"A Non-Communist Manifesto"

Above: **"This is World-Class City Living."** Kuala Lumpur, Malaysia, December 2009 (Elvin Wyly). Left: Walter Rostow's 1962 book, *The Stages of Economic Growth*, carried a message of optimism for the world's developing countries, along with a bold subtitle: "A Non-Communist Manifesto." Rostow's model portrayed all the world's countries eventually passing through a series of discrete stages on the way to the wealth and prosperity first achieved by the capitalist societies of Western Europe and North America. Although the model is half a century old, its basic assumptions still pervade scholarship on development, as well as the policy decisions of organizations such as the International Monetary Fund and the World Bank. See W.W. Rostow (1962). *The Stages of Economic Growth: A Non-Communist Manifesto.* London: Cambridge University Press. The World Bank (2009). *World Development Report 2009: Reshaping Economic Geography.* Washington, DC: International Bank for Reconstruction and Development.

Compared to the nineteenth century, world urbanization today:

1. Is advancing most rapidly in those countries with the lowest levels of economic development.
2. Involves far greater numbers of people.
3. Is less reliably correlated with industrialization and economic growth.
4. Involves a more complicated role for the state, alongside many poor living in "informal" circumstances.
5. Takes place amidst a global media culture that encourages increased expectations for growth and prosperity.

Urban System Change in the Global Periphery
Geography 350, *Introduction to Urban Geography*
October 22, 2012
Elvin Wyly

In contrast to the growth of cities in Western Europe and North America in the nineteenth century, world urbanization today is a phenomenon of poor countries[1] and regions. This current era of rapid urbanization, marked by rapid growth in the proportion urban in nearly all poor countries, departs from previous eras in many crucial respects. Five stand out as especially important.[2]

1. It is proceeding most rapidly in countries with the lowest levels of economic development, and thus takes place in areas with shorter life expectancy, worse nutritional conditions, and lower levels of educational opportunity and economic security.

2. It involves far greater numbers of people than in the nineteenth century. The world now has more than 3.3 billion urbanites -- more than the total world population of half a century ago. The average increase in the urban population of the world's poor countries between 1985-2005 was almost three times the urban population expansion for the wealthy countries of Western Europe and North America in their period of rapid development between 1880 and 1900. The largest city of the nineteenth century (London, about 6.6 million in 1900) was only a third of the population of today's Mumbai, New Delhi, or Mexico City. Urban growth just in East Asia over the next twenty-five years will add the equivalent of a Kuala-Lumpur-sized-metropolis *every month*. Urbanization is taking place on a scale never before seen in human history. Unfortunately, this

[1] As the urbanist E. Barbara Phillips notes, there has been a proliferation of alternative terms to describe and generalize the circumstances of the world's poor countries: "They are variously called *emerging, underdeveloped, less developed, backward, developing, modernizing, economically dependent, South*, and *Third World*. But *Third World* is outdated: Politicians once described anti-Soviet, industrialized nations as the *First World*; the Soviet bloc as the *Second World*, and nations neutral in the struggle between the Soviet bloc and the so-called free world as the *Third World*, a term coined by Charles de Gaulle and used at the Bandung Conference in 1955." In our discussions, we will refer to urbanization in poor countries (to emphasize the shared experience of high poverty rates among many otherwise different societies) and in the global periphery (to emphasize the processes of marginalization from the wealth and power of the core of the world-system). E. Barbara Phillips (1996). *City Lights: Urban-Suburban Life in the Global Society*. New York: Oxford University Press, 99.
[2] Adapted from a 'top-ten' list suggested by Michael Pacione (2001). *Urban Geography: A Global Perspective*. New York: Routledge, 431-432. See also Michael Pacione (2009). *Urban Geography: A Global Perspective, Third Edition*. New York: Routledge, 449-450.

also implies unprecedented numbers of people living in poverty. There are a billion slum dwellers in cities in the developing world. The "bottom billion" of the world's inhabitants are 12 percent of global population, with only 1 percent of world GDP.[3]

3. The link between urbanization, industrial growth, and rising living standards observed in Europe and North America in the nineteenth century is much more contingent today, and thus many migrants in poor countries are unable find formal employment in the city.

4. The role of the state is much more complicated than in the era of the industrial revolution. On the one hand, many poor countries have been left with the remnants of powerful, centralized political systems from the colonial era. On the other hand, persistent poverty, and systemic inequalities facing former colonies in the world economy, often weaken state authority. With rapid rural-to-urban migration, therefore, much of contemporary urbanization involves the rise of precarious, informal arrangements -- slums and squatter settlements -- not officially permitted or recognized by state authorities.

5. At the same time, the rapid global interconnection of communications technologies and media has given rise to increased expectations, such that "pressures for rapid social change are greater than they were in the West" during its period of rapid urbanization.[4] Concomitant political pressures are quite severe, and they must be dealt with in the context of remnants of previous colonial rule and current neo-colonial relations with other countries. Still, it is not entirely clear whether today's political climate is *fundamentally* different from the volatile age of class conflict and colonial rivalry that set the backdrop for urbanization in the late nineteenth century.

In sum, then, the *level* of urbanization in the world's wealthiest countries is quite high: about three quarters of the population in the world's wealthy, highly industrialized countries lives in urban areas, compared to about 38 percent in all 'developing' countries and only 23 percent in the 'least-developed' countries. But the *rate* or *pace* of urbanization is fastest in the poorest, least-developed countries.[5]

Urbanization, Development, and Underdevelopment

These contrasts pose crucial questions. Is today's urbanization fundamentally different from that observed a century ago? Will poor countries now in the midst of rapid urbanization experience anything like the paths of development and prosperity enjoyed by cities in today's wealthiest countries?

We can identify four influential theories that shape debate on these questions.

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[3] Various figures from World Bank, *World Development Report 2009*, p. 5, p. 71. Gross Domestic Product (GDP) is one of the most widely used measures of total economic activity.

[4] Pacione, *Urban Geography*, 431.

[5] As one illustration, the annual urbanization rate for all African countries combined stands at 1.6 percent (meaning that the percentage of the entire population living in cities is rising at 1.6 percent every year); this rate is more than five times the rate for all highly industrialized countries combined. United Nations Center for Human Settlements. 2002. *Cities in a Globalizing World: Global Report on Human Settlements 2001* [Prologue]. London: Earthscan Publications, 10.

Modernization Theory

Modernization theory is exemplified most clearly by the work of Walter W. Rostow in the 1960s.[6] This approach views development as an evolutionary, endogenous, and convergent process. Development and wealth, in this view, will eventually spread from the advanced industrial nations of Western Europe, Japan, and North America to poor countries around the world. Cities, particularly the large, primate cities that serve as economic and political gateways in poor countries, will act as the portals through which investments, and assistance will enter and transform 'traditional' rural societies. Cities will also serve as the leading edge of innovation, growth, and prosperity inside poor countries themselves -- creating the right internal or "endogenous" characteristics to enable poor countries to achieve development and economic growth.

Rostow's Five Stages

1. The traditional society.
2. The preconditions for take-off.
3. The take-off.
4. The drive to maturity.
5. The age of high mass consumption.

Modernization theory *portrays development as evolutionary, endogenous, and convergent.*

Cities serve as the gateways for investment and assistance to transform "traditional," rural society.

Cities also foster the best conditions for endogenous growth.

Rostow's model proposed that countries follow a natural, evolutionary process of development, passing through five distinct stages.

1. The **traditional society** is marked by a rural, agricultural economy and a rigid, obsolete political system based on hereditary or historical bases of elite power. Economic growth is slow and unpredictable, and most of the benefits go to a very small number of the established elites.

2. The **pre-conditions for take-off** appear when the rigid hierarchies of traditional society are de-stabilized. This may result from an external shock -- the introduction of new technologies from other countries that transform agricultural production or population health, for instance, or the end of colonial rule. But equally important is the emergence of a new class of *modernizing elite* -- a rising class either not reliant on the old traditional bases of power and privilege, or at least willing to abandon the old sources of wealth in order to pursue new paths of growth and development.

3. The **take-off** appears with a sudden surge of investment in new industries, and the emergence of rapid growth in one or two "leading sectors." The exploitation of a particular raw material, or the expansion of

[6] Rostow, *Stages*.

an industry devoted to producing goods for export, for instance, will foster rapid growth in employment, and earnings in a few leading sectors. At the same time,

> "political and social institutions are reshaped to permit the pursuit of growth to take root. This stage lasts, typically, about twenty years. According to Rostow, Britain reached this stage between 1783 and 1803, the USA in 1843-1860, Japan in 1878-1900, and India from 1950."[7]

4. In the **drive to maturity**, the rapid growth of the leading sectors supports a corresponding expansion of investment, earnings, and employment in other sectors -- with scientific and technological innovations spreading throughout the developing economy to create a more diversified base for growth and prosperity.

Rostow's theory was offered as a "Non-Communist Manifesto."

5. The age of **high mass consumption** arrives when diversified growth yields a self-sustaining source of investment to foster new rounds of innovation and growth.

> "Such is the productive power of the society that three strategic choices are available. Wealth can be concentrated in individual consumption (the USA), channeled into a welfare state (the UK) or used to build up global power (the former USSR)."[8]

The context of Rostow's model, introduced in the middle years of the twentieth century, is telling: the subtitle for his book, "A Non-Communist Manifesto," was an explicit warning to those countries that had recently achieved independence -- and those that were in the midst of struggling to become independent -- from colonial rule. These countries were facing a choice between the Western capitalist model and the socialist paths of the Soviet Union and China. Rostow's theory offered reassurance that the export-oriented capitalist path followed by Western Europe and the United States in the nineteenth century would deliver prosperity for newly-independent countries in the twentieth century. Equally important, Rostow's theory had power behind it: Rostow served as an influential advisor to U.S. Presidents, and played a crucial role in the development of U.S. foreign policy. Rostow had

> "an extraordinary faith in the view that all countries would one day learn to be modern in the American way. ... [He] was active in promoting the USA's war in Vietnam in line with this secular faith. Communism was a deviant ideology that had to be defeated. Peasants had to be pushed (or bombed) out of the countryside, where they were coming under the influence of the Vietcong."[9]

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[7] Pacione, *Urban Geography, Third Edition*, p. 451.
[8] Pacione, *Urban Geography, Third Edition*, p. 451.
[9] Stuart Corbridge (2009). "Underdevelopment." In Derek Gregory, Ron Johnston, Geraldine Pratt, Michael J. Watts, and Sarah Whatmore, eds., *The Dictionary of Human Geography, Fifth Edition*. West Sussex, UK: Wiley, p. 780.

Rostow's commitment to the stages of economic growth served as a prime example of theories that "shape the reality they try to study."[10]

Rostow's model is now a half-century old. But his approach continues to inspire countless contemporary thinkers and policy officials. Kenichi Ohmae, for instance, offers recommendations for countries to achieve the take-off, with a recipe on "How to Invite Prosperity from the Global Economy into a Region." Ohmae emphasizes the "four C's" of contemporary competition, as Communication/information, Capital/investment, Corporation/industry, and Consumers/individuals, and he is quite optimistic that the decline of the nation-state will allow city-regions and city-states to jump rapidly through the stages of economic growth. "Go straight to Bangalore and you will see a cybercity with a future. Bangalore has more IQ-based, mathematically competent people, in absolute numbers, than anywhere else on earth. ... So although you may be born in one of the poorest nations on earth there is opportunity to be quite prosperous -- by linking through satellite communications to the cybereconomy of the rest of the world."[11]

Dependency Theory

> *Frank's **dependency theory** suggests that poor countries are systematically barred from advancing along Rostow's stages of growth. Unequal trade and power relations mean that international capitalism "develops" wealthy countries even as it "under-develops" poor countries.*

Dependency theory is a diametrically opposed alternative to the predictions of modernization thinking. Andre Gunder Frank[12] proposed that poor countries are systematically barred from proceeding through the 'stages of growth' envisioned by modernization theorists. Frank's studies of Latin America convinced him that the successful cases of development could not be understood without reference to the failed cases. Poor countries are linked into networks of extraction and exploitation, and so they become trapped in a syndrome of dependency. Frank and other critical theorists challenged the way Rostow's modernization theorists used "underdeveloped" as a noun, to describe a failured or absence of wealth-promoting development characteristics. Frank's evidence suggested that the continued expansion of capitalism further *develops* wealthy countries even as it undermines and *underdevelops* poor countries. Frank

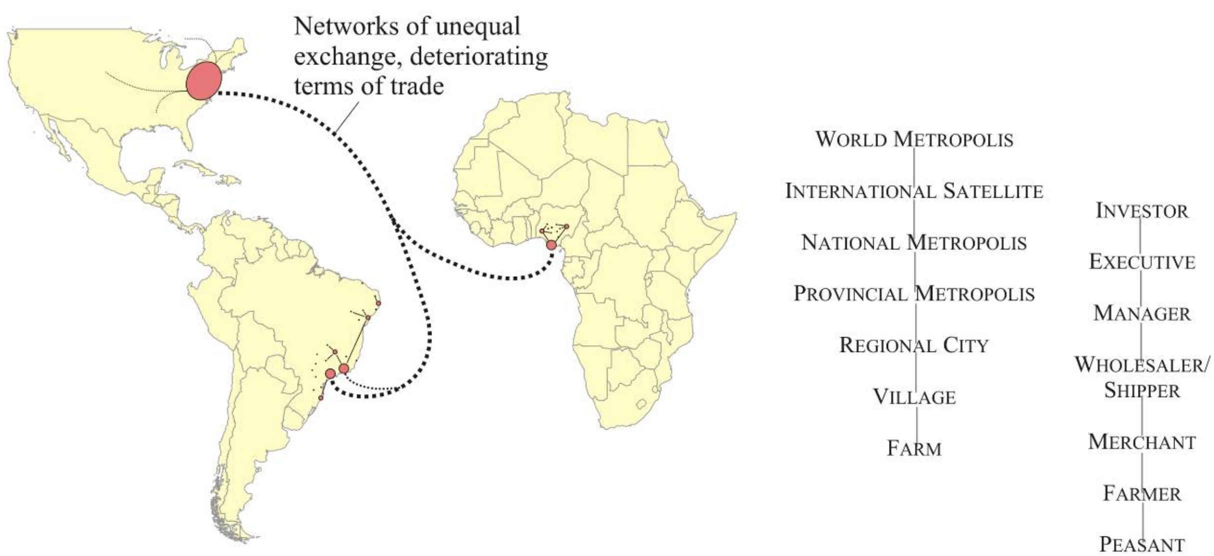
> "famously declared that while all countries had at some stage been undeveloped, only in the 'Third World' had some countries been *made* underdeveloped. Frank,

[10] Piki Ish-Shalom (2006). "Theory Gets Real, and the Case for a Normative Ethic: Rostow, Modernization Theory, and the Alliance for Progress." *International Studies Quarterly* 50(2), 287-311.
[11] Kenichi Ohmae (2001). "How to Invite Prosperity from the Global Economy into a Region." In Allen J. Scott, editor, *Global City-Regions: Trends, Theory, Policy*. New York: Oxford University Press, 33-43, quote from p. 37.
[12] Andre Gunder Frank (1967). *Capitalism and Underdevelopment in Latin America.* London: Monthly Review Press.

> in other words, moved to redefine underdevelopment as a verb. In his view it described not an original state of virgin forests and wilderness ... but a grim landscape of impoverishment that had been created as part of the development of the capitalist world system."[13]

Cities play crucial roles in dependency theory. City-regions in a wealthy *metropole* benefit from the exploitation of underdeveloped rural areas within their otherwise wealthy national territory, and they also benefit from unequal exchange that goes through cities in poorer, dependent *satellite* nations. The dominant city in a dependent satellite serves as a gateway that coordinates trading linkages -- and hence networks of unequal exchange and exploitation -- between the local society and the wealthy metropole. The hierarchies of cities, therefore, function also as hierarchies of exploitation -- connecting the wealthiest corporate officials and investors in the financial districts of the world's wealthiest cities to the "bottom billions" of slum dwellers and rural peasants in the world's poorest countries.

Dependency theory has been influential for many years. It does have its limitations, however. Its clarity relies on a simplified dichotomy between hegemonic, wealthy countries and exploited, dependent, poor countries. The theory was not able, therefore, to anticipate or explain the dramatic rise of once-poor countries like Taiwan and South Korea in the latter decades of the twentieth century.



Underdevelopment and Depenency. *Source*: drawn by Elvin Wyly, adapted and modified from Michael Pacione (2009). *Urban Geography: A Global Perspective, Third Edition.* New York: Routledge, p. 452, and J. Dickinson et al. (1996). *A Geography of the Third World.* London: Routledge.

Even so, dependency theory remains important and influential. Perhaps its most important contribution is to warn us against the **endogeneity obsession** of the modernization theorists. Recall that modernization theorists view development as endogenous -- an outcome of the

[13] Corbridge, "Underdevelopment," p. 780.

internal characteristics of countries. The word comes from the French *endogéne*, which refers to biological processes that originate within an organism. For development economists, endogenous growth is typically explained in terms of a country's natural resources, the skills and education of its people, its level of urbanization, or its policy choices. N. Gregory Mankiw, a conservative Harvard economist, appeals to this logic when he warns policy officials in Washington, DC to avoid the policy blunders of Japan and Greece (too much deficit spending), France (too much taxation), and Zimbabwe (where printing money led to so much hyperinflation that "if there were an award for the world's worst economic policy, it might well have won it several times...."). Mankiw calls these countries' bad policy choices "the four horsemen of the economic apocalypse."[14]

The ***endogeneity obsession:*** *the assumption that economic growth in a country or city can be fully explained by the internal characteristics of that place.*

Dependency theory reminds us that few countries are free to make policy choices that ignore the constraints of regional and global politics -- and that all present choices are shaped by history. Zimbabwe may well win awards for the world's worst economic policy, but we should not be too surprised if colonial influence from the 1850s to Rhodesia's independence in 1980 helped to create a climate for a dictatorial leader like Robert Mugabe.

The ***diffusionist assumption*** *of modernization theory: the idea that the wealthy, developed world has resources or characteristics that are lacking in the world's poor countries. In this view, the primary task of urbanization and development policy is to diffuse the needed resources or characteristics that are lacking in poor countries.*

The "fundamental premise" of dependency theory is that development and underdevelopment are "different outcomes of the same process."[15] This is a direct attack on the **diffusionist assumption** of modernization: the idea that the wealthy developed world has resources or characteristics that are lacking in the world's poor countries. In this view, the primary task of urbanization and/or development policy is to diffuse these needed resources or characteristics from where they are, to where they are most needed. Investment, imitation, or official development assistance are offered to nurture innovation, economic growth, or political reforms that will foster the expansion of a class that Rostow would call "the modernizing elite." This kind of thinking is quite seductive, and there is no question that many regions of the world do have many urgent needs for investment, technology, and assistance. Yet there is in fact very little direct assistance to those who most need it. Foreign aid

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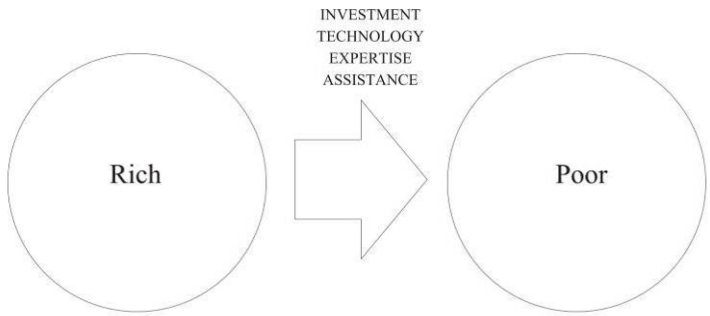
[14] N. Gregory Mankiw (2011). "Four Nations, Four Lessons." *New York Times*, October 23, BU7.
[15] Pacione, *Urban Geography, Third Edition*, p. 452.

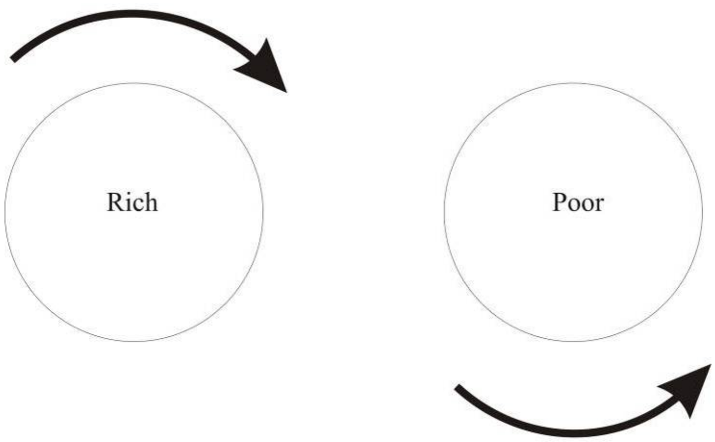
amounts to less than 0.5 percent of the gross income of wealthy donor countries.[16] Most transfers involve investment, and it is here where dependency theory is a crucial reminder that not all market transactions are fair, equal, or voluntary. In particular, many countries that served as sources of raw material and labor (sometimes forced) under colonialism remain trapped in very unfavorable terms of trade today. Exporting agricultural products or natural resources provides less revenue compared to the costs of manufactured and high-technology goods -- and this disparity has widened over time. By one measure (and excluding the special case of petroleum), the relative value of agricultural and natural resources exports compared with manufactured good declined by two thirds in the second half of the twentieth century.[17] Dependency theory emphasizes that under such conditions of systematically unequal exchange, every cycle of growth and expansion of certain favored regions, cities, or classes will drive a corresponding cycle of exploitation and impoverishment of other regions, cities, or classes. These opposing views of the development process continue to divide scholars and policy officials today. Dependency theorists see ongoing exploitation, while modernization theorists consider the nineteenth-century poverty of today's wealthy cities like London, and offer an optimistic declaration that "Yesterday's slums are today's world-class cities."[18]

Foreign aid amounts to less than 0.5 percent of the gross income of wealthy donor countries.

[16] World Bank, *World Development Report 2009*, p. 5.
[17] Eric Sheppard, Philip W. Porter, David R. Faust, and Richa Nagar (2009). *A World of Difference.* New York: Guilford, p. 397.
[18] World Bank, *World Development Report 2009*, p. 68.



The "diffusion of development" metaphor



The "development of underdevelopment" metaphor

Two Views of the Development Process. Source: Adapted from Peter R. Gould (1985). *The Geographer At Work*. London: Routledge and Kegan Paul.

World-Systems Theory

World-systems theory shares many of the critical views of dependency theory, but is not quite so determinist in its predictions. Immanuel Wallerstein[19] proposed an historical-structural perspective to account for the exceptions to dependency theory: under certain conditions, it is sometimes possible for countries, regions, and cities to change their relative positions in the world economy. Economic and urban development paths, in this view, are interdependent. A wealthy **core** of countries with economic and political power are able to dominate and exploit the nations of a vast, poor, underdeveloped **periphery**; but in between these two extremes, there is an unstable and intensely competitive group of rapidly-developing countries in the **semi-periphery**. Over the past two centuries, all of the world's populated zones have gradually been

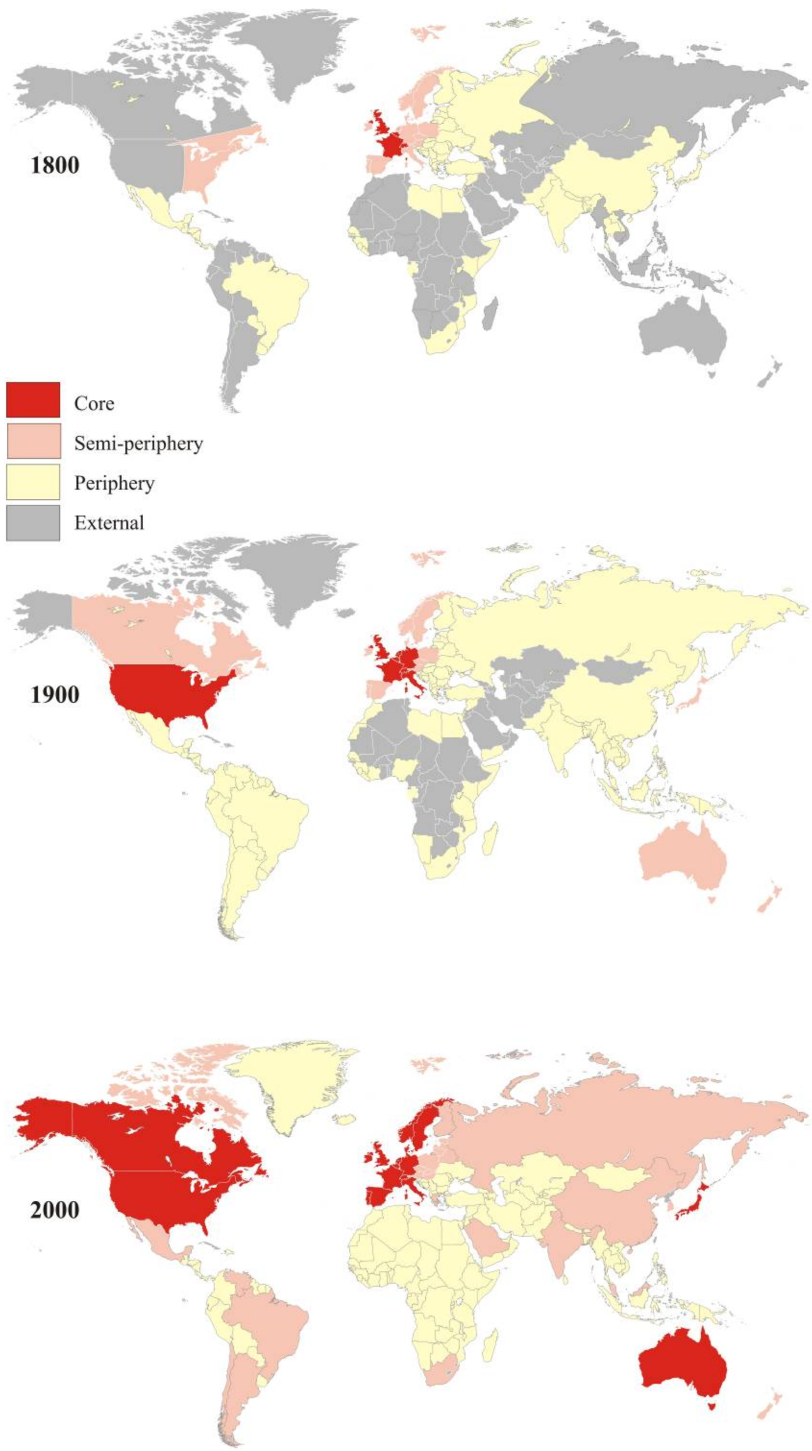
[19] Imannuel Wallerstein (1974). *The Modern World System*. London: Academic Press. Wallerstein, currently with positions at Yale and Binghamton University, has published widely since his initial formulation, and one of the most recent is Immanuel Wallerstein (2004). *World-Systems Analysis: An Introduction*. Durham, NC: Duke University Press.

incorporated into trading and investment networks dominated by capitalist processes. Most countries that were part of the poor, exploited periphery under colonialism in 1800 have remained in the periphery up to the present day, but there are notable exceptions. By the end of the twentieth century, the semi-periphery accounted for almost half the world's population. The semi-periphery is intensely competitive, and achieves sustained economic growth in part through the exploitation of the poorer zones of the periphery -- even as semi-peripheral countries are themselves exploited by the wealthiest nations of the core.

*Wallerstein's **world-systems theory** emphasizes the importance of analyzing cities, regions, and countries as all part of an independent, global network of political and economic competition. A wealthy dominant **core** enjoys control over most of the world's wealth and strategic power. A poor **periphery** is excluded from most opportunities, and faces systematic exploitation and marginalization. But a dynamic, unstable, and constantly shifting terrain of cities and countries in the **semi-periphery** is able to escape the worst poverty, and to achieve a "middle level" of development. Places in the semi-periphery are able to exploit the poorer places of the periphery, even while facing domination from the powerful core.*

While world-systems theorists use terms like "semi-periphery" to describe these fast-growing economies, investors and corporate officials prefer the simpler language of "emerging markets," or the "BRIC" countries: Brazil, Russia, India, China.

In world-systems theory, the size, role and characteristics of individual cities reflect the relative position of various societies in a competitive world economy.



Approximations of The World-System in 1800, 1900, and 2000. *Source:* Adapted and modified from Paul L. Knox, Sallie A. Marston, and Alan E. Nash (2010). *Human Geography: Places and Regions in Global Context, Third Canadian Edition.* Toronto: Pearson Canada, p. 53. Map template created by Felipe Menegaz, license under GNU Free Documentation License.

Stages of Colonial Urbanization

Finally, a more explicitly historical theory of the *'Stages of Colonial Urbanization'* has been developed by David Drakakis-Smith.[20] His perspective emphasizes the varied histories and trajectories of peripheral urbanization, which are deeply influenced by colonial processes and subsequent post-colonial and globalization processes. Drakakis-Smith identifies seven distinct stages.[21] First, a pre-contact period (prior to the arrival of significant colonial forces) is marked by small, organically patterned towns, usually with short-range, localized trading relations. Second, a period of mercantile colonialism began around 1500; at this point, a limited colonial presence began to change existing port settlements with increasing trade in natural resources from local hinterlands. Third, a transitional phase of colonialism began to set in around 1800. As Europe began the changes associated with what we now call the Industrial Revolution, colonial powers (temporarily) had less interest in overseas investments. By 1850, however, a fourth phase, industrial colonialism, saw a remarkable resurgence of European needs for cheap raw materials and food. Colonial expansion and rivalry began to have deep effects on territorial form, giving rise to new settlement patterns and morphologies (spatial forms and processes of growth and development). A fifth phase, late colonialism, reached its height around 1920. European influences on city spatial structure intensified, and extended to smaller towns in the urban hierarchy. This phase also brought increased racial and ethnic segregation. Sixth, an early independence phase (circa 1960) brought rapid growth of local populations as rural migrants came to large cities in search of employment. Rapid city growth was accompanied by massive expansion of informal housing and labor markets.

Finally, a seventh phase has been underway since about 1970. In this 'New International Division of Labor' period, cities in poor countries have emerged as attractive factory locations for multinational corporations. Migration-driven growth has continued, along with increased social polarization.

Drakakis-Smith's model was initially developed to describe Asian cities' relation to colonialism, and so the precise dates associated with each of the phases varies in different parts of the colonial world. But this model has been widely influential as a general model of colonialism and its effect on urbanization. The crucial point is that contemporary urbanization in poor countries has, with very few exceptions, been deeply shaped by colonial processes; but colonialism was far from unitary, and its local variations created opportunities for local, contextual differences and contingent processes.

Contingency and Contestation

The contextual differences and contingencies highlighted in the history of colonialism matter enormously. Debate thus continues on explanations for development, the role of cities in the development process, and the merits of alternative proposals to improve the lives of billions of poor people -- more and more of them moving from rural agricultural areas to slums on the edges of megacities. Three aspects of these debates are most important.

[20] David Drakakis-Smith (1987). *The Third-World City*. London: Methuen.
[21] This summary is adapted from Pacione, *Urban Geography*, 437-440.

First, modernization theory continues to dominate mainstream policy discussions on development, even if it is rare today to see explicit mentions of Rostow or his "Non-Communist Manifesto." It is clear that the world's poorest cities and countries are lacking in wealth, investment, innovations, and political power for disenfranchised peoples; and so it is hard to argue against the idea of doing something, *anything* to diffuse resources from wealthy places to poorer ones. It is also the case that, when viewed cross-sectionally -- looking at the characteristics of cities or countries at a given point in time, and then comparing their levels of wealth or development -- the urban predictions of modernist theory seem to make sense. If we compare countries' wealth to their levels of urbanization, the relationship is quite strong indeed. In these kinds of studies, wealth is usually measured as Gross Domestic Product (GDP) per capita: the total economic value of all goods and services in a national economy, divided by the total population. If we graph GDP per capita as a function of the percentage of the population living in urban areas, we see a quite strong relationship: highly urbanized countries are almost always wealthier than less urbanized countries (see the graphs below). This pattern holds surprisingly well across the entire half century between 1960 and 2010. Over time we can see the simultaneous increase in income and urbanization for the large populations of China and India. More in-depth longitudinal analysis analyzing the urbanization path of today's poor countries, and comparing these historical trends to today's wealthiest countries during corresponding periods of historical development -- provides further support. Urbanization correlates quite well with economic development.[22] This evidence seems to provide compelling support for the relationship between economic advancement and the central place network processes of urban-geographical theory:

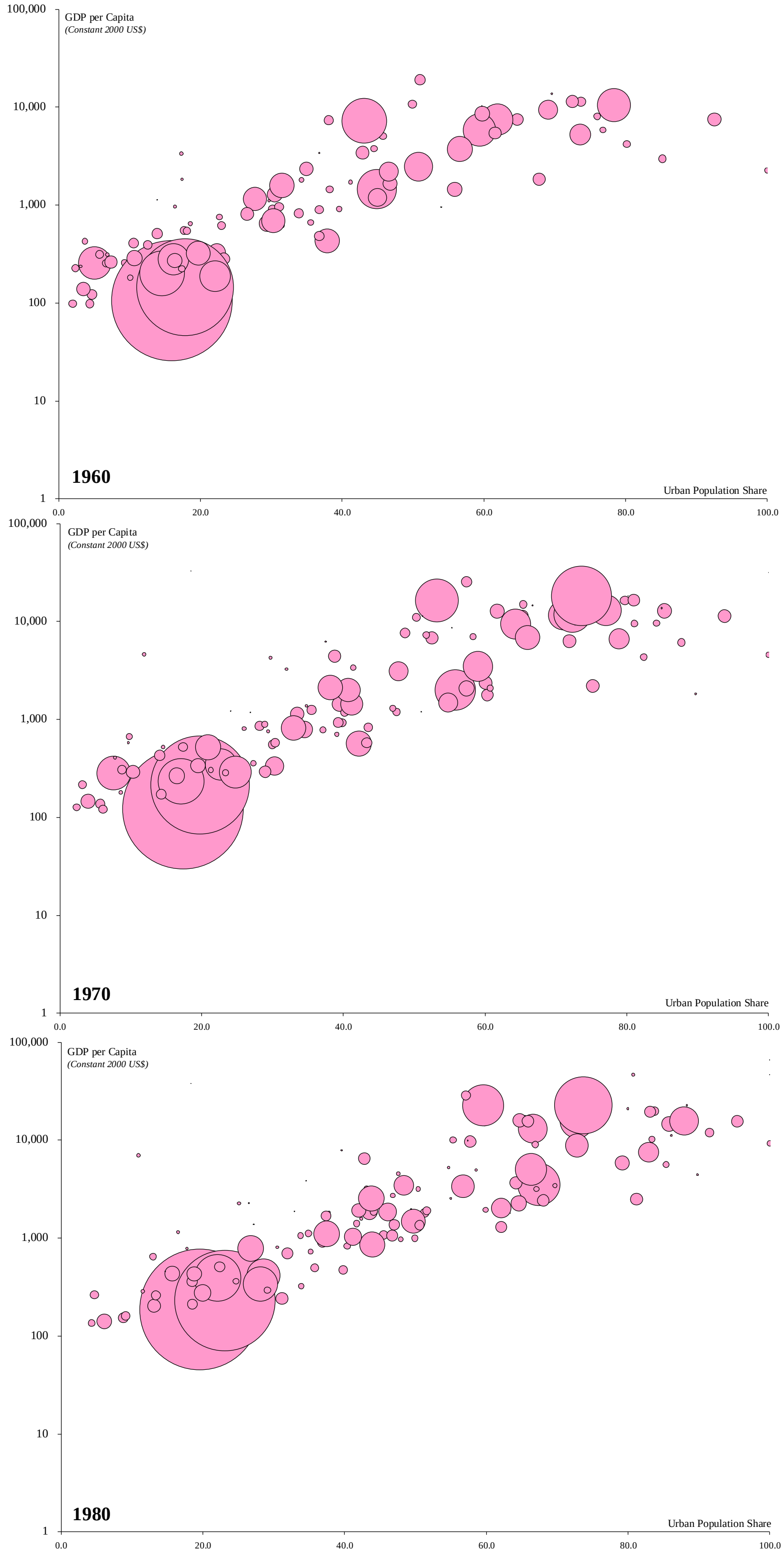
National wealth, measured as Gross Domestic Product (GDP) per capita, is closely correlated with levels of urbanization: ***most*** *of the higher-income countries are highly urbanized, and most of the lower-income countries are less urbanized.*

But not all of the highly-urbanized countries get to be high-income. Urbanization does not guarantee wealth or prosperity.

Instead, urbanization and societal wealth, in fact, are caused by deeper, structural relations within and between countries in a globally-connected world -- but a world where locality still matters. As the World Bank itself wrote in a recent World Development Report, "The World is Not Flat."

> "In the early stages of development, when an economy is primarily agrarian, people live spread out on farmland. Even the largest towns and cities are small.

[22] See World Bank, *World Development Report 2009*, pp. 59-60.



Urban settlements are likely to be small port cities and market towns, serving the rural needs and trading surpluses of agriculture. Industrialization brings with it a rapid process of urbanization -- new cities are born, and existing cities expand. As people crowd into these cities at a faster rate than their boundaries expand, population and economic density increase. Quite early in a country's development, this leads to a hierarchy of places."[23]

The central-place hierarchy develops simultaneously with the transition from agriculture to industry, and then from manufacturing to services. The first, rapid phase of modernizing urbanization

"coincides with the transition from a rural to an urban economy. The second phase of urbanization, at a slower rate and a much higher level of development, is linked to a within-urban evolution. In most countries, these transformations happen at

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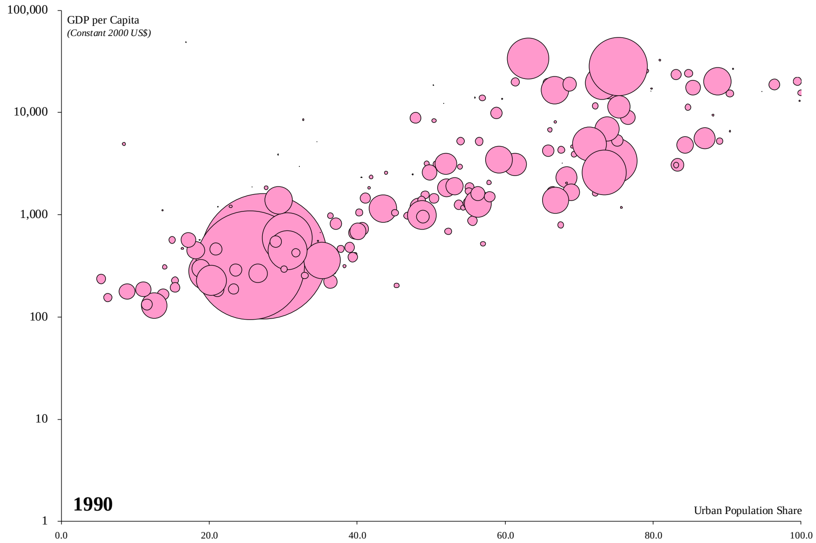
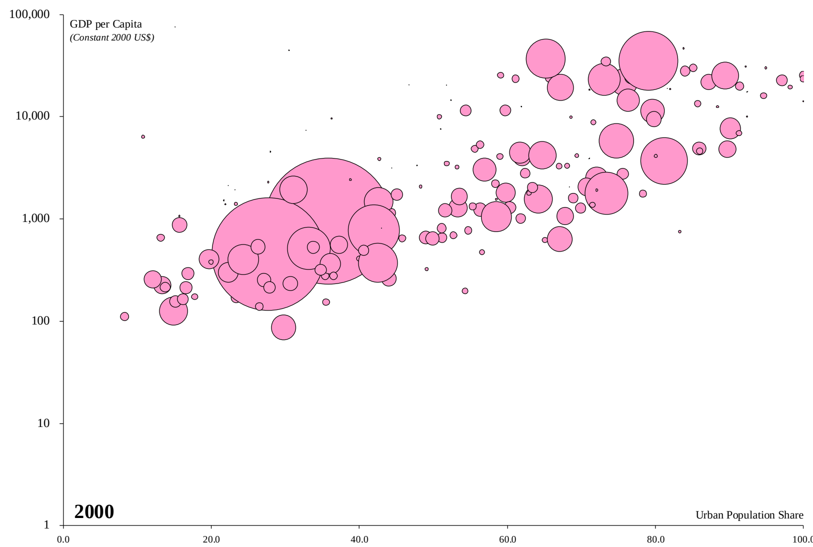
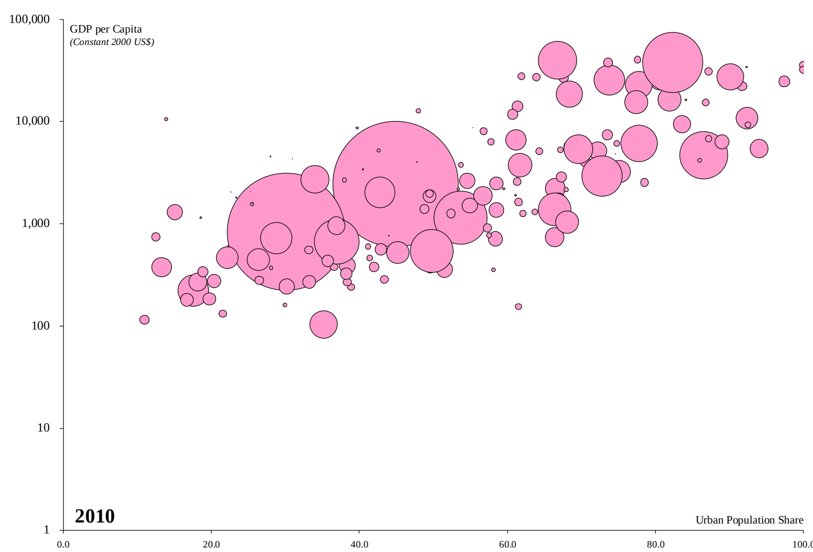
[23] World Bank, *World Development Report 2009*, p. 57.





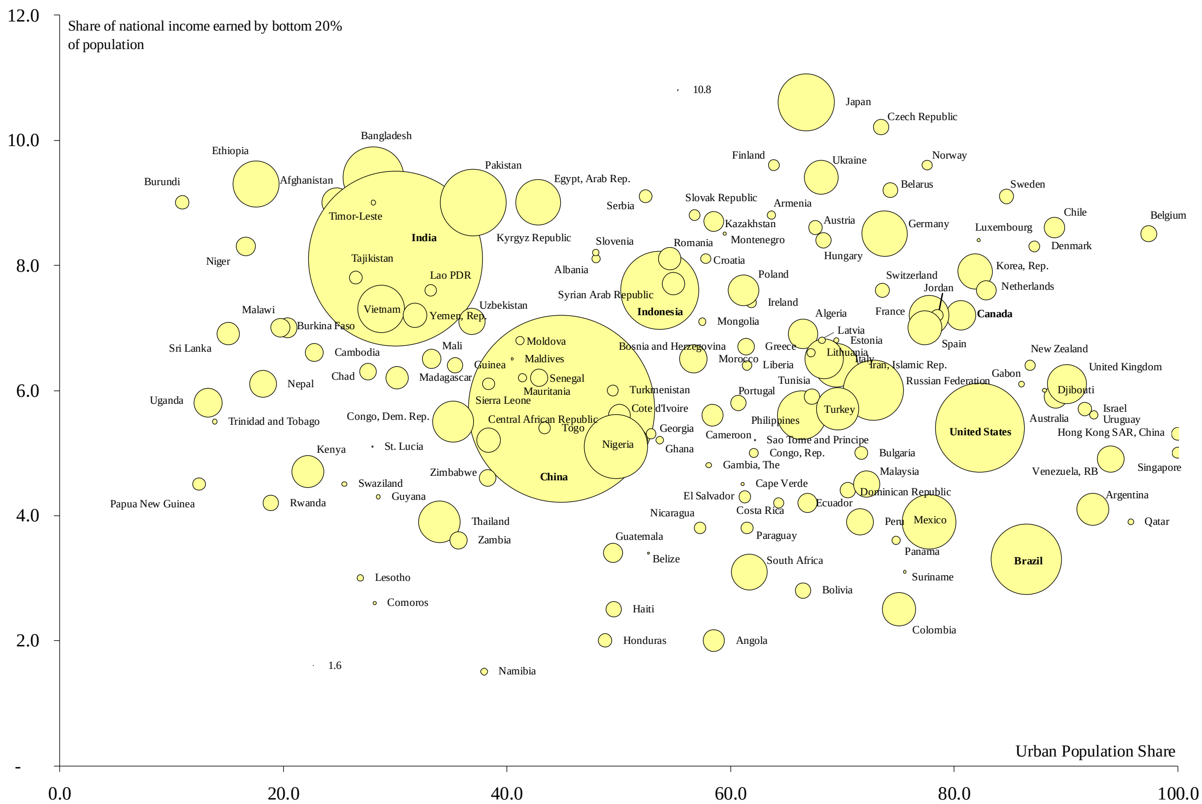


the same time but in different areas."[24]

Evidence for the Case of Urbanization and Modernization. The essential idea of urban-modernization theory can be tested by plotting wealth (as measured with gross domestic product per capita) on the vertical axis, as a function of urbanization on the horizontal axis. Circles are scaled for respective country populations. There is a strong, linear relationship between the log of wealth and the national level of urbanization. Note, however, the much wider range of per-capita incomes for majority-urban countries in the 2000 and 2010 graphs: becoming a majority-urban country is no guarantee of economic growth and broadly-shared wealth. *Data Source:* The World Bank (2011). *World Development Indicators Database.* Washington, DC: International Bank for Reconstruction and Development. http://www.worldbank.org

[24] World Bank, *World Development Report 2009*, p. 57.

The data on the wealth-urbanization link seems persuasive, but it is not definitive. Note that in 1960, all the world's wealthy, highly urbanized countries fall in a quite narrow range of GDP per capita in the upper-right-hand quadrant of the graph. By the early twenty-first century, however, the income ranges of highly urbanized societies (after adjusting for inflation) had widened considerably. Many majority-urban countries are indeed wealthy, such as Luxembourg (GDP per capita of US$54,100), the U.S. ($37,800), Hong Kong ($35,500), Singapore ($32,000), and Canada ($25,590). But other majority-urban countries have not fared quite so well: the Philippines ($1,383), Ukraine ($1,035), Iraq ($736), Cameroon ($709), and Liberia ($155). Urbanization has, at least in part, become unhinged from economic development. Development, moreover, remains highly uneven and unequal within countries. One measure of inequality is the share of national income held by the poorest fifth of each society. This measure shows absolutely no correlation with urbanization. The absence of a correlation is troubling in light of estimates that the world's slum population will rise from today's one billion to two billion by 2030, and to three billion in 2050.



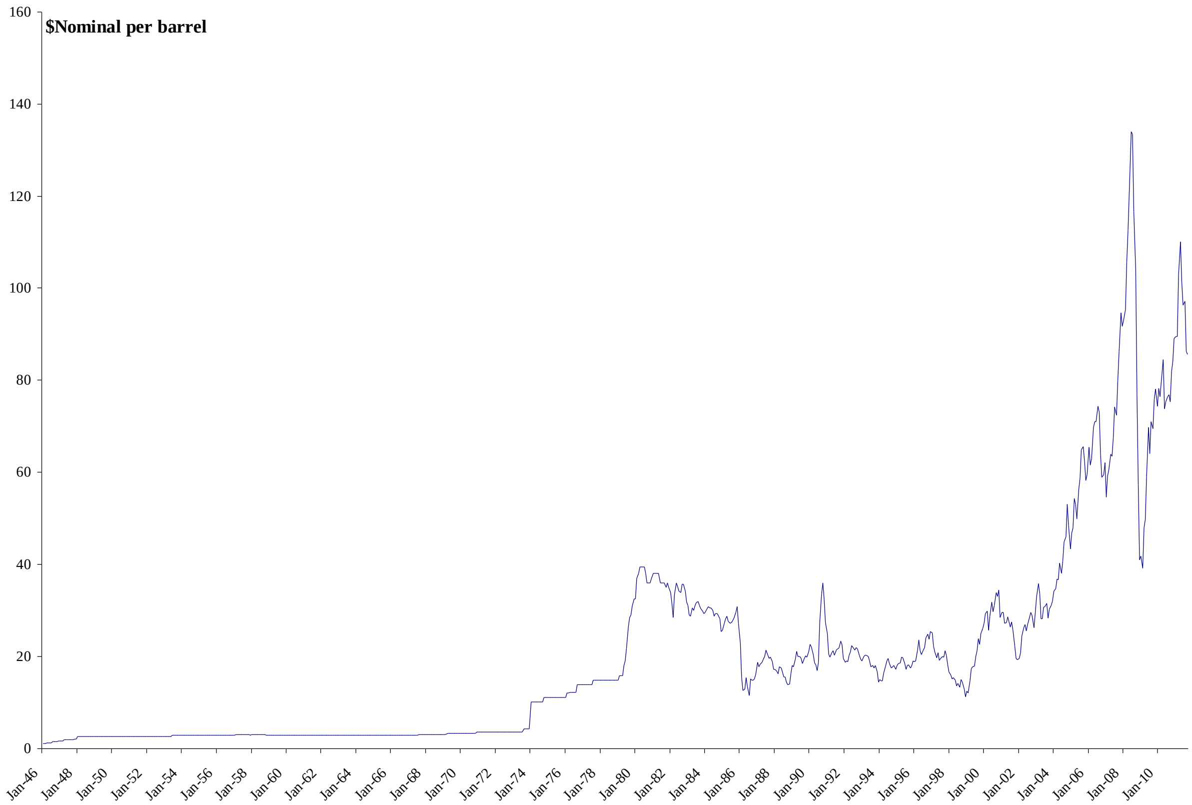
Urbanization and Income Inequality. *Data Sources:* Urban population shares from The World Bank (2011). *World Development Indicators Database*. Washington, DC: International Bank for Reconstruction and Development. http://www.worldbank.org; bottom twenty percent income share from most recent year available (most between 2000 and 2010), from United Nations (2011). *Millennium Development Goals Database*. New York: United Nations.

In addition to the important questions of inequality, however, all of these analyses of the wealth-urbanization link depend on a crucial measurement assumption: *the idea that human well-being* *can be accurately summarized by Gross Domestic Product per capita*. There is now widespread agreement that GDP per capita is a fundamentally flawed measure: it is defined solely in terms of how much of society is included in the realm of formal economic counting. Once something is included in the formal, monetized economy, then increases in the costs of that activity wind up getting counted as increases in GDP per capita -- creating the presumption of increased prosperity. For some economic activities, this is of course quite reasonable. But for others, it doesn't make sense: spending huge sums of money on military equipment, or on the security functions of a police state, can turbocharge key segments of an economy. But they are not a sign of economic development or shared prosperity.

Shifting Terms of Trade

Second, some of the key assumptions of dependency and world-systems theory have been undermined by major empirical shifts in the world economy. Recall that dependency theory and world-systems theory generally predict that poor countries reliant on natural resources will face poor and deteriorating **terms of trade** -- the balance between the earnings from exporting minerals, forestry products, or other natural resources, versus the costs of importing manufacturing goods. For most of the twentieth century, poor countries did indeed face poor and worsening terms of trade. But there have been exceptions -- and they are increasingly important ones. The prices of key natural resources have swung wildly in recent years, in part because for the first time in history nearly all of the world's populated territories are functionally integrated into a globalized capitalist economy. In the 1970s and early 1980s, wars between Israel and Arab countries led to embargos and dramatic -- but short-lived -- increases in oil prices. Then, after a period of consistently low prices in the 1990s, costs began a steady upward march in the first decade of the twenty-first century. In late 1998, oil prices fell below $12 per barrel -- when adjusted for inflation, the lowest price ever recorded for petroleum. Beginning in 2003, however -- with anticipation of the U.S. invasion of Iraq -- oil prices began a sustained increase that exceeded $133 per barrel in the summer of 2008. Several days, the price shot above $150, and one day it went to $160, before gradually slipping back as the world slipped into the worst global economic crisis since the Great Depression of the

1930s.



Nominal Oil Prices, 1947-2010. *Data Source:* Spot Price for West Texas Intermediate Crude, Monthly. St. Louis: Federal Reserve Bank of St. Louis.

Petroleum has provided one of the major exceptions to the general rule of declining terms of trade between poor countries' primary-sector exports and high-income countries' manufactured exports. Oil has allowed some countries to partially slow the declining terms of trade. Even after factoring in oil prices, however, the terms of trade for poor countries have slipped by more than half between 1950 and 2003.[25]

These contingencies do not render these theories worthless. But they do require us to consider the particular circumstances of time and place. Many parts of South America, for example, are either considered the 'semi-periphery' or 'periphery' in World-Systems perspectives, for example. But the boom in energy prices of the past decade has certainly created new opportunities for surprising developments. With rising oil wealth, Venezuela's leftist populist president, Hugo Chavez, pursued increasingly creative ways of using the country's revenues -- and not only for internal development goals. He also announced plans to create a Latin American financial institution that would rival the International Monetary Fund. Then he saw an opportunity to lampoon the United States by drawing attention to conservatives' budget cuts in programs that help poor residents in cold northern cities pay their heating bills in the winter. In a five-year period, Chavez's state-owned oil company delivered some 83 million barrels of crude oil at no cost to Citizens Energy Corporation, a nonprofit founded in the 1970s by Joseph P.

[25] See Sheppard et al., *Difference,* p. 397.

Kennedy, III. Citizens re-sold the oil and used the proceeds to pay for oil deliveries to poor residents in U.S. cities. Kennedy's 1-877-JOE-4-OIL campaign delivers free fuel to an estimated 200,000 households in 23 states.[26] Chavez also donated several million dollars directly to a network of non-profit community organizations in the South Bronx, a very poor section of New York City.

Countries in the periphery have generally experienced worsening ***terms of trade****: their earnings from exports come from natural resources and agricultural commodities, while they must pay rising costs for imports of advanced manufacturing goods and services.*

Petroleum is one of the major exceptions, however -- providing major earnings to some parts of the periphery and semi-periphery.

Even after factoring in oil prices, however, the terms of trade for poor countries have fallen by more than half between 1950 and 2003.

Evo Morales, Bolivia's first indigenous president, was also able to capitalize on the increased revenues from hydrocarbons – from $440 million in 2004 to more than $1.5 billion in 2006 – for enhanced development investment. In September, 2007, Morales came to the United Nations in New York, and

"While other heads of state were meeting with bankers and billionaires, Morales asked his staff to set up a meeting with U.S. grassroots leaders so he could learn about our struggles and how we could work together."

Morales also went on *The Daily Show* with John Stewart, and

"told millions of Americans how his government's policies have brought hundreds of millions of dollars for the nation's poor – that would have gone to foreign corporate coffers – through the nationalization of oil and gas."[27]

[26] Kate Phillips (2009). "Kennedy Connection to Chavez and Citgo." *New York Times*, The Caucus, September 6.
[27] Quotes from Deborah James and Medea Benjamin (2007). "Bolivia's Evo Morales Wins Hearts and Minds in U.S." *Common Dreams,* October 1.

First World or Third? A street bilboard advertisement for Joe Kennedy's heating-oil assistance program, in the poor South Bronx section of New York City, December 2007 (Elvin Wyly). The assistance comes from crude oil donations supplied by Citgo, Venezuela's state-owned oil company.

New Scales: "Glocalization"

The third major change in development debates in recent years involves new scales of analysis, activism, and policy. Many of the policy elites inside large multilateral organizations have become ever more frustrated with the failures of governments in poor countries -- and so have progressive and radical theorists, organizers, and activists.

New thinking now permeates certain non-profit organizations, such as the United Nations Center for Human Settlements (also called 'Habitat').[28] The anonymous authors of several recent Habitat publications show a remarkable[29] sensitivity to current theories of the relationship between globalization and cities. "...a strategy towards more resilient economies calls for policies that localize the potential for development across national space rather than global regions."[30] "Globalization necessarily materializes in specific institutional arrangements in

[28] United Nations Center for Human Settlements (2002). *Cities in a Globalizing World: Global Report on Human Settlements, 2001*. London: EarthScan Publications.
[29] although sometimes selective.
[30] United Nations Center, *Cities in a Globalizing World*, xxxiii.

specific places, many of which are in cities. 'Glocalization' is a term used to describe the dialectic interdependence of the local and global dimensions of economic, political and cultural processes."[31] Large cities and city-regions, therefore, have abundant opportunities to change the local effects of investment and production decisions by transnational corporations and investors. Even disadvantaged local populations, in this view, can advance rights claims at the local level, and with the increased attractiveness of many cities for transnational investors, "cities are increasingly strategic sites in the realization of these claims. ... the emergence of new forms of governance and the formation of civil society organizations in the interstices of existing arrangements reflect a 'globalization-from-below' whose articulation happens in transnational networks across urban nodes."[32] Ultimately, however, this perspective risks placing the burden of response to the polarization of transnational investment flows on those entities with the weakest strategic position: "in many cities there has been a shift in the policies of urban government from managerialism to entrepreneurialism. This entrepreneurial attitude views the city as a product that needs to be marketed." Unfortunately, the acceleration of transnational investment flows comes with an acceleration in transnational *disinvestment* flows, demanding increased entrepreneurial competition with no guarantee for any one city's marketing strategy.

Urban poverty in the global periphery is based on the structured inequalities of global economic relations: to understand poverty in a particular city or country, we have to understand its relation to transnational relations of trade, investment, migration, and political power.

Major international institutions like the World Bank and the International Monetary Fund, however, continue to pursue strategies based on modernization theory.

Contemporary perspectives on urbanization in the global periphery, then, are marked by a sharp contrast. Most scholars in the humanities and social sciences are persuaded by a critical perspective that implicates the structured inequalities of global economic relations, or specifically the wealthy nation-states of the world's powerful "core," in creating the conditions of urban poverty in the global periphery. But policy officials at multilateral organizations like the International Monetary Fund and the World Bank continue to pursue strategies premised on modernization theory. These strategies typically emphasize technology transfer, improved public management and governance, the attraction of foreign investment, the use of market incentives to improve efficiency, measures to improve accountability and root out corruption, and as we've seen above, efforts to strengthen "civil society."

But of course all of these phrases raise more questions than they answer. Who could object to more accountability, efficiency, and improved management? But what, precisely, do these terms mean? And the new discourse on 'glocalization,' and the interdependency of different parts of

[31] United Nations Center, *Cities in a Globalizing World*, xxxiii.
[32] United Nations Center, *Cities in a Globalizing World*, xxxiii.

the world, seems to have sidestepped the critical questions of neocolonialism raised by Wallerstein and other scholars. Consider, for instance, how James D. Wolfensohn, President of the World Bank until a few years ago, described some of his travels:

> "...I had these problems brought home to me very strongly after my last visit to Los Angeles. I came at the invitation of the Cardinal to take a look at the South-Central area of the city. I visited the St. Francis Cabrini Community Center, which deals with immigrants, and the problems of poverty. Shortly after that I went to Honduras, where I visited a center -- if that is what it could be called -- a sort of dilapidated house that was available to street kids. The kids came in every day, because they had nowhere to live; they left their drugs and their weapons at the door; and there was Father Albert who looked after them. There was also a very tough-looking guy who was there to try to guide and assist them. And he spoke English. So I asked him, 'Where did you learn English?' He said, 'In South-Central.' I said, 'Do you know St. Francis Cabrini Community Center?' He said, 'Yes, but I didn't make use of it, so they arrested me and threw me out of the country.' There he was, reformed, telling the kids that if they went down his path the chances were that they would end up in jail. He was telling them that they should not end up in South-Central Los Angeles to make trouble.'
>
> This curious nexus between my visit to Los Angeles and a visit to an environment in Honduras that catered to street kids brought home to me that geographic boundaries are no longer relevant. ... There is a direct and immediate link that is forged between developing countries and global city-regions like Los Angeles."[33]

There is indeed a direct and immediate link. But Wolfensohn views this link purely in individual terms -- migrants from poor countries to rich countries who wind up in poor neighborhoods in the rich countries and who have to return. And yet geographic boundaries are no longer relevant? Border controls, prisons, deportation orders -- these have nothing to do with geographic boundaries? Aren't these mechanisms of control and exclusion relevant to an understanding of individual lives? To be sure, Wolfensohn's speech does go on to discuss broader, institutional connections between rich and poor countries, and systematic processes. But the entire narrative is one of a modernized modernization theory, with plans to improve infrastructure, nurture civil society, and forge partnerships to "lift" people out of poverty.

> "We in the Bank have had the privilege of helping to lift five million people in urban slums out of poverty in Indonesia. We have worked with millions of people in Brazil. I have been to these areas, and their stories make you want to weep."[34]

Many scholars want to weep as well. And many do not share the optimistic view of linear progress, developmental thinking, and diffusionist assumptions that these problems can be

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[33] James D. Wolfensohn (2001). "The World Bank and Global City-Regions: Reaching the Poor." In Allen J. Scott, ed., *Global City Regions: Trends, Theory, Policy*. New York: Oxford University Press, 44-58, quotes from p. 44.
[34] Wolfensohn, "World Bank," p. 48.

solved by injecting small doses of capital, technology, or 'best practices' on urban management. Some scholars take the view that neo-colonial relations will have to reach a genuine crisis point before anything will change in the fundamental structures of inequality. We can see hints of this thinking in Immanuel Wallerstein's view of recent years of U.S. foreign policy on the current structure of the world system:

> "Since the end of the Second World War, the geopolitics of the world-system has traversed three different phases. From 1945 until around 1970 the US exercised unquestioned hegemony in the world-system. This began to decline during the period between 1970 and 2001, but the extent of the decline was limited by the strategy that the US evolved to delay and minimize the effects of its loss of ascendancy. Since 2001 the US has sought to recuperate its standing by more unilateralist policies, which have, however, boomeranged -- indeed actually accelerating the speed and depth of its decline."[35]

Lagos, Nigeria was once known as the 'Venice of West Africa.'

For decades after the wave of de-colonization in the 1960s, sub-Saharan Africa's largest city was ignored by most of the world.

Now, however, Lagos has become the subject of major art exhibits and large-scale academic studies of urban design.

Others emphasize that the broad outlines of poverty in the global periphery are unlikely to change in a fundamental way, but that there are limited opportunities in particular places to change the rules of the game. And others seek to chronicle the ever more striking contradictions in the evolving web of connections between core and periphery, wealth and poverty, cultural hegemony and daily survival. For Matthew Gandy, for example, a previous generation's architectural obsession with "Learning from Las Vegas" has now turned its eyes south, and more of the elite are "Learning from Lagos":

> "After decades of neglect, sub-Saharan Africa's largest metropolis has suddenly found itself under intense critical scrutiny. The new attention comes not so much from development specialists or Africa scholars but from a high-profile convergence of architectural and cultural theory and critical urban studies, often focused around international art exhibitions. Once known as the 'Venice of West Africa,' Nigeria's former capital -- a smoky expanse of concrete and shanty-towns, sprawling for miles across the islands, waterways, and onshore hinterland of the Lagos Lagoon -- has become the subject of such mega-shows as Century City (2001) in London and Africa's The Artist and the City (2001) in Barcelona, and featured prominently in the 2002 Documenta II in Kassel. The Harvard School of

[35] Immanuel Wallerstein (2006). "The Curve of American Power." *New Left Review* 40, July/August, 77-94, quote from p. 77.

> Design's Project on the City, led by the Dutch architect Rem Koolhas, has announced its intention to produce a whole book devoted to Lagos."[36]

Gandy takes a dim view of what is an indisputably sophisticated suite of intellectual enterprises. He sees it as nothing other than a new form of colonial exploration, exploitation, and extraction. "In the 19th century, colonial campaigns aimed to impose new forms of power relations; is the goal of 21st century exploration nothing more than to celebrate the outcome of existing ones?"[37]

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[36] Matthew Gandy (2005). "Learning from Lagos." *New Left Review* 33, May/June, 37-52, quote from p. 37.
[37] Gandy, "Learning," p. 52.

Ananya Roy, "Poverty Capital: Microfinance and the Making of Development"

- *Microfinance* is the provision of financial services to the poor, through small "micro-credit" loans.
- Microfinance promises the "democratization of capital" and the "democratization of development."
- It has been called "bottom-billion capitalism"
- Pioneered by the Grameen Bank of Bangladesh, it is now extraordinarily popular: "a global phenomenon, stretching from Guatemala to Ghana."

- These are notes taken by Elvin Wyly, summarizing an excerpt from Professor Ananya Roy's lecture to the Liu Institute of Global Issues, The University of British Columbia, May, 2010.

- Microfinance has emerged as "an important new frontier market" for finance capital; it also promises to reach the "bottom of the pyramid, finally ending the redlining of the extreme poor."

- The alleviation of poverty is now "inserted into everyday actions of consumption," when consumers in rich cities of the Global North are asked to, for example, donate small amounts of money in the check-out lines of grocery stores.

- "Our choices empower, and we are in turn empowered."

- Microfinance is a "kinder, gentler" policy of development, in the wake of the "brutal neoliberalism" of structural adjustment in recent years.

- Microfinance is only 1 percent of *official* World Bank and UN development spending, but much larger when we consider the work of microcredit institutions, aid foundations, and multinational banks. It is now "everywhere," the "panacea of choice," touted as the solution to "everything from American inner-city poverty to the reconstruction of Afghanistan."

CGAP: The **Consultative Group to Assist the Poor**, part of the World Bank

- Part of a "Washington Consensus" on poverty
- Controls the "portals of knowledge," and has led a "near universal consensus"
- "What is measured is what is managed. We script, we manage, we control." -- CGAP manager
- Under CGAP, microfinance transforms development into "one of the most successful and fastest-growing industries in the world."

What it all means: "Debt, Data, Discipline"

- The global microfinance industry relies on "Heat maps" and the "panopticon" surveillance of microfinance *institutions*.
- The industry relies on biometric identity surveillance of microfinance *borrowers.*

"The biometrically scanned body of a Third World woman anchors these circuits of capital and truth."

"What is being produced here is poverty: transforming poverty into capital."

Microfinance is not aid or assistance: it is debt that relies on surveillance and discipline. One consultant describes it as "monetizing the promise of a poor woman."

Roy calls this "neoliberal populism": Microfinance "celebrates the people's economy, but it also positions them as a lucrative market for finance capital."