

Reshaping economic geography

The World Bank 2009 World Development Report is a masterpiece. By proposing to reshape economic geography, it is not always politically correct but it provides a lot of food for thought, particularly on the role of urbanization in development.

The report starts by analyzing geo-economic transformations along three dimensions: density, distance and division (development in 3-D) and three geographic scales: local, national and international. It states that density is the most important dimension locally, distance to density the most important dimension nationally, and division the most important dimension (or indeed obstacle) internationally. Therefore it advocates that urbanization, mobility and regional exchanges should be encouraged with the overall objective to facilitate market access. This is based on the fact that “growing cities, mobile people, and vigorous trade have been the catalysts for progress in the developed world over the last two centuries”. Noting that “a striking attribute of economic development is its unevenness across space” the report also deplores that “politicians generally view this economic imbalance disapprovingly”. The authors criticize “the prescription that economic growth must be more spatially balanced” and affirm: “Governments generally cannot simultaneously foster economic production and spread it out smoothly”. Slowing down urbanization constitutes an ineffective policy response: this view may not be politically correct but it is well documented, with examples taken from all over the world.

In its third part the report elaborates policy recommendations which claim to be universal on how to combine economic growth with social development. It discusses the spatial transformations that must happen for countries to develop. “Higher densities, shorter distances, and lower divisions should be encouraged. With them will come unbalanced growth. The challenge for governments is to allow – even encourage – “unbalanced” economic growth, and yet ensure inclusive development by unleashing the market forces of agglomeration, migration, and specialization”.

WDR 09 advocates economic integration to reduce disparities: “The bedrock of integration policies should be spatially blind institutions. Where the integration challenge spans more than one geographic dimension, institutions must be augmented by public investments in spatially connective infrastructure. But where the problem is low economic density, long distances, and high divisions, the response must be comprehensive, involving spatially blind, connective, and targeted policies”. In other words “a foundation of institutions must be universal and come first, investments in connective infrastructure should be both timed and located well and come second, and spatially targeted interventions should be used least and last”. In brief WDR 09 recommends a three-step policy with spatially blind policies, for instance fiscal policies, at the core.

The report acknowledges that in many countries such as India and Nigeria the response has to be a blend of spatially blind, connective, and targeted policies. Indeed many countries face a three-dimensional challenge and it is over-simplistic to consider that targeted interventions (such as slum upgrading) should only take place in highly

urbanized countries. As far as urban-rural linkages are concerned, WRD 09 has a clear message: “Spatially blind social services should continue as part of rural-urban integration, so that people are pulled to cities by agglomeration economies, not pushed out by the lack of schools, health services, and public security”. This is somehow naïve as very few people are pushed out of rural areas by lack of services. Indeed, it is established that most migrants are pulled to cities by better employment opportunities.

The cornerstone of integration is certainly public investments in institutions and connective infrastructure, independently of the level of urbanization. The WDR prescription to follow three successive stages sounds rather theoretical and exaggeratingly normative: If one accepts that higher densities and shorter distances make the difference, targeted interventions can be a useful tool to influence these two spatial factors.

The division dimension (the third D) is more problematic as it refers to the impermeability of borders and national differences in regulations. Here the report recommends – in its last chapter – systematic regional integration, as divisions hamper the movements of labor and capital. But it falls short of criticizing the barriers to international migration. Regional integration is certainly desirable, particularly in Africa, but global integration and cooperation remain an economic challenge, specifically for developing regions located near large world markets.

Between its descriptive and prescriptive parts, WDR 09 also includes an analytical part on the interplay between agglomeration economies, labor mobility and transport costs. Very well researched, this part constitutes a useful transition between the 3D overview and the policy prescriptions. However, it does not address “the rise of the network society” (M. Castells) and the impact of ICTs on economic geography (the famous e-economy). Governance and political issues are also overlooked, while they continuously reshape spatial policies. Nevertheless this analytical part provides new insights on the sequences of territorial development from concentration to congestion and from divergence to convergence of living standards.

Finally some comforting statements deserve, because they come from the World Bank, to be pinpointed such as “the best predictor of income in the world today is not what or whom you know, but where you work” or “more rapid poverty reduction will probably require a faster pace of urbanization, not a slower one”, or “climate change calls for a different urban form, not slower urbanization” and even: “Cities without slums is not a realistic vision for developing countries”!

Drafted by dozens of researchers “Reshaping economic geography” is a much welcome and provoking must-read for all human settlements experts.

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