Effect of Population Density on the Level of Development

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April 2017
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Abstract
The world population has crossed the 7 billion mark and simultaneously much has been researched and said on the subject from the economic perspective. Specifically linking population growth to economic growth. With booming population, however, one issue remains not adequately addressed which is the concentration of this population at certain geographic points, urban centres, cities. Therefore, I have chosen to analyse in this paper the effect of population density on development. With established economic models such as Solow’s, we know that population growth drives economic growth. But, is the same true about increasing density of population? We would, here, discuss the notion that increased density would strain the resources, make infrastructure more susceptible to rivalry, and increase costs of provision of public goods.

Keywords: Population density, cities, economic development, technology, public goods, environment

Introduction
Consider a firm which hires labour to produce a certain product as its output. We go on hiring one more labour till a point the addition to output made by the newly hired labour will be increasing but according to diminishing marginal returns this won’t be the case every time. The addition to output will pace down, or the marginal output will start to decrease and subsequently become negative. It is a commonly encountered problem in farmlands where family members are disguisedly unemployed.

This was a micro view of an unanimously accepted theory: overcrowding leads to efficiency losses. The capital is unable to extract the threshold potential from each worker. Alternatively, when too many people are assigned to work on a specific capital, the capital cannot provide enough for each person to work on. But this was a production perspective and parallely an analogy can be drawn from the consumption perspective. When too many people barge in on a set of resources, the average portion each person will receive might become insufficient. The resource will become overexploited and won’t be able to satisfy consumption needs effectively. So coming to the macro side we should
see, prima facie, that with too much of population congestion the pressure on the
resources will pass them off as scarce and consequently it will hamper overall
development and won’t contribute towards better living standards of the people.

Counterintuitively, Olsun (1996) observes that there is a positive and statistically
significant relationship between population density and per capita income. Therefore
population density must have opposing forces – one towards improving and the other
towards impoverishing the economy. We will here analyse the effects population density
has on the level of development of the economy.

**Negative Effects**

Malthus (1798) has strongly advocated that population increases at a geometric pace
whereas food production increases only at an arithmetic pace. When population growth
outpaces technological growth there will be instances of hunger, disease and survival.
This view is in line with the general notion of higher population density that was
discussed earlier.

The denser the population in a geographic unit, greater will be the effects on
environment quality. Most importantly, the green-belt of an area is inversely related to
the density of population of that area. Almost all other environmental effects of
population density are repercussions of this effect. For one, the dwelling spaces become
shorter and buildings become taller, and green-belt shrinks. The quality of air will be
deteriorating as we climb up the ladder of population density. For instance, a research led
by Lok Lamsal at NASA concluded that greater the population in an urban setting, higher
will be the contribution to air pollution. Consequently, big cities like New York, New Delhi,
London and Beijing have poor air quality and cities like Hong Kong, London and New
Delhi have witnessed heavy smog conditions. Besides, the green belt provides a cooling
effect and the lack thereof results in temperature increase. All these things, clearly, will
effect the general wellbeing of the populace.

**Positive Effects**

Most importantly, greater number of persons explicitly means more labour force. With
more labour force, more production activities can be undertaken which individually
contribute to the domestic product and push it upwards.

The denser the population, easier will it be to disseminate technology and technological
benefits. It also makes sense to do so in a more densely populated area since greater
population values from such dissemination of information. Also, higher density is linked to
greater innovation and variety of technical skills. Klase and Nestmann (2006) point out
that Kremer’s model suggests that there exists a concave relationship between
population density and technological change. The more the number of persons, the
greater will be the proportion of intellectuals who will carry out inventions and
discoveries. Hence, density of population is directly proportional to innovation. Carlino,
Chatterjee and Hunt (2007) find that patent intensity has a positive relationship with
density of population. Besides, optimists (who believe greater population density is more
beneficial) think that greater density creates more scarcity and creates a stronger drive in
humans to develop technology and innovate. According to Boserup (1981), "Population
growth creates pressure on resources. People are resourceful and are stimulated to
innovate, especially in adversity". This is corroborated by findings of Kremer (1993) which
suggest that regions with high population densities but no opportunities of technological
contact from other regions achieved high levels of technological growth.

As far as over crowding in agriculture goes, it may surely have associated short- and
medium-run costs but according to a report ”Population growth and economic
development: Policy Questions” (1986) greater population density on agricultural land will
favourably influence infrastructural investment in transportation, communication,
irrigation, markets, etc

Producers and manufacturers also benefit from greater population density. For them it
means bigger demand and hence, will result in a bigger market. Subsequently, it will lead
to a multifarious assortment of goods and services available to the populace. Thus, it is
healthy for the market since it leads to greater degree of competition and the struggle for
bettering the technology. In contrast, a thinly populated place will result in a delimited
market, which will generate profits for entrepreneurs that might be attenuated when
juxtaposed with the previous case. But there are profits nonetheless and the
entrepreneurs will not feel the need to expand their production. This, an impetus for
growth is missing here.

The denser a place is populated, more will be the tax payers (Owusu 2012). Thus, clearly,
the society benefits per se with more tax revenue accruing to the government which can
be used to provide better facilities for the people. There will also be more savings and
consequently these savings will be invested which accumulates as capital stock. Hence,
industries prosper.

**Public Goods**

Non-rival and non-excludable goods are termed as public goods, provided by the
government for common use of the people. The concept is that the use by one person
should not render the good available to another person to diminish and price cannot be
used as an instrument to exclude certain individuals from using the good. The question
that arises here is what is the effect of population density on the provision of public
goods? Let us take a peculiar example of roadways, which up to a certain level is non-rival but when the saturation point of the carrying capacity is reached, the roads become rival and a marginal vehicle plying will reduce the effective use for all others plying on the same road at the same time. This is what greater density will entail. The more populated a town or city is, the more vehicles will be owned by the people and more will be the traffic plying on the roads. It is now common in most cities to experience traffic jams during peak hours of the day. Hence, the cost of providing public good will reduce at initial levels when population density increases and after a certain point, here the saturation point of the road, the cost of provision will increase since more vehicles demand more roads. This will give us a J-curve for population density and cost of provision of public good (Ladd 1992). Therefore, with increasing density of population the need for public infrastructure also increases. Likewise, a public bad poses a concern as well. Associated with more people is more garbage and the need for greater and more efficient garbage disposal systems. Here the J-curve mentioned earlier can be extrapolated - initially, the cost for providing garbage disposal services decreases with increasing density of population and after a point it will start increasing.

**Conclusion**

Countries like Pakistan, Nigeria and Vietnam are among the most densely populated countries but with lower economic development. Facts and studies mentioned in this paper are not to advocate that higher population density alone will necessarily mean greater economic success; there are other factors that aid a thick density to conquer opportunities and achieve greater levels of economic development, technology being the leading factor.

Rapid population growth is different from high population density. The latter might be beneficial in terms of greater labour force but the former raises concerns about age distribution (Owusu 2012). It means that the dependency ratio of the population is increasing and will slow down per capita productivity at least in the short run. If population growth outpaces technological growth it will lead to reduction in GDP. Rapid population growth imposes short-run costs on the economy, but if the population increases at a slower pace, the economy finds it easier to accommodate addition to population and will also not create problems associated with age distribution. Population growth and economic development: Policy Questions (1986) concludes that "for most developing countries, slower population growth is unlikely to result in a net reduction in agricultural productivity and might well raise it".

Governments have a crucial role to play in the development process. Places with higher population density have an edge over others provided the government proves to be
responsible towards development. The government should, first of all, take steps to nurture the human capital in terms of health, education and skills. Only the healthy labour can be productive, and education and skills enhance the quality of human capital. The government should also make the economic atmosphere conducive to savings and investment and should not hinder foreign investments.

There is also a need to revise technology keeping in mind environmental concerns. More and more technology should be focused on being environmental friendly. This will reduce the adverse effects of greater population on the environment. Corporations also have a responsibility towards environment and should revise their operations in order to comply with environmental-friendly standards.

One more reason for enhanced productivity of already high performing urban centres is that such centres are a point of attraction for skill. Consequently, people from other regions tend to migrate to these places which further increases their local population. According to Malthus (1798) when output/production (subsistence) grows, population also increases.

References


