

**Journal of Economic Geography**

**Special Issue**

**Spatial Inequality and Development**

**Edited by**

**Ravi Kanbur and Anthony J. Venables**

**Running order:**

Anthony J. Venables 'Spatial disparities in developing countries: cities, regions and international trade'

J. Vernon Henderson and Hyoung-Gun Wang 'Aspects of the rural-urban transformation of countries'

Ravi Kanbur and Hillel Rapoport 'Migration selectivity and the evolution of spatial inequality'

Anthony Shorrocks and Guanghua Wan 'Spatial decomposition of inequality'

Christopher Timmins 'Estimable equilibrium models of locational sorting and their role in development economics'

Chis Elbers, Jean O. Lanjouw and Peter Lanjouw, 'Imputed welfare estimates in regression analysis'

**Editors' Introduction:**

Ravi Kanbur, Tony Venables.

The papers in this special issue have been selected from those presented at a conference held in Helsinki in July 2003 as the concluding part of a UNU-WIDER project on *Spatial Disparities in Human Development*. The project was motivated by the presence of wide spatial disparities in per capita income and other socio-economic indicators within many developing countries. Earlier parts of the project studied the experience of selected countries, and pointed to increasing spatial disparities in some areas. The Helsinki conference and the papers in this issue are devoted to methodological issues encountered in the study of spatial disparities in developing countries.

From the standpoint of theory, we need to develop a better understanding of the mechanisms that shape the location of economic activity during the growth process. What are the forces that tend to concentrate growth in a few regions and what are the forces for dispersion? How does the balance between these forces evolve during the development process? What determines a country's urban structure, and how do

institutions shape the efficiency of urbanisation? Three theoretical papers in this issue are devoted to aspects of these questions. Venables investigates two questions. One is the way in which openness to international trade can shape the location of activity within a country, and the other is the process of urbanisation. External returns to scale mean that the process is likely to be inefficient, and Venables investigates whether or not this will give rise to oversized cities. The process of urbanization is also studied by Henderson and Wang, who develop a growth model in which the determinants of urbanisation are laid out, and their implications for efficiency and for inequality are studied. Migration might be expected to be a force that would tend to reduce spatial disparities in per capita income. The argument made by Kanbur and Rapoport is that this is not necessarily the case because migration is selective – typically attracting higher skilled workers – and also changes the incentives for workers to gain skills.

Turning to the empirical side, the remaining three papers in the volume draw out methodological issues that arise in the study of spatial inequality. Shorrocks and Wan place spatial inequality in the wider context of overall inequality, and outline the methods that can be used to decompose the importance of spatial versus other sources of inequality. Timmins addresses the fundamental issue in econometric studies of agglomeration – the extent to which the observed clusters of activity are due to the ‘natural advantage’ of the location or due to the presence of some agglomerative force. His paper develops and applies econometric techniques that can identify these two distinct possibilities. The paper by Elbers et al addresses some of the econometric issues faced by researchers using very disaggregate household data. They show how this can be used to construct spatial measures of welfare -- ‘poverty maps’ -- and analyse the issues raised by using these measures in further econometric work.