

AN OVERVIEW OF THE ECONOMICS OF URBAN PLANNING AND DEVELOPMENT

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Abstract:

Urban economics encompasses the economic analysis of urban areas, utilizing economic principles to examine issues such as crime, education, public transit, housing, and local government finance. It is a subfield of microeconomics that focuses on studying the spatial organization of urban areas, including the distribution of households and businesses. Additionally, this article provides further details on the critical decision-making involved in urban land use planning, including policies and outcomes in the urban area.

Keywords: Urban area, Economics, Planning, Economics development, Urban planning, Urban development, Economic planning

1.0 Introduction:

Master planning has emerged as a crucial tool for urban development in Africa over the past twenty years. With the rapid urbanization in lower-income countries, it is essential to plan ahead for the growth of cities to ensure that residents have access to necessary public infrastructure and services. However, urban plans often overlook the dynamics of land and labor markets, which significantly influence the ever-changing urban landscape. Urban economics plays a vital role in providing analytical tools and theoretical foundations for urban design, and it is closely intertwined with urban planning. Urban planners must have a solid understanding of urban economics to effectively implement economic principles in urban planning. Furthermore, they need to continuously analyze and synthesize the practical experience of urban economics in urban planning to fulfill their responsibilities. This is essential to create a livable environment for citizens, promote urban economic growth and development, and support societal expansion to achieve economic, environmental, and social objectives. Urban planners are responsible for regularly evaluating and summarizing the demonstrated experience of urban economics in urban planning. Urban economic development is a multifaceted and dynamic process involving various stakeholders, factors, and objectives. Communicating the significance, benefits, and challenges of urban economic development to the public can be complex, especially in a way that is engaging, relevant, and easy to understand. This article provides insights and strategies for effectively explaining urban economic development to the public, based on key urban planning concepts and principles.

2.0 Review of Literature:

There's a noticeable trend towards more people living in cities globally, but at the same time, these urban areas are becoming less dense (Satterthwaite 2007). The impact of this shift varies by country, with wealthier nations experiencing de-densification faster than their poorer counterparts (Angel et al. 2005). One reason for this could be that businesses benefit from having access to a larger market as cities grow. However, as cities expand, they also face challenges like rising living costs, traffic congestion, and sometimes increased inequality, especially in cities that dominate their regions (Duranton 2009; Kim 2009). The effects of city size on the urban economy can differ based on other factors like density and centrality. This suggests that there isn't a one-size-fits-all ideal city size; instead, each city has its own efficient size based on its unique traits, as noted by Batty (2008), Capello and Camagni (1999), and others (Berube and Nadeu 2011). Additionally, the specific layout of an urban area brings different economic advantages and disadvantages, which can influence its overall economic performance. On the flip side, how well an area is doing economically can also affect its size, density, and centrality (Gordon and Richardson 2012).

3.0 Objectives

- a) This course gives students a look into the theories, analytical tools, and financial strategies that promote local economic growth in the U.S. Students will dive into the major discussions in the field and explore the various roles that professionals play in the economic development landscape.

- b) The aim of this course is to help students understand the economic challenges facing communities. It's structured around key themes in urban economics, focusing on how limited resources are allocated and the global race for private investment. By the end, students should have a solid grasp of location and investment choices, market dynamics in the private sector, and the public policies that influence local economies.
- c) By successfully completing this course, students will develop an appreciation for the essential elements of sustainable economic growth, the factors that lead to economic success, and the strategies communities are using to create economic opportunities for everyone.

2.0 Urban Land Use Planning Entails Making Important Decisions On Three Core Issues

1. The separation of public and private areas
2. The purpose of allocating public areas, especially in terms of providing public goods like roads, sidewalks, and open spaces
3. The rules to enforce on private areas, like zoning regulations Despite their potential in guiding both public and private investment, masterplans often employ a rigid, top-down approach to land use, which fail to fully account for evolving realities and local enforcement capacity. Additionally, considerations for land and labour market dynamics are often absent.

5.0 Urban Policies

Urban areas in developing countries experiencing rapid population growth and migration are constantly evolving due to infrastructure improvements, citizen choices, and market influences. Failure to consider these changes in urban planning could result in policies that marginalize certain groups and hinder overall well-being.

a) Accounting for land markets

Land markets play a critical role in shaping the urban landscape. The immobility and fixed supply of land mean that increased demand for floor space results in higher land prices, especially in areas close to jobs and amenities. These higher prices create incentives for residents and developers to use land more efficiently, such as building upwards to accommodate more people and take advantage of a desirable location. Households make decisions about where to live based on a trade-off between rent, floor space, and location. This explains why beneficiaries of government housing programs on the outskirts of cities often leave their homes in favor of smaller, informal places with easier access to jobs. A study of a large housing lottery program in Brazil found that, on average, it had a negative impact on participants' formal employment prospects. Policies aimed at containing city growth, such as 'greenbelts' and other physical boundaries, can lead to significant increases in land and housing prices without addressing the underlying constraints to urban mobility. It is important to ensure that the supply of land and floor space continues to grow to accommodate migration flows and address housing affordability. Land markets can also drive changes in land use by sending price signals when land is underused or unsuitable for its location, such as in response to news of transportation infrastructure investments. The adaptability of land markets, and thus land use policy, to changing urban requirements plays a crucial role in facilitating the efficient redistribution of individuals, funds, and assets.

b) Accounting for Labour Markets

Labor markets serve as the foundation of urban areas, uniting individuals with diverse yet complementary skills. The size and connectivity of a city play a crucial role in unlocking economies of scale and specialization, ultimately boosting productivity. Enhanced spatial connectivity enables companies and employees to efficiently find the most suitable matches in a shorter period. Achieving this goal involves creating denser cities and improving commuting times. Compact urban areas reduce the physical gaps between individuals and locations, while also decreasing greenhouse gas emissions per person. Faster commute times expand the range and diversity of employment opportunities accessible within an hour of travel, as detailed in the article. Incorporating this concept into urban planning decisions is vital to ensure that land use strategies reinforce, rather than fragment, labor markets. Some planners suggest the concept of a '15-minute city' as a solution to issues like congestion and pollution. This approach involves developing self-sufficient neighborhoods where all daily necessities, including work, are within a 15-minute walk or bike ride from home. While easy access to amenities, mixed-use developments, and pedestrian-friendly infrastructure are essential for creating vibrant communities, this strategy overlooks the benefits of business clustering. Therefore, evenly distributing economic activities throughout the city is unlikely to be advantageous. Instead, it may lead to smaller, disjointed labor markets with limited opportunities for workers to secure fulfilling jobs.

c) Embedding economics in urban land use plans

Land use policy must integrate the complexities of land and labor markets to guarantee that strategies are responsive and adaptable to constantly evolving conditions. An effective approach involves gathering relevant data to track indicators that can signal necessary actions. This data should encompass real estate market information, including land prices and rental rates across various income brackets, as well as average commuting durations and expenses. Additionally, engaging local communities is crucial to ensure that policies adopt a bottom-up, context-sensitive perspective. It is essential for plans to transcend outdated regulations and be perceived not merely as statistical frameworks, but as instruments for steering vibrant urban growth.

6.0 Conclusion

The necessity of rules and plans is crucial in safeguarding public goods, such as environmental health and safety, and ensuring fair competition in markets. The intricate web of economic and social interactions highlights the importance of public regulation, particularly in planning. However, an excessive or misuse of planning can have detrimental effects, leading to unnecessary costs for businesses, citizens, and public institutions, fostering corruption, perpetuating injustice, hindering economic activities, and impeding government action. A surplus of rules or conflicting regulations is as detrimental as having no rules at all. The proliferation of norms breeds uncertainty and information asymmetry, opening doors for varied interpretations that may lead to evasive behaviors, ultimately paving the way for illegality. In this maze of legislation, law-abiding citizens struggle to navigate, resulting in increased economic and well-being burdens. Conversely, dishonest individuals exploit loopholes in the legal system or find ways to circumvent regulations. Enhancing the planning system is therefore imperative for modernizing the country, not just by addressing individual dysfunctions caused by outdated, invasive, and rigid rules, but by transforming the decision-making process from hierarchical structures to a more inclusive system that incorporates participation, monitoring, and evaluation. This approach can assist decision-makers in comprehending the consequences of their choices, curbing opportunistic behaviors, and swiftly penalizing misconduct when detected.

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