

Transmission Effect and Impact Effect of Urban Economic Growth

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This paper seeks to establish the thesis that all round development over a sufficiently large area is not possible. Since, an increase in production has a two-fold effect while markets of some sectors located in specific regions are stimulated, invariably there is a depressing effect on some other regions or sectors. There is thus, rarely a balanced growth either over all regions or over all sectors. To counter balance this tendency, as far as possible through mobility of labour and transfer of capital from one sector to another becomes necessary. A historical illustration with time series data for Iran of the middle east growing very fast as a whole at that time is given.

1. Introduction

The objective of this paper is to demonstrate explicitly the two way influence that urban economic growth has from an analysis of the employment data over a period in a growing economy. It has been generally my experience that focus has been placed on one or the other side in urban economic growth. Some economists view urban growth as the destroyer of employment due to centralisation of operations, introduction of machinery replacing labour etc. The other school emphasises the associated growth which is followed by urban economic expansion in a region. The matter is of some importance due to the fact that urban economic development may have really quite opposite influence on different