

## THE CRISIS OF URBANIZATION IN ASIA: FINDING ALTERNATIVES TO MEGALOPOLITAN GROWTH

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Nearly all projections of population growth over the next two decades indicate that most East and South Asian countries are likely to experience continued high levels of population expansion, migration from rural to urban areas and concentration of urban dwellers in large metropolitan centers. This combination of trends, as identified in the World Bank's most recent *World Development Report*, is one of the strongest threats to rising standards of living in developing countries during the rest of this century.<sup>(1)</sup> Despite the decline of population growth rates in Asia over the past 30 years, population growth remains higher than increases in the growth of Gross National Product in most Asian countries. As a result the rapid expansion of large cities, combined with poor urban management, accentuates the mass poverty found in so many Asian cities, most of which lack sufficient work opportunities, housing and utilities for their growing populations.

In 1982, about 2.3 billion people lived in the 15 Asian countries listed in Table 1. By the end of the 1990s, demographers estimate that population in these countries will increase by 743 million. Average annual population growth rates were over 2 percent a year in 11 of these 15 countries between 1970 and 1982 and are likely to remain at or near that level in all but a few of them between 1980 and the year 2000. In most Asian countries, and especially in the poorest ones, the growth rate of the urban population is two to three times that of total population. From 1970 to 1982, urban population grew by more than 5 percent a year in Bangladesh, Nepal and South Korea, and from 3 to 5 percent a year in North Korea, Malaysia, the Philippines, Thailand, Indonesia, Pakistan, India and Burma.

About 93 million people will be added to the population of Asian cities over the next 15 years. More than 40 percent of all Asians are expected to be living in urban places by the year 2000. Much of the population growth will occur in the largest metropolitan areas. The United Nations estimates that the number of "million cities" in Asia will increase from the 40 that

Table 1

## POPULATION GROWTH TRENDS IN SELECTED ASIAN COUNTRIES

Country	Population (in millions) 1982	Population 2000 <sup>a</sup>	Average Annual Population Growth Rate (percent) 1970-82	Average Annual Population Growth Rate (percent) 1980-2000	Percent Urban 1960	Percent Population 1982	Average Annual Growth of Urban Population (percent) 1960-70	1970-82	Percent of Urban Popu- lation in Largest City 1980	Percent of Urban Popu- lation in Cities over 500,000 1980
Bangladesh	93	157	2.6	2.9	5	12	6.2	6.0	30	51
Burma	35	53	2.2	2.4	19	28	3.9	3.9	23	23
China	1008	1196	1.4	1.0	18	21	-	-	6	45
Hong Kong	5	7	2.4	1.4	89	91	2.6	2.4	100	100
India	717	994	2.3	1.9	18	24	3.3	3.9	6	39
Indonesia	153	212	2.3	1.9	15	22	3.6	4.5	34	50
Korea, South	39	51	1.7	1.4	28	61	6.5	5.0	41	77
Korea, North	19	27	2.5	2.1	40	63	5.0	4.2	12	19
Malaysia	15	21	2.5	2.0	25	30	3.5	3.4	27	27
Nepal	15	24	2.6	2.6	3	6	4.2	6.7	27	0
Pakistan	87	140	3.0	2.7	22	29	4.0	4.3	21	51
Philippines	51	73	2.7	2.1	30	38	3.8	3.8	30	34
Singapore	3	3	1.5	1.0	100	100	2.3	1.5	100	100
Sri Lanka	15	21	1.7	1.8	18	24	4.3	2.5	16	16
Thailand	49	68	2.4	1.9	13	17	3.6	4.3	69	69

Source: Compiled from World Bank, *World Development Report 1984*, Washington: World Bank, 1984.  
Tables 1, 9, 22.

a/ A regression-based standard projection calculated by the World Bank.

existed in 1960 to more than 175 at the end of the 1990s. Within a decade and a half, the population of Asian cities with a million or more residents is likely to grow from the 96 million that lived in them in 1960 to about 590 million, nearly a five-fold increase in less than 40 years.(2)

Although the percentage of urban population living in the largest cities of Asian countries seems relatively low, the absolute size of the large cities' populations is substantial. More than 50 percent of the urban population now lives in cities with more than 500,000 residents in half of the 15 Asian countries listed in Table 1. It is estimated that in 1980, Beijing and Shanghai each had more than 10 million residents, Seoul, Calcutta and Bombay had more than 8 million each, and Jakarta, Bangkok, Manila, Karachi, Madras and Delhi each had populations of 5 million or more. The populations of the largest cities in Asian countries are expected to double or triple in size between 1970 and the year 2000. (See Table 2.)

Many Asian metropolises will be among the 30 largest cities in the world by the end of this century. The United Nations predicts that unless drastic changes occur in the pattern of urban concentration in Asia in the near future, Shanghai and Beijing will have populations of more than 20 million each, that Bombay, Calcutta and Jakarta will all reach more than 16 million, and that Seoul, Madras, Manila, Bangkok and Karachi will grow to well beyond 10 million. (See Table 2). These large urban regions — most of them in still quite poor countries — will reach the size and scale of what Gottman has called "megapolises." (3) The characteristics, nature, dynamics and problems of megalopolitan growth in less developed countries are not yet clearly understood, but it is clear from their growth in richer countries of the world that substantial resources are required to manage them effectively and that they generate serious social, economic and physical problems as well as potential economic advantages.

A significant and problematic trend accompanying the increasing concentration of people in large metropolitan areas in the Third World is the dramatic shift in the incidence of poverty. The World Bank estimates that in 1975 about 80 percent of those households living in absolute poverty were found in rural regions; but by the end of the 1990s, nearly half of the absolute poor are likely to be living in *urban* areas.

Table 2  
POPULATION OF LARGEST CITIES IN SELECTED ASIAN COUNTRIES

Country	Cities	Population of Largest Cities (in 000s)		Percent of Urban Population in Largest City	Percent Population Growth in Largest City	
		1970	1980		1960-1970	1970-1980
Bangladesh	Dacca	1,289	2,841	9,725	30.3	147.9
Burma	Rangoon	1,453	2,185	4,747	21.2	48.5
China	Beijing	6,999	10,736	19,931	9.6	22.9
	Shanghai	10,000	13,410	22,677		
India	Bombay	5,811	8,343	17,056	9.4	33.1
	Calcutta	6,911	8,822	16,678		
	Delhi	3,531	5,414	11,683		
	Madras	3,030	5,406	12,882		
Indonesia	Jakarta	4,450	7,263	16,591	21.7	64.3
Korea, North	Pyongyang	911	1,283	2,240	11.2	40.8
Korea, South	Seoul	5,322	8,490	14,246	37.7	125.3
Malaysia	Kuala Lumpur	649	1,106	2,552	27.8	75.4
Pakistan	Karachi	3,139	5,005	11,774	19.5	56.9
Philippines	Lahore	1,877	2,942	6,707	27.9	56.9
	Manila	3,591	5,664	12,313		
Thailand	Bangkok	3,205	4,870	11,936	60.1	49.0

Source: Compiled from United Nations, Patterns of Urban and Rural Population Growth, Population Study 68, (New York: Department of International Economic and Social Affairs, 1980), Table 48.  
Populations for 1980 and 2000 are estimated from 1970 figures.

The number of households living in destitution in Asian cities is expected to increase from a little more than 12 million in 1975 to nearly 38 million by the end of the 1990s. If the average Asian household size remains at about 6 people, more than 228 million city dwellers will be living in absolute poverty by the year 2000.(4)

### **The Strengths and Weakness of Asian Metropolises**

Many who have analyzed these trends have argued that the growth of large metropolitan areas in Asia has been an economically favorable development providing economies of scale and proximity that have been conducive to industrialization, allowing the cities to absorb large numbers of people in manufacturing jobs, and governments to construct modern infrastructure, health, educational, commercial and other facilities that require large population concentrations in order to operate efficiently. The largest metropolises in Asia now play crucial roles in regional economic development. They are communications and transport hubs for their nations, providing international ports, harbors and air facilities; most have become either national or international financial and banking centers, serving as nodal points in networks of national and international trade. They also serve as centers providing educational, health, and training facilities. The commercial, service and government sectors in major metropolitan areas provide millions of managerial, clerical and professional jobs, and the "informal sector" absorbs millions more low- or non-skilled workers.

It is not even the present size of the largest metropolitan areas that poses the most serious problems for Asian countries; it is the prospect of continued rapid growth over the next two decades and the highly skewed distribution of urban population and productive activities in many countries that is the source of increasing concern. As Table 2 indicates, the largest cities in China, North Korea, South Korea and India are projected to grow by an average of 3 to 5 percent a year over the next 16 years, by 5 to 8 percent in Thailand, the Philippines, Pakistan, Malaysia, Indonesia and Burma, and by 12 percent in Bangladesh.

Often the largest metropolitan areas in Asia are "primate cities," with populations that have grown substantially larger than that of the next three or four largest cities, and in which

the concentration of modern productive and service facilities has become so great as to create marked disparities in levels of wealth and development between them and other regions within their countries. About 35 percent of the Korean population, for example, lives in Seoul or the immediately surrounding metropolitan area, where nearly half of all factories in the country are concentrated — as well as 65 percent of the bank deposits.(5) Seoul has a substantially higher share of medical personnel, medical facilities, high schools, and colleges and universities than other cities or than its share of national population. This disproportionate concentration of people, productive activities, and social infrastructure in the capital city is also characteristic of the Philippines, Indonesia and Thailand.

Moreover, the rapidity of the growth of large metropolitan centers in still relatively poor societies has created serious social problems with which many Asian governments find it difficult to cope.(6) Most large Asian metropolises cannot provide enough jobs for even their current work force let alone the thousands of additional migrants who flow into the cities each year in search of employment. Most of the migrants who come to them each year are unskilled and uneducated and can only find informal sector occupations that provide, at best, subsistence incomes.

Rapidly growing urban populations place increasing demands on public facilities and services such as health care, education, transportation, roads, police and fire services, and sanitation and drinking water systems that are already overstrained. Continued migration of the rural poor to large metropolitan areas in Asia results in greater concentration of people in slums and squatter settlements, to which basic services and facilities often cannot be extended. Both richer and poorer Asian countries have seen the adverse effects of rapid metropolitan growth. More than 60 percent of Calcutta's population live in slums and makeshift squatter settlements, where sanitation, waste disposal, health and educational services are scarce or nonexistent. More than half of the population of Colombo lives in congested "shanty gardens" and slum areas with minimal services, as do more than 40 percent of the residents of Bombay and one-third of those living in Delhi, Dacca and Manila.(7) More than one-quarter of Kuala Lumpur's population have incomes below the poverty level. Weak revenue bases or inef-

ficient revenue collection practices, and the limitations on revenue raising placed on them by central governments, make it impossible for most metropolitan governments in Asia to keep pace with expanding public services needs.

Moreover, most large metropolitan areas have traditional and inadequate physical infrastructure to which *ad hoc* accretions have been made that are incapable of providing the coverage or quality of services needed to accommodate their growing populations. Seoul, Bangkok and Jakarta face serious environmental problems from rapid population growth and high density settlement. Jakarta and Bangkok are having increasing problems providing clean drinking water and coping with the massive traffic snarls that have accompanied concentrated urbanization. All Asian metropolises have serious housing shortages.(8)

Finally, the heavy and continued concentration of people and economic activities in the largest metropolises often drains human, financial and natural resources from already poor rural hinterlands, perpetuating or enhancing regional income differentials, retarding the economic development of those areas and preventing the development and growth of other cities, towns and rural areas generally.

Attempts to control the growth of large metropolitan areas in Asia have been notably unsuccessful. Experiments with reversing the flow of migration in China, resettling the urban poor in frontier areas or rural colonization projects in Indonesia and Malaysia, restricting the entry of migrants to national capitals or limiting their access to urban services in the Philippines and Indonesia, and creating industrial growth poles in rural areas in India and other Asian countries have had marginal, if any, effect on slowing the growth of the largest metropolises.(9)

At the same time, the extensive investments in rural development programs designed to increase agricultural productivity and rural household incomes have been slow to show significant results. The World Bank contends that even if agricultural and rural development programs now underway are successful, they are "unlikely to cause significant reduction in the rapidity of growth in urban population or the problems of large cities over the next two decades," especially in those countries where population pressure on rural land remains strong.(10) In any

case, agricultural development had traditionally freed large numbers of surplus rural workers from farming to find jobs in towns and cities.

### **Alternatives to Megalopolitan Growth**

Despite the difficulties of doing so, most governments in Asia have expressed a desire in their national development plans to limit the growth of their largest metropolitan centers in the future, or at least to slow their rate and pace of expansion. Far fewer governments have been willing to recognize explicitly, however, that their own development policies and investment strategies have played a major role in creating large primate cities and in reinforcing the current trends of urban concentration. Fewer still have been willing to change those policies in order to alter the pattern of urban development.

In most Asian countries the rapid growth of primate cities was the result of colonial economic policies that were reinforced by post-colonial development plans. The growth of one or a few metropolises to enormous size in other countries was the result of economic growth strategies pursued by many Asian governments during the 1950s and 1960s. Both emphasized the concentration of investment in productive capacity and modern social overhead capital in one or a few metropolitan centers in order to maximize the growth of Gross National Product and obtain the highest possible returns on investment.(11)

Both colonial and post-World War II economic growth theories largely ignored the distributional effects and the spatial implications of investment allocation and emphasized industrial over agricultural and rural, development. These policies modernized some sectors of the metropolitan economy, but often left rural regions underdeveloped and poor. Industrial development in the metropolitan areas created "pull" effects that complemented the "push" effects of rural stagnation in generating higher levels of migration to the primate cities.

In many countries with strong primate cities, few secondary and intermediate-sized cities and towns could grow enough to diversify their economies and attract significant numbers of rural migrants. This increasing concentration of people and economic activities in the largest metropolitan areas simply increased their economies of scale and attractiveness, giving the



primate cities even greater comparative advantages and economies of scale. These advantages created an even stronger economic rationale for concentrating investments in the largest metropolises rather than in other regions or cities within Asian countries.(12)

The economic rationale of such policies, however, has come under increasing criticism, especially in countries that are still in the process of urbanizing. The arguments for developing alternatives are based on two major contentions.

### **The Adversities of Overconcentration in Primate Cities**

The first is that although the massive concentration of population and economic activities in one or a few large metropolitan areas may stimulate higher levels of economic growth in the short run, it also has a tendency to generate spatial polarization, economic dualism, dramatic economic inequalities and diseconomies of scale. These adversities may undermine the ability to sustain high levels of economic growth. The urban industrialization programs in many Southeast and South Asian countries have been at the expense of more widespread agricultural development on which the majority of their populations still depend — and on which they are likely to continue to depend well into the next century — for their livelihood. The assumption that the benefits of concentrated investment in one or two large metropolises would trickle down and spread throughout the rest of the national economy is now strongly questioned.

While conventional arguments for concentrating investments in large metropolitan centers — i.e., that they provide greater economies of scale — may be valid for many high-technology, capital-intensive and export industries, and for massive modern infrastructure projects, these are only a small part of the investments needed to promote sustained and widespread economic development in many Asian countries. Once metropolitan areas reach two or three million in population it is not clear that they have unique advantages for a whole range of small- and medium-scale processing, commercial, service and manufacturing activities that could be located in smaller cities, or that they generate sufficient benefits through employment to outweigh their social costs.(13)

Table 3  
NUMBER AND POPULATION OF SECONDARY CITIES IN SELECTED ASIAN COUNTRIES

Country	Number of Secondary Cities, 1970 <u>2/</u>	Population (in 000s)		Percent of Urban Population		Percent Population Increase	
		1970	1980	1970	1980	1960-1970	1970-1980
Bangladesh	5	1,532	2,856	29.7	29.9	31.0	86.4
Burma	5	1,029	1,536	16.2	16.1	63.5	49.3
China <sup>1/</sup>	137	91,615	--	51.8	--	56.4	--
India	135	45,482	68,958	42.5	44.6	59.8	51.6
Indonesia	26	8,980	12,531	44.0	40.0	43.1	39.5
Korea, North	8	1,940	3,171	27.8	29.6	118.2	63.4
Korea, South	17	6,130	10,152	48.0	40.6	91.3	65.6
Malaysia	4	770	1,100	27.2	26.7	99.5	42.9
Pakistan	15	6,077	10,025	40.4	42.8	49.4	64.9
Philippines	15	2,629	4,153	21.2	21.9	127.8	57.9
Thailand	1	111	237	--	3.4	--	113.5

Source: Compiled from United Nations, *Patterns of Urban and Rural Population Growth*, Population Study 68, (New York: Department of International Economic and Social Affairs, 1980), Table 48.

<sup>1/</sup> Data for 1970 from Kingsley Davis, *World Urbanization 1950-1970*, Berkeley: University of California, 1969.

2/ Secondary cities defined as those with 100,000 or more population other than the largest city in the country.

### Potential Benefits of a System of Secondary Cities

The second contention is that secondary cities and regional centers in Asia, where they exist, can and do perform important functions in promoting regional development and in supporting the services, facilities and productive activities needed for widespread economic and social development. If strengthened in appropriate ways, secondary cities can play an important role in absorbing population and relieving pressures on the largest metropolitan areas. If agricultural development is to take place in Asia, then investment in agricultural processing and agribusiness will be necessary, farm-to-market roads and arterial highways in rural areas must be improved, inputs must be made available to farmers at convenient locations, markets must be created or strengthened throughout the country, and supporting services must be extended to cities and towns that are within easy reach of farm households and rural villages. Secondary and intermediate-sized cities can play an important role in stimulating rural economies, establishing a pattern of step-wise migration and, perhaps, providing the conditions for polarization reversal.(14) The contention of conventional economic growth theory that smaller cities and towns are inefficient and uneconomical locations for investment has never been proven.(15) Although a great deal more research needs to be done, some studies of India indicate that economies of scale for most urban services and utilities and for most support services for small and medium scale industry are reached in cities of about 130,000 in population.(16) Moreover, research on the costs of providing urban services in South Korea shows that they decline with population size-class to about a half million, and then begin to rise along a U-shaped curve for cities of smaller size. However, the marginal costs of providing services seem to be consistently lower in cities with populations larger than 50,000 than in Seoul.(17)

The evidence suggests that development of a few major industrial urban centers is unlikely to have the same impact on coping with the problems of Asian overpopulation as would a well-developed system of secondary and intermediate-sized cities which can provide a stronger spatial framework for encouraging a more balanced pattern of urban and rural development.(18)

### Roles of Secondary Cities and Towns in National and Regional Development

Recent studies of secondary cities and regional urban centers in Asia, and in other parts of the developing world, indicate that they play important roles in supporting agricultural and rural development, essential social services and facilities and small and medium scale industries. Moreover, many provide important markets for agricultural and manufactured goods and opportunities for off-farm employment. In much of Asia market centers with as few as 20,000 to 70,000 population play important roles in rural economies of their regions as market, commercial and administrative centers.(19) Many cities of 100,000 or more residents act as central places for the “decentralized concentration” of investments in a wide range of agroprocessing, manufacturing, commercial and infrastructural functions. The more important functions of these secondary and intermediate-sized cities may be listed as follows: (20)

1. They provide convenient and efficient locations for decentralizing public services, thereby offering greater access for both urban and rural residents to public services and facilities. Cities such as Chiangmai in Thailand(21) and Zamboanga, Tacloban, Legaspi and Cotabato in the Philippines function as regional administrative and service centers.(22)

2. They offer economies of scale which allow a reasonable concentration of basic and intermediate-level health, education, social and municipal services, acting as regional or provincial centers for a variety of public facilities. Indonesia’s secondary cities – Surabaya, Medan, Ujung Pandang and Pedang – play such roles(23) as do Legaspi City, Iloilo, Zamboanga and other regional urban centers in the Philippines.

3. Secondary cities and towns such as Davao in the Philippines(24) and Ranchi in India(25) offer a wider variety of basic household and consumer goods, commercial and personal services, and opportunities for off-farm employment in both the formal and “informal” sectors that can be found in small towns and villages.

4. Many secondary cities and towns – such as Meerut and Ranchi in India and Naga and Dagupan in the Philippines(26) – act as regional marketing centers offering a wide variety of distribution, transfer, storage, brokerage, credit and financial services and important outlets for the sale and distribution of

agricultural goods grown in surrounding areas.

5. The population growth and economic diversification of secondary cities and towns creates new demands for cash crops grown in the rural hinterlands. This has been clearly illustrated in studies of changes in cropping patterns and land uses in agricultural areas surrounding Lahore, Pakistan.(27)

6. Many small towns provide conditions that are conducive to small- and medium scale manufacturing and to artisan and cottage industries which service local markets with low-cost consumer goods. Some large secondary cities like Kaohsiung, Taichung and Tainan in Taiwan,(28) and Masan, Ulsan, and Daejeon in Korea also support large industries which provide substantial employment for their own residents and for migrants from other towns.(29)

7. Cities of the size of Chiangmai in Thailand, Meerut in India and Cheonan and Mogpo in South Korea act as agro-processing and agricultural supply centers for fertilizers, seeds, cultivating and harvesting implements, irrigation components and pesticides for farmers in their regions.(30)

8. Secondary urban centers such as Iligan in the Philippines and Penang in Malaysia provide off-farm employment and supplementary income for people living in nearby rural areas, and provide additional income for household members remaining in rural areas through remittances earned by rural-based migrants from such areas.(31)

9. They often serve as regional centers of transportation and communications, linking their residents and those of nearby rural areas to large cities and other regions of the country.

10. Many secondary cities function as centers of social transformation: absorbing rural migrants who might otherwise go directly to the largest city or the national capital; accommodating and encouraging the integration of diverse social, ethnic and religious groups that help assimilate rural people into city life; and providing new economic opportunities for people seeking social and economic mobility.

The United Nations estimates that there were about 335 cities with populations of more than 100,000 in East and Southeast Asia in 1970. These cities had more than 150 million residents. The UN studies indicate that the number has increased to about 350 in 1980 and that their population grew by at least 35 percent to about 204 million. The Philip-

pires, Pakistan, Korea, India and Indonesia all have relatively large numbers of cities with populations of 100,000 or more that might be strengthened to perform these functions more effectively (see Table 3). Bangladesh, Burma and Malaysia have a smaller number of secondary cities, but a large number of provincial or district capitals and marketing centers that might grow larger and more diversified with appropriate investments in these functions.

Obviously, not all secondary cities are generative and developmental. Nor do all Asian countries now have a sufficient number of secondary cities to provide a strong set of counter-magnets to the largest metropolitan areas. But for many Asian countries still going through the process of urbanization, appropriate policies for secondary and small cities development could offer a feasible, long range alternative to the overconcentration of people and productive activities in one or two large metropolitan areas.

### Politics for Secondary and Small City Development

Although countries as disparate in their political and economic characteristics as South Korea, the People's Republic of China, Nepal, the Philippines, Thailand, India, and Malaysia now have plans for coping with metropolitan growth and for reducing regional disparities by strengthening the economies of regional urban centers, few Asian countries have seriously attempted to pursue alternatives to metropolitan growth in the past. Thus, there is little real experience on which to base future development plans and policies.

However, studies of the characteristics of secondary and small cities, and of the attempts at controlling the growth of large metropolitan centers, do suggest broad guidelines for formulating strategies: (32)

First, it is clear that the creation of a few major industrial growth poles in remote rural regions, or industrial satellite cities around existing metropolises — as some governments attempted during the 1950s and 1960s — has little effect on the growth of primate cities. The former approach either fails to promote economic diversification or encourages the development of urban enclaves that have little linkage with the rural economies that surround them. The latter often promotes the growth of cities which are themselves quickly absorbed into an

expanding metropolitan region and this exacerbates the problems of overconcentration. However, strengthening the economies of such secondary cities by strong linkages to their rural hinterlands may have a far greater influence on balancing urban development and economic growth.

Second, few controls on the growth of large metropolitan areas or incentives for the deconcentration of economic activities located within them are likely to be effective unless there are viable alternative locations at which high-threshold economic activities can operate efficiently and profitably. Businesses and industries that depend on large markets, efficient transportation and communications, professional skills and trained managers, reliable utilities and administrative and political contacts will either avoid or absorb the higher costs imposed by controls unless alternative locations provide the requisite conditions. Moreover, attempting to force people and economic activities to remove from large metropolitan centers before other locations can efficiently support them can be detrimental to the national economy. Strengthening the system of secondary cities may thus be a prerequisite for effective controls on primate city growth or for incentives for industrial deconcentration.

Third, experience suggests that if the secondary cities that are selected for development are not themselves to become enclaves that drain the resources of their surrounding rural areas, the economic activities fostered within them must be closely related to the agricultural economies of their rural hinterlands. Studies of the economies of secondary cities suggest that investing in small- and medium-scale service, distribution, commercial, marketing, agroprocessing and local resource-using, labor-intensive, production activities is more likely to stimulate development in the regions in which they are located. Spread effects and beneficial interaction do not flow automatically from the growth of cities of any size. Their economies must be structured in ways that are likely to stimulate regional production and demand and raise the incomes of peoples living in the region.

Fourth, because most Asian governments have limited investment resources, the strategy must often be carried out incrementally, starting with existing secondary cities that have clear growth potential. The goal of investment in such cities should

be to a) extend basic social services and municipal facilities that support productive activities; b) improve physical infrastructure to make these cities more conducive to productive economic activities; c) strengthen existing or potential comparative advantages; and d) improve the planning, administrative and financial capacity of their local governments.

Fifth, stimulating the growth and diversification of suitable smaller towns and market centers in order to increase the number and geographic distribution of potential secondary cities within the national settlement system is also an important factor in urbanization policy. Improvements that strengthen their functions as commercial, service, agricultural marketing and small-scale industrial centers will help them to support a wider diversity of employment generating activities.

Sixth, attention must be given to improving transport, marketing, service, communications and administrative linkages *between* large metropolitan centers, secondary cities with growth potential, and selected smaller cities and market towns. Effective physical and economic linkages create the potential for mutually beneficial economic interaction.

Continued urbanization in Asia is inevitable. The growth of cities *can* be a positive force in reducing fertility and population growth rates as well as in stimulating economic growth during the remaining years of the twentieth century. Similarly the continued concentration of people and economic activities in vast megalopolitan areas will generate serious economic and social problems that might be avoided or alleviated by the growth of smaller cities and towns in rural regions. As the strains of large-scale metropolitan growth in Asia become more visible, and as the social and economic costs become more obvious, attempts to develop secondary cities and towns as alternatives to megalopolitan growth become increasingly feasible from a political as well as an economic point of view.

#### FOOTNOTES

(1) World Bank, *World Development Report, 1984*, Washington: World Bank, 1984.

(2) United Nations, *Patterns of Urban and Rural Population Growth*, Population Studies No. 68, New York: United Nations Department of International Economic and Social Affairs, 1980.

(3) Jean Gottman, "Megalopolitan Systems Around the World," in L.S. Bourne and J.W. Simmons (eds), *Systems of Cities*, (New York: Oxford University Press, 1978): 53-60.



- (4) World Bank, "Poverty," Shelter, Poverty and Basic Needs Series (Washington: World Bank, 1980), p. 3.
- (5) Michael Spector, "Seoul: Too Big for its Own Good," *Far Eastern Economic Review*, 124 (May 3, 1984): 30.
- (6) See Dennis A. Rondinelli and Kenneth Ruddle, *Urbanization and Rural Development: A Spatial Policy for Equitable Growth*, New York: Praeger, 1978.
- (7) See John Donohue, "Some Facts and Figures on Urbanization in the Developing World," *Assignment Children*, 57-58, (1982): 21-42.
- (8) See Y.M. Yeung (ed) *A Place to Live: More Effective Low-Cost Housing in Asia*, Ottawa: International Development Research Center, 1983.
- (9) See Alan B. Simmons, "Slowing Metropolitan City Growth in Asia: Policies, Programs and Results," *Population and Development Review*, 5, (1979): 87-104.
- (10) World Bank, *Urbanization Sector Working Paper*, Washington: World Bank, 1972: 4.
- (11) See Dennis A. Rondinelli, *Development Projects as Policy Experiments: An Adaptive Approach to Development Administration*, New York: Methuen, 1983, especially Chapter 2, for details.
- (12) For a more detailed discussion see Dennis A. Rondinelli, *Secondary Cities in Developing Countries: Policies for Diffusing Urbanization*, Beverly Hills, California: Sage Publications, 1983.
- (13) The employment potential in metropolitan areas is discussed by Paul Bairoch, "Employment and Large Cities: Problems and Outlook," *International Labour Review*, 121 (1982): 519-533.
- (14) For a more thorough discussion of the conditions for polarization reversal see Harry W. Richardson, *City Size and National Spatial Strategies in Developing Countries*, World Bank Staff Working Paper No. 252, Washington: World Bank, 1977.
- (15) See, for example, Koichi Mera, "On the Urban Agglomeration and Economic Efficiency," *Economic Development and Cultural Change*, 21 (1973): 309-324.
- (16) Stanford Research Institute, "Costs of Urban Infrastructure for Industry as Related to City Size: India Case Study," *Ekistics*, 20 (1969): 316-320.
- (17) Cited in Wong-Yong Kwon, "A Study of the Economic Impact of Industrial Location: The Case of Seoul," *Urban Studies*, 18 (1981): 73-90.
- (18) See Dennis A. Rondinelli, "The Dynamics of Growth of Secondary Cities in Developing Countries," *The Geographical Review*, 73 (1983): 42-57; and D.A. Rondinelli, "Towns and Small Cities in Developing Countries," *The Geographical Review*, 73 (1983): 379-395.
- (19) See Dennis A. Rondinelli, "Cities and Agricultural Development: The Urban-Rural Connection," *Regional Development Dialogue*, 5 (1984): 1-18.
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## A MONETARIST INTERPRETATION OF INFLATION IN PRE-REVOLUTIONARY IRAN

By Robert E. Looney

Inflation poses a grave threat to any political system. It does so because it succeeds in touching the lives of the ordinary citizen — not some, but all — in a way in which government development expenditures are rarely able. Whether it is hyperinflation or gradual increases in prices over time, the damage done to the individual and society is evident. By creating an atmosphere of insecurity and futility, by permitting wholesale economic injustice and by giving rise to abject poverty, an environment is created which makes for irrationality in politics(1) and thereby deeply affects the nature and effectiveness of subsequent stabilization measures.

In retrospect the development of inflation in Iran, especially after 1973, together with the government's inability to stabilize the price level, undoubtedly was a major factor contributing to the success of the revolution against the Shah's government.

Green has noted that by 1977(2)

...the problem was not purely political, but rather an outgrowth of the rapid decline in the Shah's development planning. As I argued earlier, the crisis of participation was transformed into a crisis of the system as a whole, in part as a consequence of the country's deteriorating economic situation. High inflation, unemployment and other issues ignited the population, not merely desires for greater political participation.

The nature of the Iranian inflation and the course of inflation related variables therefore merit considerable attention. In the following analysis particular emphasis is given to Iranian inflation in the 1970s, with an attempt made to identify the type and source of the inflation experienced.

In particular, an attempt will be made to test the monetarist approach to inflation in Iran. As will be shown in more vigorous fashion below, this approach is a logical one to use in examining price movements in pre-revolutionary Iran. First, the economy was relatively small in the sense that prices of goods and capital were determined in world markets, and over these Iran had