Urbanization as Opportunity

Paul Romer
The Urbanization Project
Stern School of Business
NYU
Successful urbanization can encourage catch up growth.
We also know that the world’s population will soon reach its steady state.
Because of the opportunities that cities offer, we know that the urban share of the population will increase.
Because of these two forces, the world is about to go through its peak period of urbanization. This means that existing cities in the developing world will have to become dramatically larger but also that it will be possible to start some entirely new cities.

As a result, the next 100 years give us an historic opportunity to plan for successful expansion of urban area and for the development of entirely new cities. However, we must act quickly. This opportunity will soon pass.
### Urban Residents and Population (Billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Urban Residents</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less Developed</td>
<td>More Developed</td>
</tr>
<tr>
<td>1910</td>
<td>0.04</td>
<td>0.15</td>
</tr>
<tr>
<td>2010</td>
<td>2.5</td>
<td>1.0</td>
</tr>
<tr>
<td>2110</td>
<td>7.3</td>
<td>1.2</td>
</tr>
<tr>
<td>2210</td>
<td>8.0</td>
<td>1.2</td>
</tr>
</tbody>
</table>

4.8 billion↑

In the next 100 years, the number of urban residents in the less developed regions of the world will roughly triple, from 2.5 billion to 7.3 billion.

If there are no new cities, the average population of cities in the developing world will need to increase by nearly 3 fold. Because urban density is declining, the built out area of these cities will have to increase by even more.
The plan enacted in New York city in 1811, which specified only the layout of the grid of streets, is a model for urban expansion. It planned for what seemed like an audacious 7 fold expansion of the built-out area of Manhattan. By following this plan, New York became the most successful city in North America.
This minimalist approach to planning allows the mobility and interactivity made possible by the dense, efficient grid of streets of New York ...
... instead of the congestion that has resulted from the unplanned private development of the streets of Bangkok. (To establish the scale, the red line in each figure is one kilometer long.)
Shenzhen and Flows of Foreign Technology Into China

The fundamental conjecture behind our work is that rapid progress in the developing world is technologically and economically feasible. This kind of progress is possible without any charitable transfers from rich countries to poor countries. Rich and poor countries could achieve it through mutually beneficial exchange.

One revealing type of evidence of the magnitude of the possible gains: workers who move from poor countries to rich countries enjoy gains on the order of a 5 to 10 fold increase in wages.

The bottleneck that keeps this from happening in the worker’s home country are social rules that slow down progress.

These rules persist in part because of weak systems of governance, which imply both a weak capacity for enacting laws and critically for enforcing laws. However, the problem with social rules extends more deeply. There is often a mismatch between the prevailing social norms and the norms that would be more appropriate in a modern, urban context.

If we use the rapid growth of the urban population to start some new entirely cities, governments can harness the dynamics of “opt-in” to a new system of rules; that is, to both new laws and new norms. It can achieve some of the same effects that we see when immigrants opt-in to an existing system of rules in a new country.

New cities can therefore foster the emergence of entirely new sets of norms like those that emerged in Shenzhen which supported, for the first time, the employment of Chinese citizens by foreign firms.

As in China, a successful new city can then be the model for change of norms and laws in other existing cities.
New cities could establish many valuable new norms and rules, such as those that the air is less polluted. Moreover, they could do so in nations where, for example, there simply is insufficient capacity for inspecting vehicles that burn liquid fuels and making sure that they operate as cleanly as possible.

A new city could, for example, have air that is as clean as in North America, New Zealand, and Australia simply by enacting much simpler rules that prohibit from the start, the burning of wood, charcoal, coal and all liquid fuels. Existing technology (e.g. natural gas powered electrical turbines and CNG powered vehicles) are feasible, low cost substitutes for the prevailing high pollution alternatives.