

Rising Inequality and Urbanization

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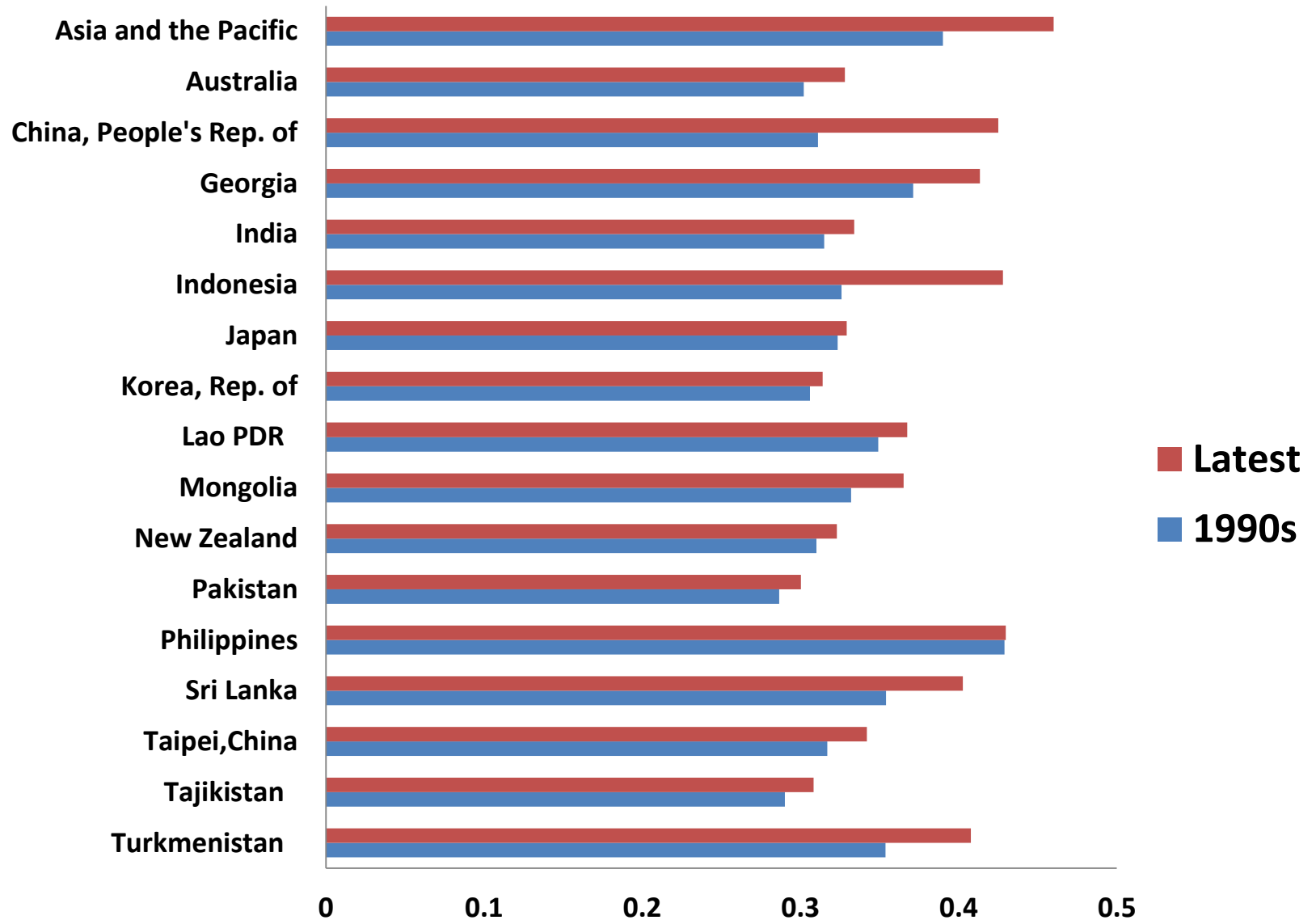
Director of Research

Asian Development Bank Institute

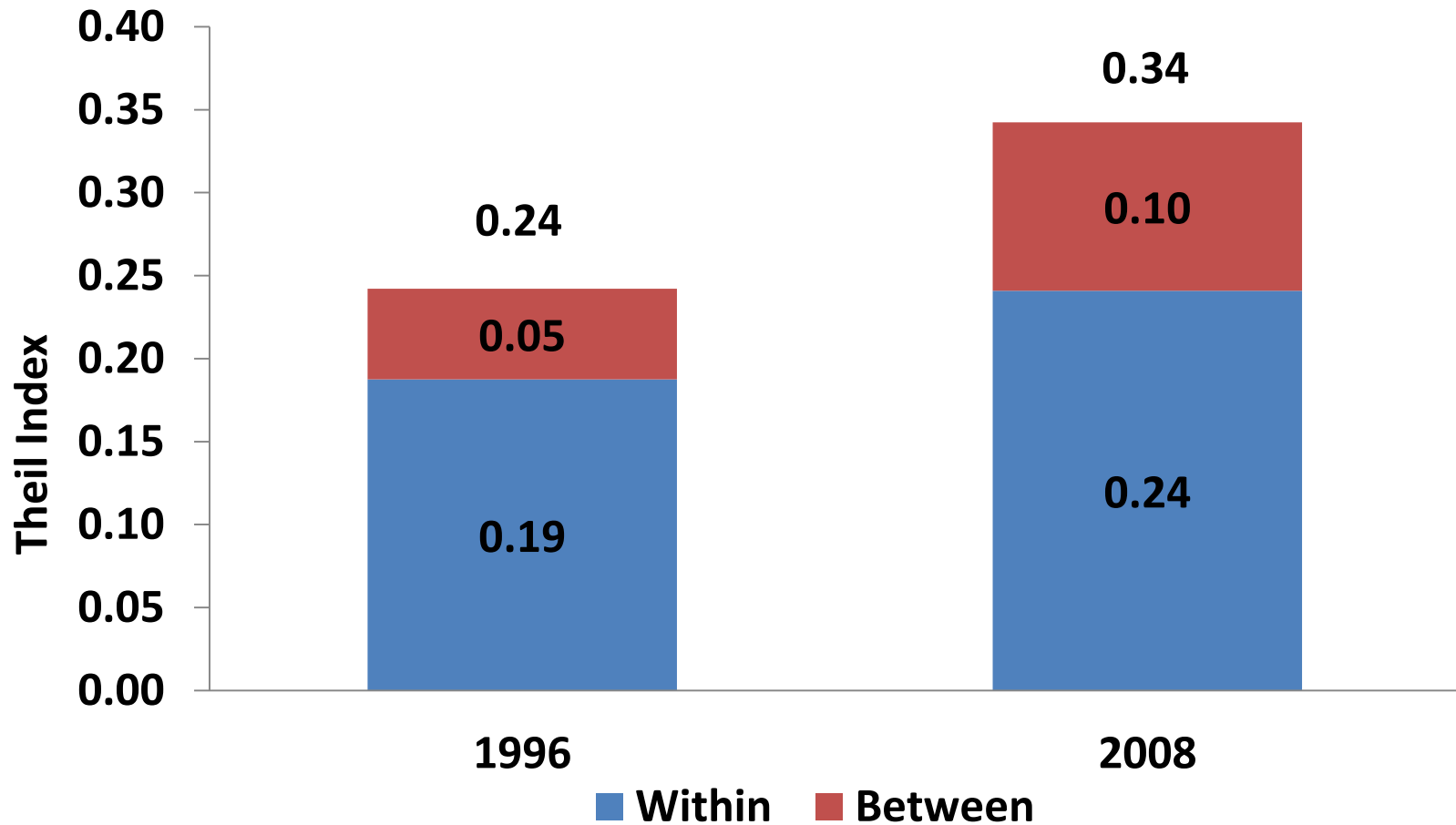
3I's of G20

- 1. Inclusiveness**
- 2. Implementation**
- 3. Investment**

Rising Inequality: Gini



Both within- and between-Country Inequalities Rise



Inclusive Growth or Solution?

- **Transfer**
- **Jobs**
- **Social protection**
-

Little effects so far

But how, who and where to start?

Analytical Work

National Inequality (3 parts)

=

Urban Inequality +

Rural Inequality +

Urban-rural Gap

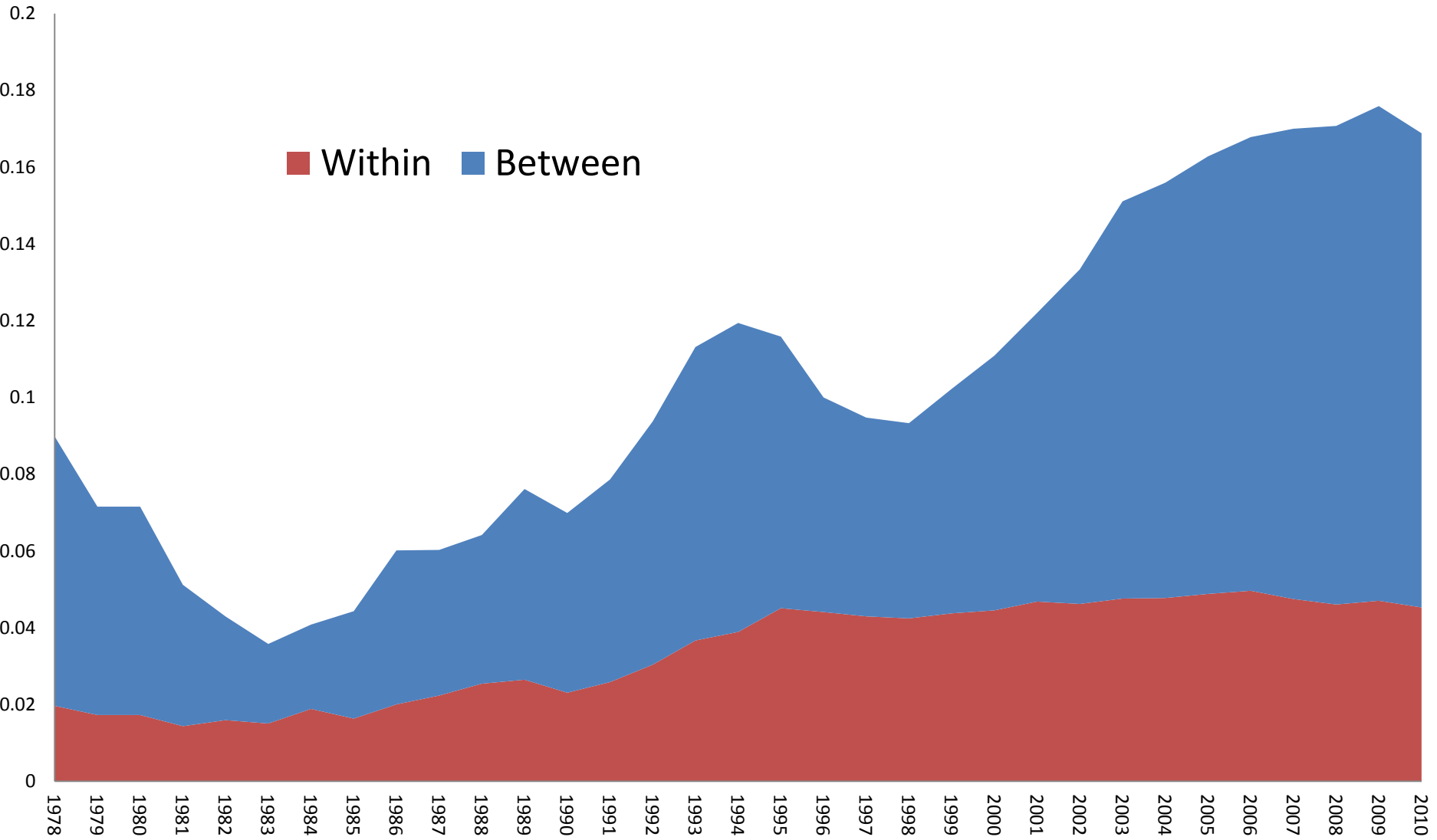
The Urbanization-Inequality Relation

$$T = W_r T_r + W_u T_u + W_r \ln\left(\frac{W_r + W_u Y_u / Y_r}{Y_r}\right) + W_u \ln\left(\frac{W_u + W_r Y_r / Y_u}{Y_u}\right)$$

$$\frac{\partial T}{\partial W_u} = (T_u - T_r) + \left[(\ln Y_r - \ln Y_u) + \frac{(Y_u - Y_r)}{Y} \right]$$

T_u, T_r, Y_r, Y_u

Inequality Breakdown: China



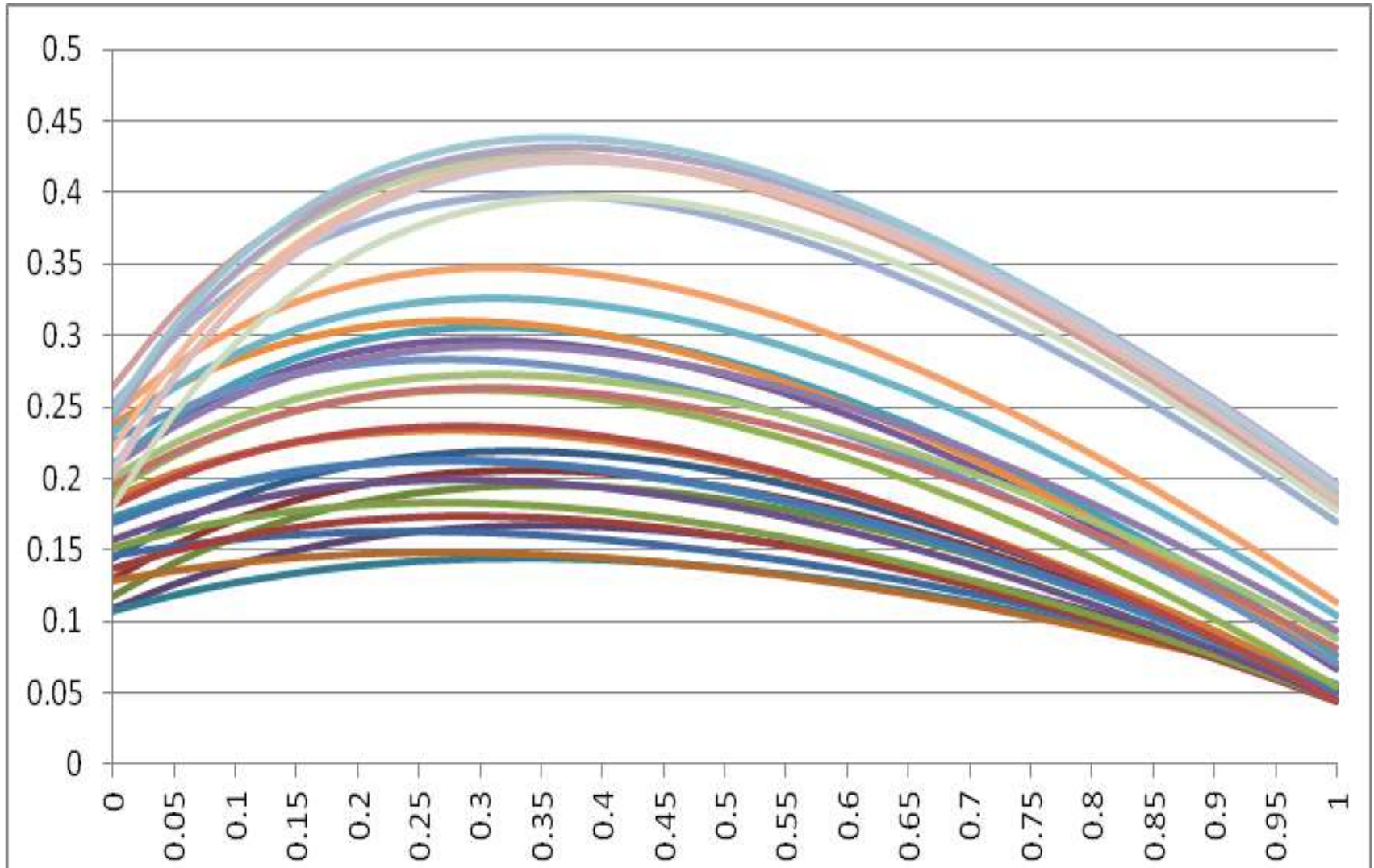
Tackle the Urban-rural Gap: 2 Options

India: 32.7% urbanites with > 80% GDP
67.3% rural < 20% GDP

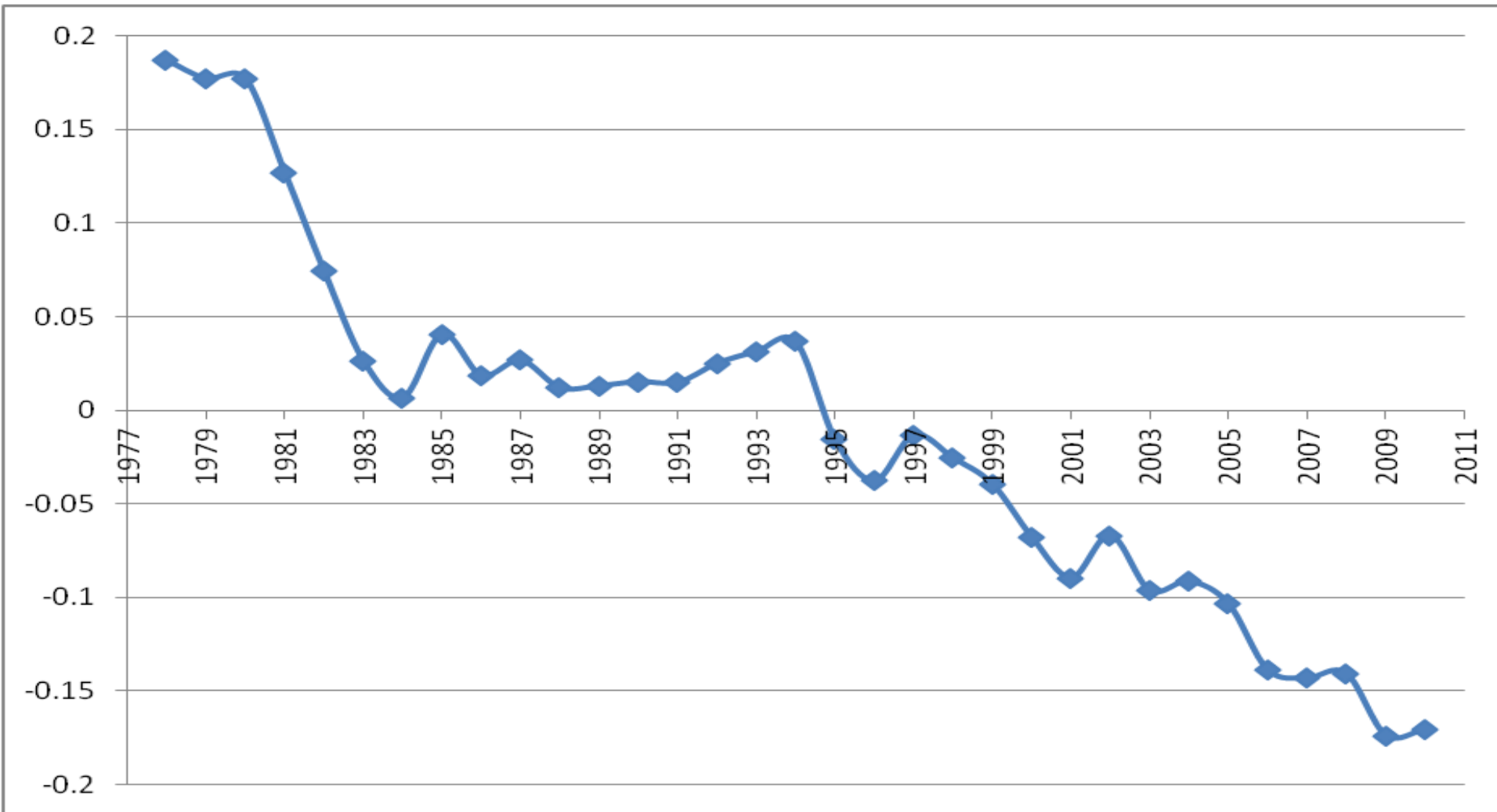
China: 55.6% urbanites with 90% GDP
44.4% rural 10% GDP

- **Fiscal transfer not feasible, given development status & competing demand for public exp.**
- **The only solution: move people or urbanization**

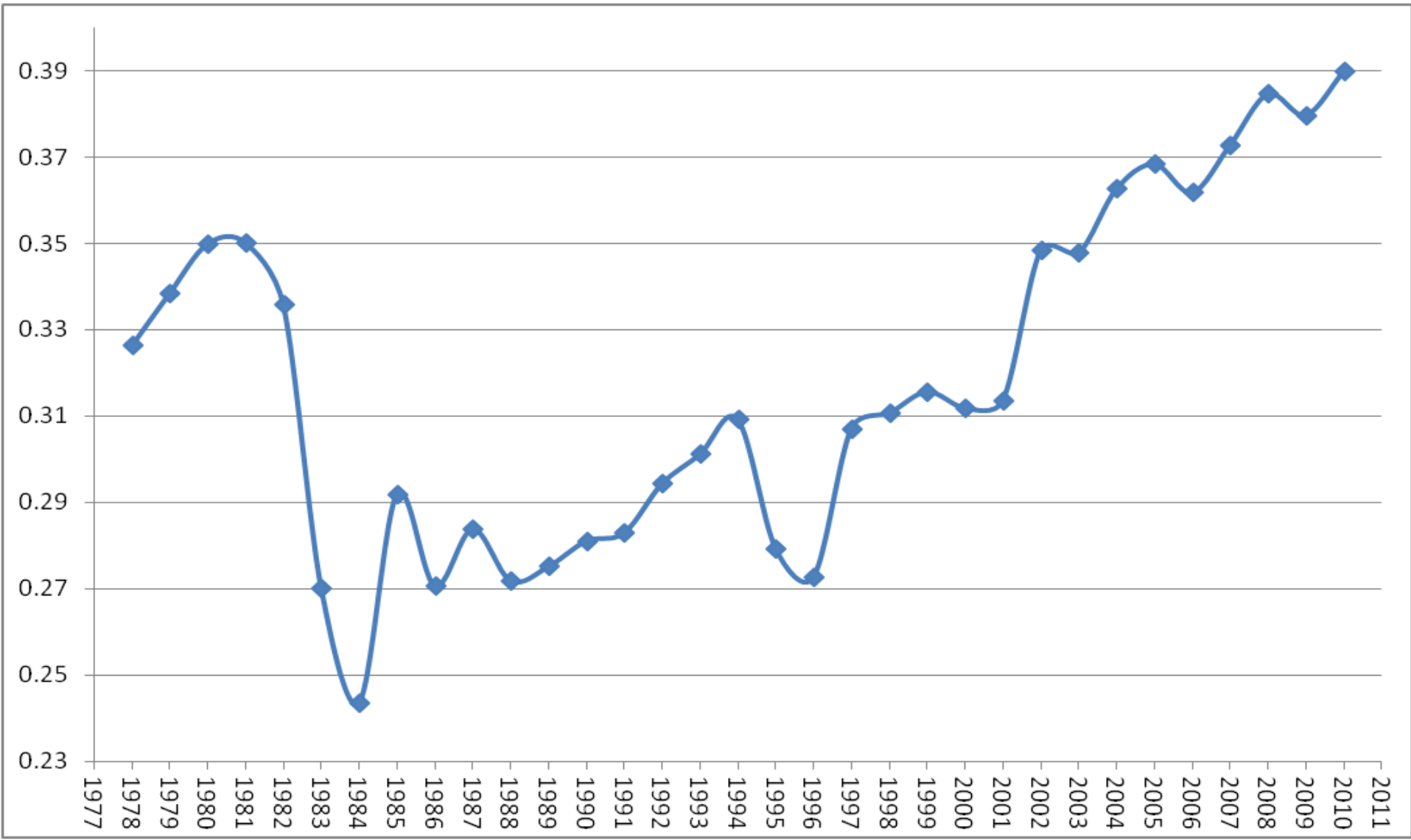
The Urbanization-Inequality Relation



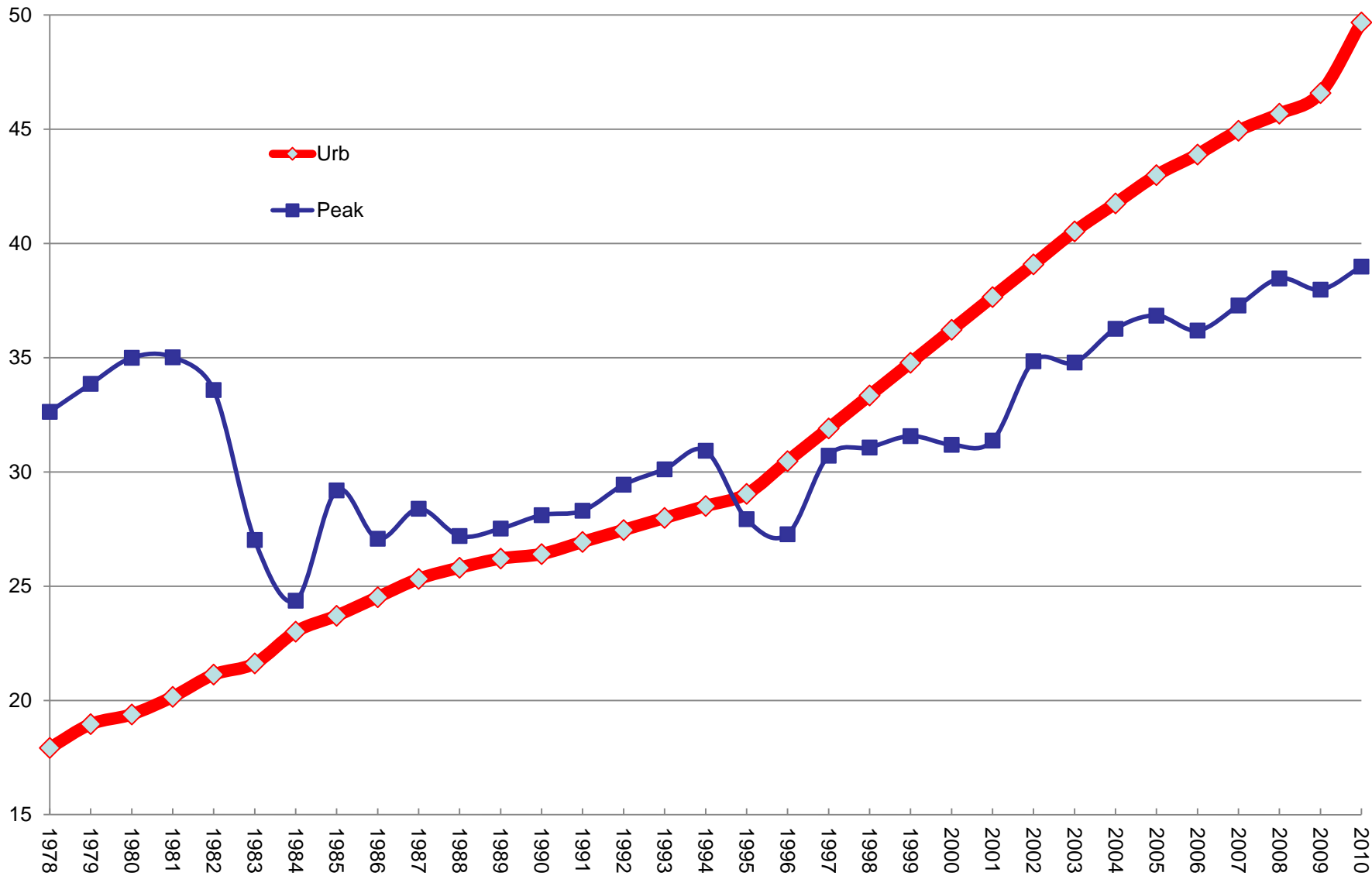
Urbanization Impacts on Inequality: China



...and the peak points



Urbanization is Good for Reducing Inequality



Policy Implications

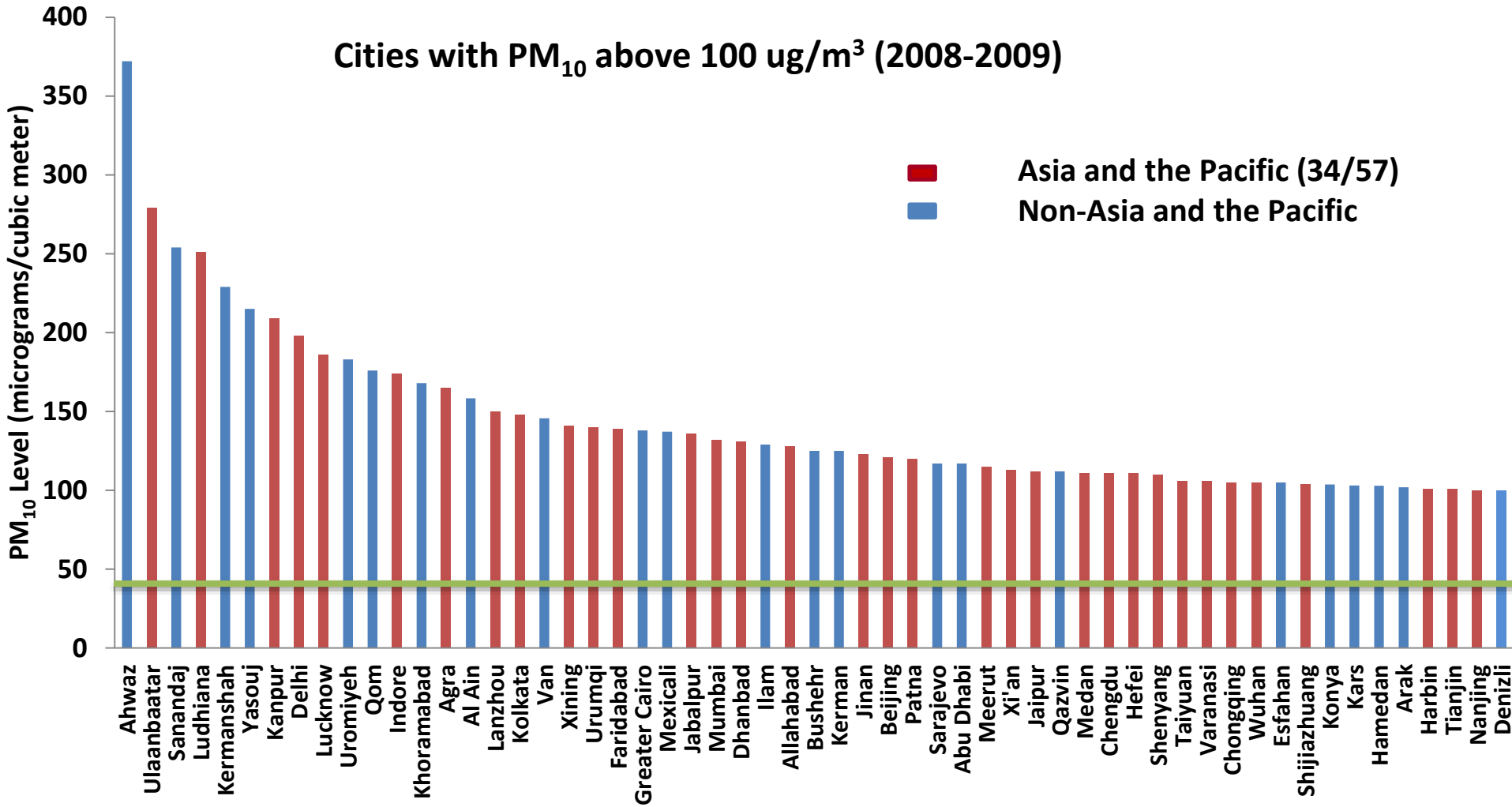
- **Speed up urbanization is win-win: growth + distribution**
- **The key is to control within-urban inequality by helping the urban poor and migrants**

Urbanization-related Challenges

- **Local and global pollution**
- **Vulnerability to disaster: flooding**
- **Rising urban crime**
- **Expansion of slum**
- **Growing inequalities**

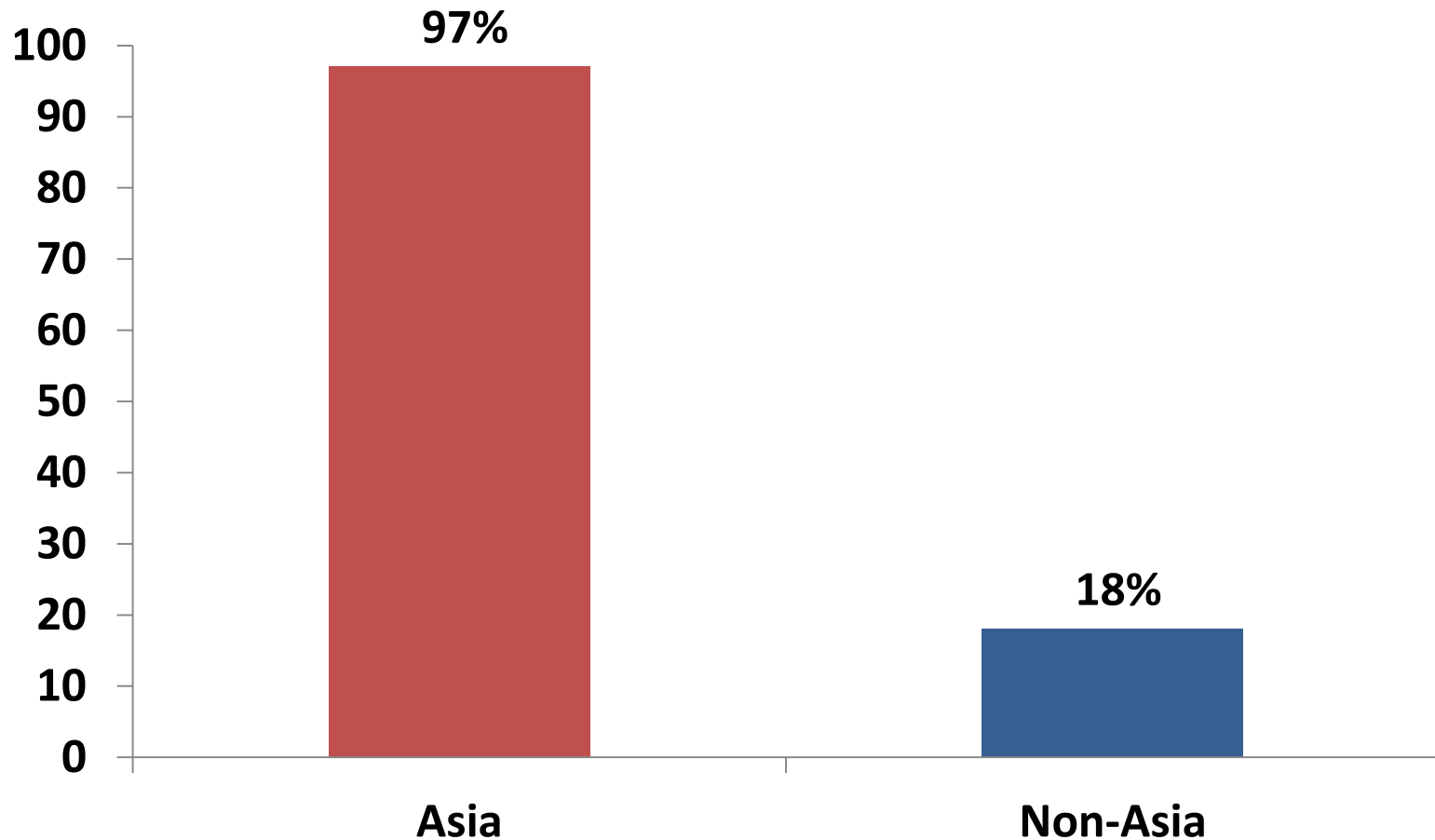
PM10 Standard Failure Rate:

67% Asian vs. 11% Non-Asian Cities



CO₂ Emissions Grow Fast

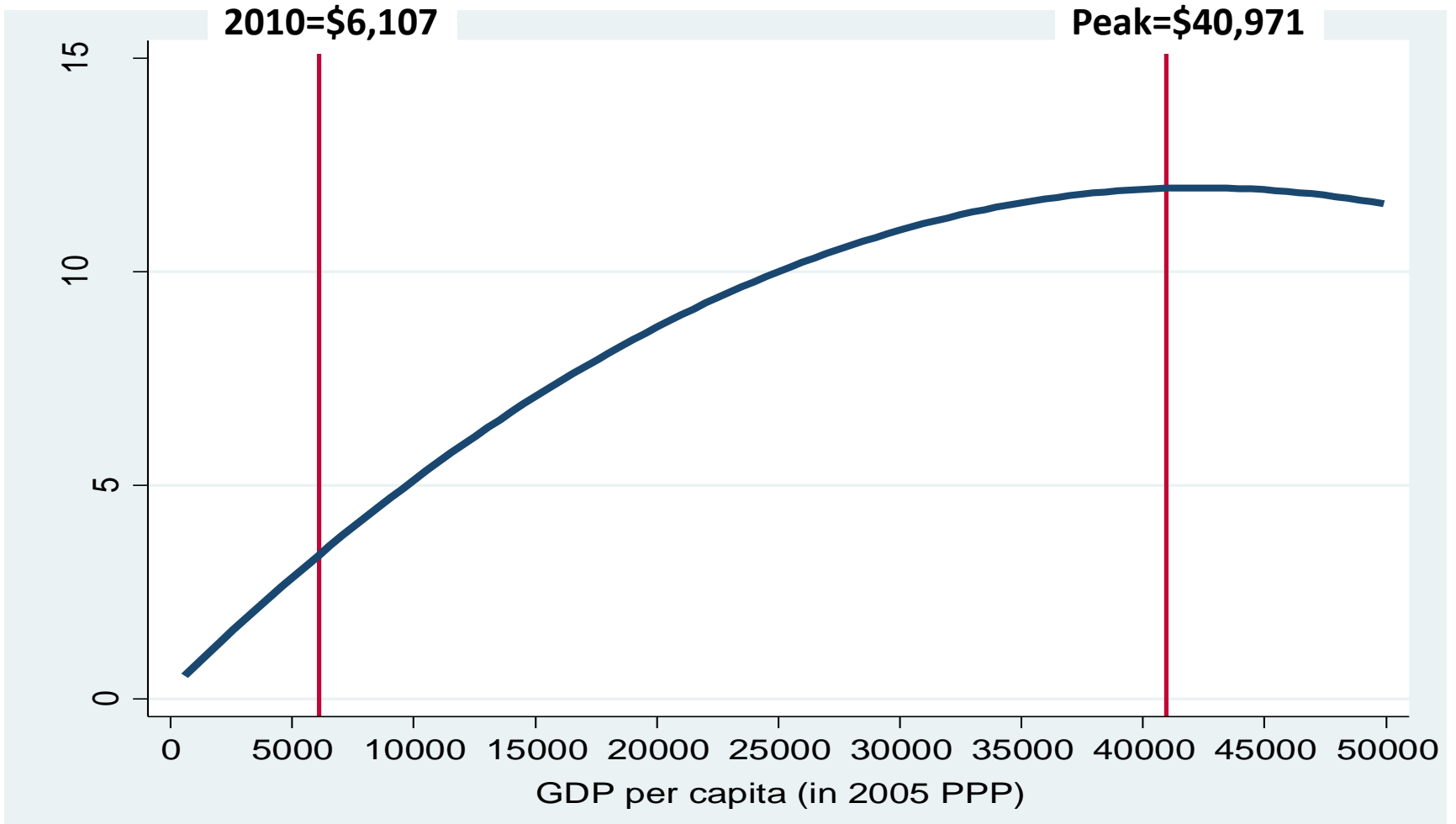
Growth of Per Capita CO₂ Emissions over 2000-2008 (%)



Source: ADB estimates using World Bank (2012).

Further Degradation

Asia's Environmental Kuznets Curve



Source: ADB estimates using World Bank (2012).

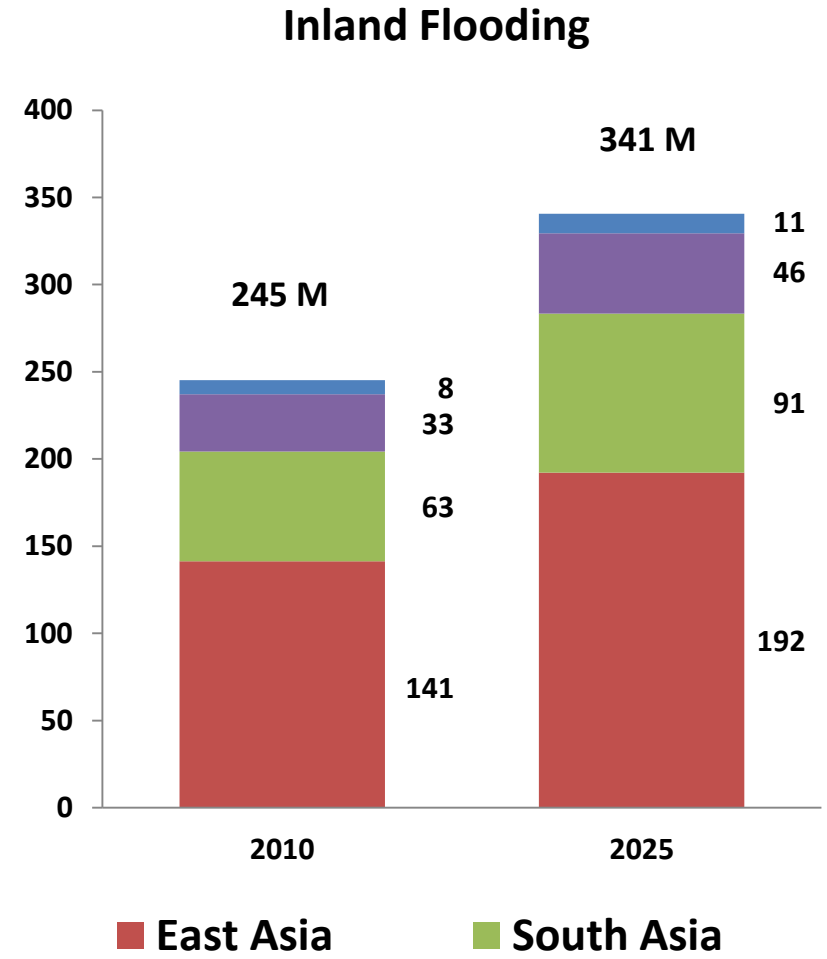
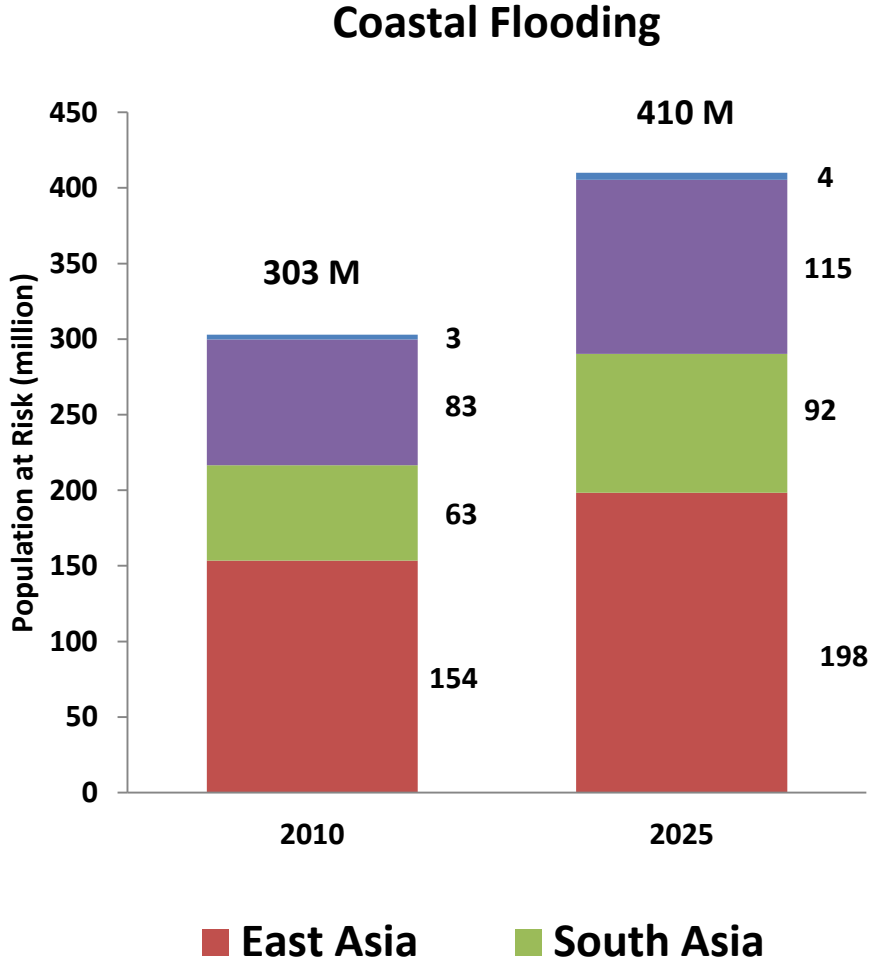
Vulnerability to Coastal Flooding

Risk of Coastal Flooding by Region, 2000

	Urban population at Risk (million)	Share of Population at Risk (%)	Urban Area at Risk ('000 km ²)	Share of Area at Risk (%)
Africa	32	11	18	6
Asia and Pacific	251	18	129	11
Latin America	24	8	42	6
Europe	40	7	56	7

Source: ADB estimates based on McGranahan et al. 2007.

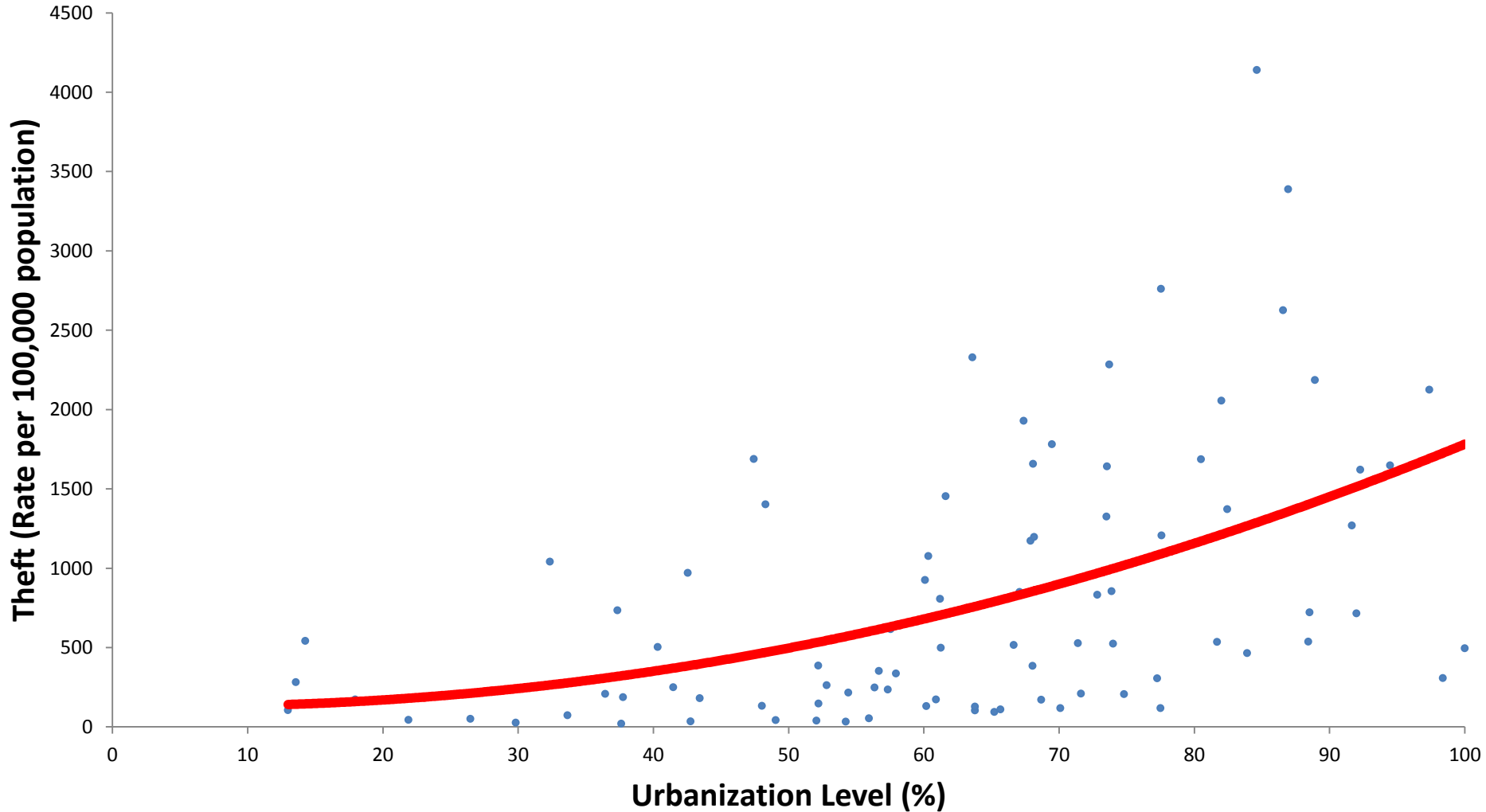
Vulnerability Rises with Urbanization



Source: Balk and Montgomery (2012).

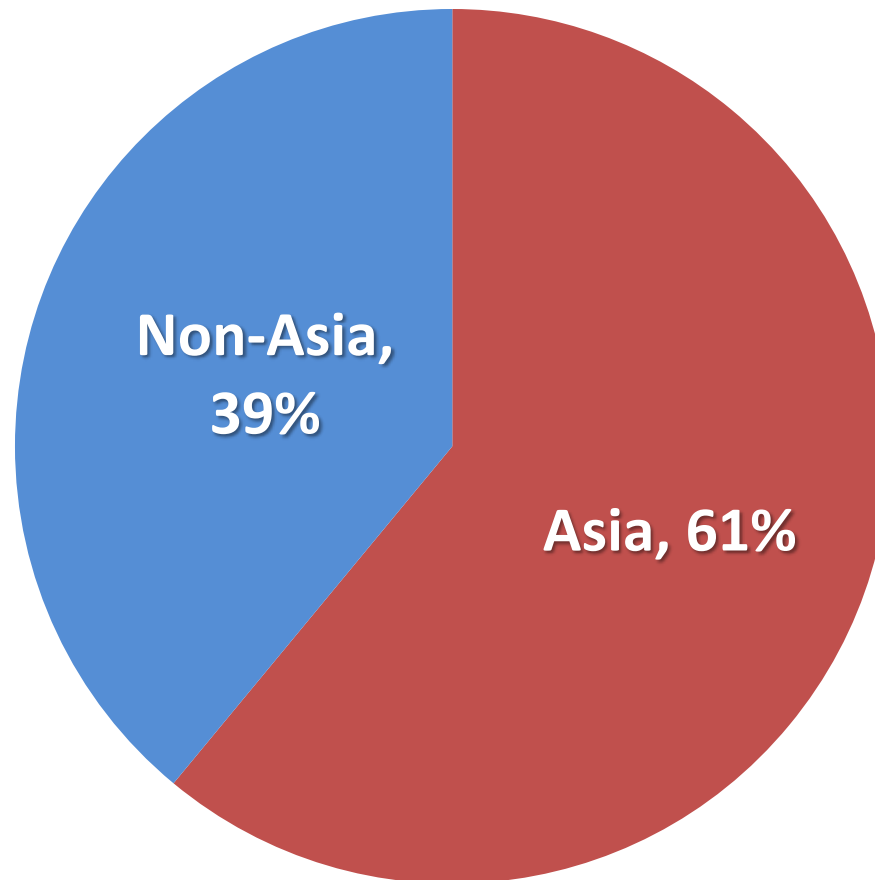
Crime Rates Rise with Urbanization

Theft Rate versus Level of Urbanization: Global Data



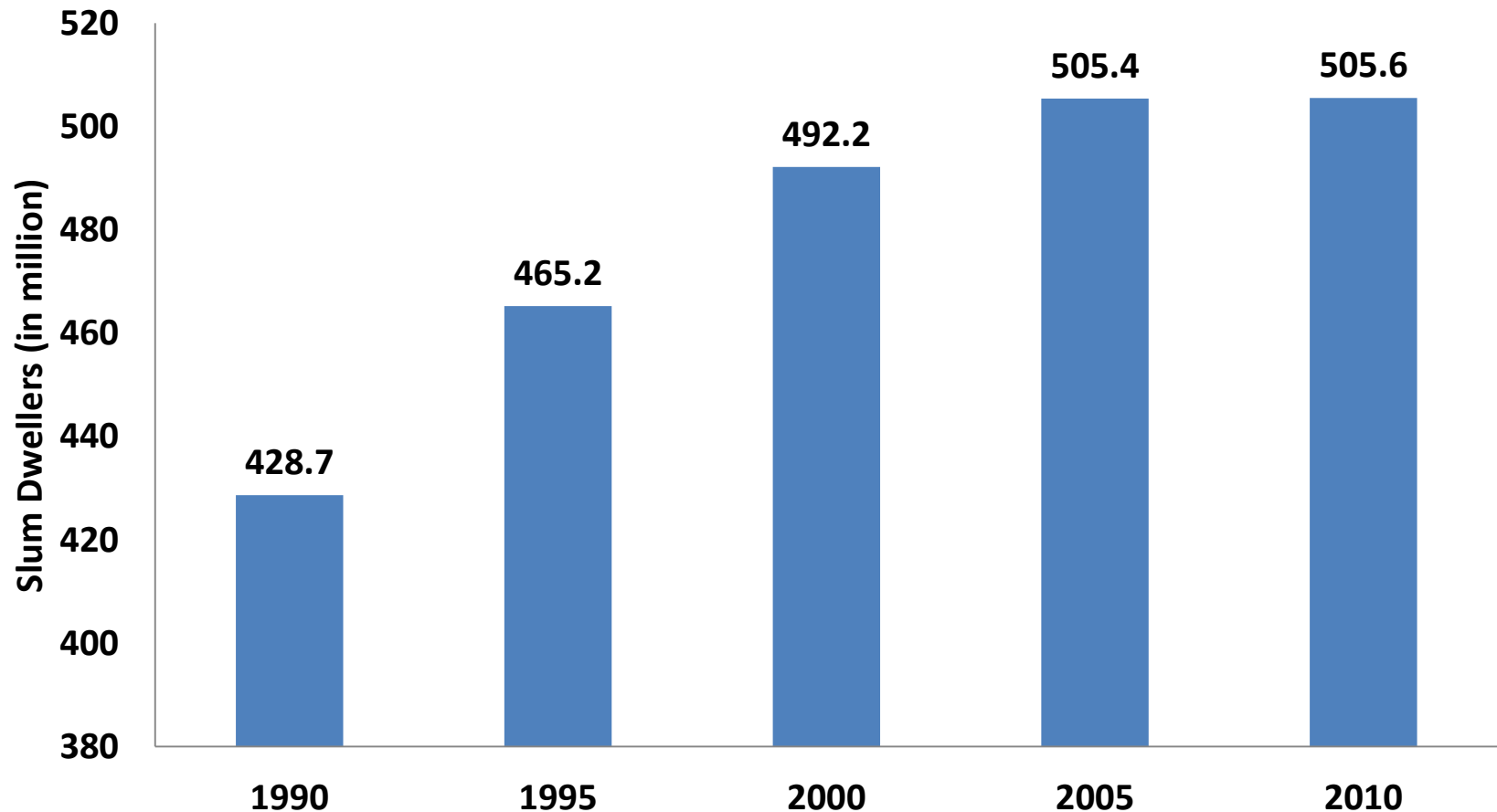
Over 60% of Slum Dwellers in Asia

Shares of Global Slum Dwellers , 2010



... and slum dwellers rise over time

Asian Slum Dwellers , 1990-2010



Source: UN-HABITAT.

ADBI Project on Urbanization

Can urbanization lead to better quality of life?

- a. **Crime: higher inequality or urbanization (or both) cause higher crime?**
- b. **The environment**
- c. **Poverty/inequality**
- d. **and health ...**

=> Safe, green, inclusive and healthy urbanization

Thank You !

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