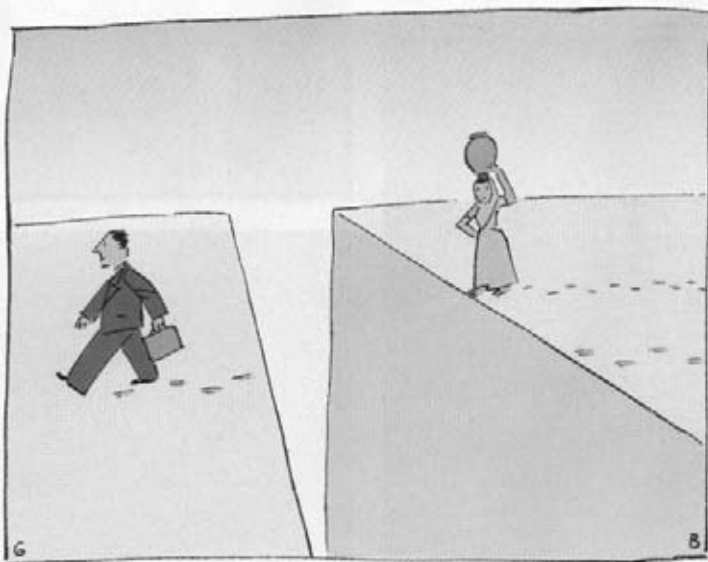


MINDING THE GAPS

If it is to meet the challenge of the new urban boom, Asia's poor must share in the region's economic progress

By Jeffrey D. Sachs



President John F. Kennedy once, when asked about a particular injustice, famously declared that "life is unfair." He wasn't being flippant or callous, just accurate. There is no practical reason to expect that everybody will share equally in economic progress, especially when it's market-based. The economic development of East Asia, and much of South Asia, has been dramatic and—for the most part—positive. Per capita income rose 5 percent per year in East Asia and 3 percent per year in South Asia during the 1990s. Life expectancy and literacy improved markedly. But the progress was also uneven, heavily favoring Asia's urban areas at the expense of the hinterland. The gains across ethnic groups, and between men and women, similarly diverged. We shouldn't doubt the reality of Asia's economic progress, but Asia must work hard to raise the quality and fairness of that progress.

Of course, there is no one road to follow. Occasionally, the basic formula of urban-led growth is reversed, with the dominant push coming from the countryside. That was true in Asia, for example, during the 1970s, when a major source of overall economic prosperity was the Green Revolution of higher agricultural productivity, built on a variety of high-yield crops. Many rural areas experienced faster growth than urban areas. Farm incomes soared in regions like the Indian Punjab. Similarly, during the first few years of China's market reforms in the early 1980s, peasants enjoyed a burst of farm productivity following the dismantling of the disastrous commune system, and the gap between the richer cities and the poor rural areas narrowed. But then coastal-based international trade kicked in. Foreign investment in export-oriented cities such as Shanghai and Shenzhen took off, and the gap between the rapidly growing coastal cities and the slowly

growing countryside widened enormously. Unfortunately, a similar state of affairs exists in much of the rest of Asia.

Japan may—in the long term—show the best way forward. At the beginning of its industrialization in the late 19th century, Japan was a poor and largely rural society. As industries flocked to the cities, the urban-rural income gap widened. Rapid growth and rising living standards in urban areas were accompanied by intense poverty in the countryside. Over time, though, a rising proportion of Japan's population left farming and looked for work in the cities. They, too, began to share in the benefits of the country's urban boom. Of course, agriculture did not remain stagnant. Technological improvements helped to raise the incomes of the remaining farmers. And public investments in the health and education of rural children ensured that they would be able later to join the urban work force. Korea and Taiwan, generations later, followed this route as well.

But these successes were not achieved overnight, and they left almost no area of life untouched. The transformation to a high-income, technologically based economy moves populations, changes the density of cities and alters the division of labor between social groups and among agriculture, industry and services. Some sectors are bound to lag while others lead. Some of the growing gaps must be reduced by government intervention, especially against discrimination by ethnicity or gender. And successful urbanization—ensuring that huge concentrations of population don't sink under the weight of pollution, congestion and broken infrastructure—requires enormous public investments as well as participatory governance.

There is certainly no easy formula for getting this right. Asia's massive migration to the cities will remain its greatest demographic challenge for decades. East Asia is still only about 40 percent urbanized, and South Asia only around 30 percent urbanized, compared with 80 percent of the high-income world. Asian countries will face the huge challenge of continuing to invest in the health, education and basic infrastructure of hundreds of millions of poor rural citizens while at the same time preparing for equal numbers to show up on their cities' doorsteps. It'll be no small task. But not getting it right will make life worse than unfair.

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