Rising Inequality and Urbanization

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3I’s of G20

1. Inclusiveness
2. Implementation
3. Investment
Rising Inequality: Gini

Asia and the Pacific
Australia
China, People's Rep. of
Georgia
India
Indonesia
Japan
Korea, Rep. of
Lao PDR
Mongolia
New Zealand
Pakistan
Philippines
Sri Lanka
Taipei, China
Tajikistan
Turkmenistan

Latest
1990s
Both within- and between-Country Inequalities Rise

Theil Index

<table>
<thead>
<tr>
<th>Year</th>
<th>Within</th>
<th>Between</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>0.19</td>
<td>0.05</td>
</tr>
<tr>
<td>2008</td>
<td>0.34</td>
<td>0.10</td>
</tr>
</tbody>
</table>
Inclusive Growth or Solution?

- Transfer
- Jobs
- Social protection
- ....

Little effects so far

But how, who and where to start?
National Inequality (3 parts) = Urban Inequality + Rural Inequality + Urban-rural Gap
The Urbanization-Inequality Relation

\[ T = W_r T_r + W_u T_u + W_r \ln(W_r + W_u Y_u/Y_r) + W_u \ln(W_u + W_r Y_r/Y_u) \]

\[ \delta T/\delta W_u = (T_u - T_r) + [(\ln Y_r - \ln Y_u) + (Y_u - Y_r) / Y] \]

\[ T_u, \ T_r, \ Y_r, \ Y_u \]
Inequality Breakdown: China

Within  
Between
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

Cities with PM$_{10}$ above 100 ug/m$^3$ (2008-2009)

CO₂ Emissions Grow Fast

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

Asia: 97%
Non-Asia: 18%

Further Degradation

Asia’s Environmental Kuznets Curve

## Vulnerability to Coastal Flooding

### Risk of Coastal Flooding by Region, 2000

<table>
<thead>
<tr>
<th>Region</th>
<th>Urban population at Risk (million)</th>
<th>Share of Population at Risk (%)</th>
<th>Urban Area at Risk ('000 km²)</th>
<th>Share of Area at Risk (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>32</td>
<td>11</td>
<td>18</td>
<td>6</td>
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<tr>
<td>Asia and Pacific</td>
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<td>129</td>
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<td>Latin America</td>
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<tr>
<td>Europe</td>
<td>40</td>
<td>7</td>
<td>56</td>
<td>7</td>
</tr>
</tbody>
</table>

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

- Non-Asia, 39%
- Asia, 61%

Source: UN-HABITAT.
... and slum dwellers rise over time

Asian Slum Dwellers, 1990-2010

Source: UN-HABITAT.
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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