below-subsistence employment) coupled with inability or unwillingness of family or tribal association to continue maintenance support. In this event, return-migration occurs to rural areas.
  - d. Incompatibility of work discipline in the C<sub>p</sub>-subsector with personal inclinations. This may also in part be expressed as a preference for the "warm" climate of personal relationships which tends to prevail in F-sector employment.
3. Upward job mobility may require:
- a. social contacts: a heavy investment of time in kinship, tribal, friendship, and patronage relations is required to advance up the occupational ladder. The lack of such contacts may entirely foreclose certain mobility channels.
  - b. education: credentialism is especially important for reaching white-collar occupations in C<sub>p</sub> and in the C<sub>s</sub>- and P/M-subsectors more generally.<sup>11</sup> Functional illiterates, however, are concentrated in the U-, I-, and D-subsectors (see Fig. 1).
  - c. capital: for most upwardly mobile workers, this is not an important requisite. Employment in the I-subsector may require small amounts of capital equipment (generally for less than \$50), while larger amounts are needed to become an entrepreneur in both the F- and C-sectors (and to establish a professional practice as doctor, lawyer, architect, dentist, etc.).

Although there are few entrepreneurs above the I-sector, any substantial expansion of the F-sector will need to increase their number; this implies a redirection of capital flows into this sector at a rate of less than \$2000 per worker or approximately \$10,000 per establishment. The inability to accumulate such amounts through normal channels is one of the major impediments to expanding urban employment and production.

#### Policy Implications

Accepting full, productive employment as a major goal of national development, far-reaching policy implications follow from the preceding analysis. These will be only lightly sketched, not least because true policy can only be formulated with respect to the actual economic, social, political, and institutional conditions of a country, and here we have been involved in laying out the dimensions of only a general model. Still, several new policy directions may be suggested.

1. Priority should be given to the development of the rural economy, involving symbiosis between agricultural and urban production. The aim of such a policy would be to expand agricultural employment (through colonization and land reclamation schemes), to expand employment in rural cadres (with special skills in health-related activities, adult education, building construction, community organization, and agricultural production), and to expand trade, service, and manufacturing employment in middle-sized rural service centers. Two principles should undergird such a policy: (a) the principle of regional rural development<sup>12</sup> and (b) the principle of tertiary urbanization.<sup>13</sup> The former argues for the coordination

of rural development activities on a regional basis (the region in question is generally a small area whose economy is articulated through one or more urban centers), while the latter emphasizes both leading and supporting roles for middle-sized urban centers serving rural populations. Such roles would include the expansion of higher-level services in communication, transportation, education, health care, and government administration; cooperative organizations and wholesale distribution; warehousing; agricultural processing facilities; traditional manufacturing (construction materials, leather goods, pottery, metal products); marketing; lodging; and repair services, among others.

A policy based on these principles would help to accomplish six major objectives: reducing rural migration to large cities; utilizing rural labor force to the fullest possible extent; increasing domestic food production; increasing rural incomes (partly through off-season employment in the city); expanding rural markets for urban products; and integrating the national space economy through a tiered hierarchy of dynamic urban centers.

2. Employment in the family enterprise sector should be made more productive and its capacity should be increased for absorbing a larger proportion of the labor force presently earning below subsistence incomes. Because a large proportion of F-sector employment is already located in middle-sized cities, such a policy would be supportive of a strategy to give priority to the development problems of the rural economy. It would expand the market for agricultural products and provide off-season employment for agricultural workers.

The F-sector is beset by a number of problems most of which stem from earlier benign neglect. The principal problem is that of access to credit for both investment and operating capital. Government credit needs to be channelled to the F-sector in increasing amounts. Other problems of the F-sector include:

lack of supporting trade organizations to defend the interests of small producers; lack of cooperative purchasing organizations; primitive marketing arrangements; lack of technical assistance; haphazard quality control; and inconvenient production facilities. So long as a general policy in favor of the F-sector exists, these and related problems can be solved with comparative ease. The implementation of such a policy would be expensive in view of the size of this sector. It would produce enormous benefits, however, by reducing urban poverty, increasing production, mobilizing the population for the tasks of development, and preparing both business leadership and skilled labor for subsequent phases in the development process.

3. The family enterprise sector should be secured against excessive competition from the corporate sector by implementing a policy of industrial dualism. Under this policy, C-sector manufacturing would be restricted primarily to the production of capital goods, export commodities, and items not conveniently produced by the F-sector. Existing import-substitution policies which favor the production of consumer goods primarily for the upper income groups in urban society would be abandoned. (Highly taxed luxury commodities could continue to be imported, however.) The national mass market for essential items of consumption would thus be left to an expanding and always more productive F-sector. At the same time, backward linkages from C to F should be encouraged.

A policy along these lines is essential in support of a general build-up of the F-sector. It would reduce the influence of private foreign capital on the national economy without substantially impairing efficiency. (Protected C-sector industries operating under import-substitution policies are notoriously inefficient.) It would save on foreign exchange (the F-sector is relatively

independent of foreign imports) while building up the capital goods industry which could concentrate initially on the production of small machines, such as lathes, presses, and sewing machines that are in common use within the F-sector. Finally, such a policy would maximize the employment potential of the urban economy.

4. Housing policy should be redirected to give greater emphasis to housing considered as a productive community investment. In the I- and F-sectors, the family dwelling is often used as business premises. Given the primacy of economic survival, housing for these sectors should be regarded primarily from the standpoint of economic production: it should be designed, located, financed, and built with regard to its economic utility for the family unit that will live in it. Housing should also be viewed as an investment in communities. This means that major emphasis in housing programs should be given to the provision of communal facilities, including basic utilities, transportation, schools, day care centers, health clinics, sport fields, meeting halls, and communally operated workshops. Ample provision of these facilities (and the incorporation of work place with dwelling throughout the urban area) will reduce to a minimum the actual space required for non-productive residentiary activities while maximizing productive capacity and community organization. These objectives could be further promoted by financial arrangements which relate rent or loan repayments to family production and make the community (neighborhood, block, housing project) responsible for contributing to the planning, design, construction, and operation of joint facilities with their own labor.

5. Investments in urban infrastructure should be selectively applied. In line with the foregoing objectives and policies, five criteria should govern investments in urban infrastructure:

- a. Adequate support for a policy of accelerated tertiary urbanization (rural service centers--see Policy 1 above).
- b. Priority to the development of housing estates for I- and F-sectors along lines suggested in Policy 4 above.
- c. Provision of a basic minimum of essential infrastructure services (water, sewage, power, transport, and recreation) to all parts of the city, regardless of income and social class.
- d. Provision of infrastructure above minimum levels only where this will directly assist in strengthening and expanding the city's economic capacity.
- e. Wherever choice exists, resource- and capital-conserving technology should be used in the provision of infrastructure services.<sup>14</sup>

#### Concluding Comments

The five policy directions outlined above are interlocking elements of a single coordinated policy to guide a country's development in its urban and regional dimensions, so that the entire labor force can be productively employed. In many respects, it is an unorthodox policy that implies a radical change in social emphasis. Specifically, it is intended to avoid the growing proletarianization of the urban labor force and the persistent pressures to subsistence in the urban economy that seem to result from existing policies. The policy is further designed to meet other national requirements, such as increasing savings potential, minimizing foreign exchange uses, reducing foreign economic influence, encouraging spatial integration, minimizing environmental damage, and inducing social mobilization for development. It is very different not only from existing policies for national development with their traditional emphasis on raising gross national product through industrialization in the C-sector, but

also from the usual run of urban development policies.

Urban policies have typically regarded the city as a passive receptacle of autonomous development processes; they have treated the city as a social rather than an economic problem; they have responded to the pressures for urban services in cities undergoing the most rapid population expansion (usually the principal centers of political and economic power) rather than guiding the urbanization process itself in accord with generally approved social and economic objectives;<sup>15</sup> they have approached the problem of urban development narrowly from the standpoint of the individual city, unrelated to its region and to other cities; and, above all, they have ignored one-fifth to one-fourth of the urban population--the invisible proletariat--living in the streets and squatterments of the city.

The present paper is offered as a direct challenge to these archaic, ineffective, and socially unjust policies. Much empirical work remains to be done to provide a solid theoretical foundation for these policies, and much experimentation will be needed to define the policy directions we propose and bring them to the stage of implementation. In the meantime, the reader is asked to review, in light of the proposed alternatives, existing urban policies in the countries with which he is familiar and answer for himself the question of how they measure up. The evidence available to us suggests that existing policies are grossly inadequate and that the time is ripe for a change.<sup>16</sup>



Notes

1. Kingsley Davis, World Urbanization 1950-1970. Vol. 1: Basic Data for Cities, Countries, and Regions. Population Monograph Series, No. 4. Institute of International Studies, University of California, Berkeley, 1969.
  
2. Harry T. Oshima, "Labor-Force 'Explosion' and the Labor-intensive Sector of Asian Growth," Economic Development and Cultural Change, Vol. 19, No. 2 (January 1971), pp. 161-183; Michael P. Todaro, "A Model of Labor Migration and Urban Unemployment in Less Developed Countries," American Economic Review, Vol. 59, Part I (March 1969), pp. 138-148; Hans W. Singer, "A New Approach to the Problems of the Dual Society in Developing Countries," International Social Development Review, No. 3 (1971), pp. 23-31; and David Turnham, The Employment Problem in Less Developed Countries. A Review of the Evidence. Paris: OECD, 1971.
  
3. Unmarried dependents tend to have the highest unemployment rates, while heads of households have generally the lowest rates. See Turnham, op. cit., Table III-5.
  
4. For a detailed description of the street or bazaar sector of the urban economy, see Clifford Geertz, Peddlers and Princes. Social Development and Economic Change in Two Indonesian Towns. Chicago: University of Chicago Press, 1963.

5. An interesting classification of housing types for poor populations in Lima, Peru, is presented by Carlos Delgado, "Three Proposals Regarding Accelerated Urbanization Problems in Metropolitan Areas: The Lima Case," in John Miller and Ralph A. Gakenheimer, eds., Latin American Urban Policies and the Social Sciences. Beverly Hills and London: Sage Publications, 1971.
6. Peter Kilby, "Industrial Relations and Wage Determination: Failure of the Anglo-Saxon Model," Journal of Developing Areas, Vol. 1, No. 4 (July 1967), pp. 489-520.
7. Income distribution estimates for developing countries suggest that the top 10 percent of the population receives between one-third to one-half of total income. See Turnham, op. cit., Table IV-1. Also Economic Commission for Latin America, "Some Regional Development Problems in Latin America Linked to Metropolitanization," Economic Bulletin for Latin America, Vol. 16, No. 2 (second half of 1971), Tables 20-22.
8. This hypothesis is taken, in modified form from Todaro, op. cit. It should be noted that the estimated urban subsistence minimum has a nominal value of more than twice the average rural income.
9. The subsistence minimum is not necessarily a physical minimum but is related to accepted standards of consumption. Under certain conditions, it may be lowered.

10. Some successful business adventures in this sector do exist which either have few demands placed upon their resources or are able to meet numerous demands without suffering undue losses.
11. Credentialism in relation to migration is discussed in Jorge Balan, "Migrant-Native Socioeconomic Differences in Latin American Cities: A Structural Analysis," Latin American Research Review, Vol. IV, No. 1 (Spring 1969), pp. 3-29.
12. Ranaan Weitz, From Peasant to Farmer. A Revolutionary Strategy for Development. New York and London: Columbia University Press, 1971.
13. E. A. J. Johnson, The Organization of Space in Developing Countries. Cambridge: Harvard University Press, 1970,
14. Resource conserving technologies for cities have been dealt with by Richard Meier, "Resource Conserving Urbanism in South Asia 4: The Development of Greater Bombay," Working Paper 154, February 1972. Institute of Urban and Regional Development, University of California, Berkeley, California.
15. John Friedmann, "The Spatial Organization of Power in the Development of Urban Systems," UCLA, School of Architecture and Urban Planning, August 1972. Mimeo.
16. Both Turnham and Singer (op. cit.) agree in expecting very large increases in urban unemployment (and underemployment) during the next few decades. See especially Turnham, pp. 114-120.