





ENTREPRENEURIAL HUBS

Indian metros are entrepreneurial hubs, with hundreds of thousands of self-employed individuals churning out a wide range of products and services. The vibrancy of urban India astounds observers. Edward Glaeser, a professor of economics at Harvard University and a leading international urban economist, is highly impressed by the enterprising spirit evident in Indian cities, particularly Mumbai. Glaeser spoke with **N.B. Rao** about the entrepreneurial spirit of the Indian metros and the economic opportunity that they offer to the millions of migrants from the rural hinterlands of India.

INDIA'S financial and commercial capital is a beehive of activity, 24/7. From the vegetable and fruit markets that open at 4 in the morning, to the food plazas that wind up well past midnight, from the diamond-cutting workshops to the stock broker's office – everybody is busy round-the-clock.

Like many great cities of the world, Mumbai has been attracting migrants from all parts of India for centuries. They continue to come to the 'city that never sleeps' from distant lands in the sub-con-

continent, seeking better lives and opportunities, hoping to make it good. Most struggle for years, but many make it big. The city's enterprising spirit is legendary and evident not just in the boardrooms where multi-billion-dollar deals are planned, but even in the small shops along Lamington Road or Lohar Chawl (two vibrant and bustling trade markets), or in the workshops at Dharavi and Malwani (sprawling shanty towns).

Visitors to Mumbai are amazed by this can-do spirit visible across the vibrant metropolis and among its 15 million inhabitants. A recent visitor who was thoroughly impressed by what he saw – especially in some of the slum colonies – was Edward L. Glaeser, economics professor at Harvard University, an urban expert and author of several books on urban development, housing and poverty alleviation.

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Edward Glaeser,
Professor of Economics, Harvard

"The defining characteristic of Mumbai is not crime or Bollywood, but entrepreneurship, even in the city's slums," Glaeser wrote after his recent visit to the city. "One recent survey found the 43 per cent of urban Indians who worked were self-employed. By contrast, there is no metropolitan area in the United States with a self-employment rate above 11 per cent."

The 42-year-old academician (who has also taught at Princeton and the University of Chicago), is the Fred and Eleanor Glimp Professor of Economics at Harvard, where he also serves as director of the Taubman Center for State and Local Government and the Rappaport Institute for Greater Boston.

Glaeser studies the economics of cities and has written extensively on urban issues, including the growth of cities,

'I WAS AWED BY THE CREATIVITY AND ENERGY THAT I SAW'

An interview with **Prof Edward Glaeser**

As a leading international urban economist, how do you view the changes that are occurring in Indian cities, in terms of new infrastructure that is being planned?

Indian cities are wonders of the world, places of extraordinary entrepreneurship, energy and innovation.

The right response to the problems of places like Mumbai is not to try to rein in urban growth, but to improve the city's infrastructure. Large-scale infrastructure development is a crucial part of enabling India's cities to grow.

What was your impression, during your recent visit to India, about the spirit of entrepreneurship that is evident in some of the slum townships of cities like Mumbai?

I was awed by the creativity and energy that I saw. People who started life with so little were doing marvelous things, finding

new ways to contribute to the global economy and making a living doing it. The level of hard work was tremendous, but so was the artistic craftsmanship that I saw in some shops. I was also impressed by the social connection in many of these places. These are not isolated entrepreneurs, but a network.

Dharavi, as you are aware, is a vibrant township in Mumbai with thousands of small and micro businesses operating from within. What makes it tick?

It would be wildly presumptuous of me, on the basis of one visit, to say what makes Dharavi tick. What I saw was ambition, relatively unfettered by regulations, mixed with strong family connections and a spirit of entrepreneurship, but I can't possibly explain how that came to be, and why it is absent in so many other poorer areas.

Does the success of thousands of rural migrants in cities like Mum-

bai attract millions more to cities? Does this help in the transformation of rural India as well?

Certainly, success in Mumbai attracts more migrants. Cities have always been places of upward mobility. Some Americans oddly think that our rags-to-riches stories say something particular about America, but such stories are common in cities throughout the world. Past success will certainly attract more migrants and that is good as long as India can build the infrastructure its cities need.

In the long run, an urban India means a wealthy India and a wealthy India will also be better able to handle its remaining problems of rural poverty.

Do you see continued migration into cities - such as Mumbai - that offer tremendous opportunities for growth and prosperity for the poor over the coming years?

Cities are places of opportunity where



segregation, crime and housing markets. He has been particularly interested in the role that geographic proximity can play in creating knowledge and innovation. Glaeser received his Ph.D. from the University of Chicago in 1992 and has been at Harvard since then.

"The slums of Mumbai don't have the dangerous feeling that I remember in New York's lower income areas in the 1970s," notes Glaeser. "Mumbai's slums are poor, but many of them are well-functioning social spaces." Dharavi, he says, may be the densest high-poverty area in the world, with more than a million people per sq mile, but it is a hive of economic activity.

"People aren't sitting around Dharavi for their shot on 'Who Wants to Be a Millionaire'. It is a place of remarkable economic energy where poor people are

managing to eke out a living as entrepreneurs," explains the Harvard professor. "The Dharavi neighbourhood doesn't need fewer people. The migrants who came there have a much brighter future than those who stay in rural India."

Glaeser has also written about Bengaluru, "the urban symbol of the flat world." In a paper titled, 'Why Has Globalization Led to Bigger Cities?', Glaeser says: "The growth of these cities and the continuing strength of older urban areas — like New York, London and Paris — is no accident. Globalisation and new technologies attract people to big cities, by increasing the returns to urban proximity. While it would be technically possible to sit and write software somewhere in the Vale of Kashmir, the innovators in Indian information technology cluster around one another in Bengaluru. America's computer wizards



Photo by: Louise Kennedy-Converse

people with good minds and strong bodies can find partners with more capital. This has been true for millennia and it will continue to be true. Cities are places where knowledge is created by people who learn from one another at high densities. Knowledge is the most important asset in today's global economy and for that reason cities will continue to be important.

During your travels across Indian cities, did you sense a kind of hunger for upward mobility among the poor? Is this the driving force that keeps the youth in slums away from crime?

I'm not sure that I gazed into anyone's soul, but as in most poor places, the Indian poor certainly want a better life. I am sure that India's low crime rates owe something to this kind of ambition, but I would credit more the social cohesion that seems to exist in poorer areas. Because people watch each others' backs, there is less scope for random crime.

Is there need for financial institutions - including those engaged in micro-finance - and development finance bodies (including chari-

ties and NGOs) to focus on this section of society, to ensure equitable growth?

Such institutions have the capacity to be quite helpful in spreading access to capital more broadly. Equity depends even more, however, on a more equitable distribution of human capital. Skills, more than anything else, turn poor people into prosperous people. So while I strongly support such NGOs, I believe that improving Indian education is the most critical task in making growth more equitable.

What is the panacea for urban ills, not just in India, but around the globe?

There is no one panacea, but I would emphasise human and physical infrastructure. Clean water and better sewage is job one, since the public health consequences of failing in these areas are dire. But improving traffic congestion is crucial. One way to improve things would be to reform the land use controls that restrict building in downtown Bengaluru. Another improvement would come from more roads. A third way forward would be congestion pricing, which London has implemented so effectively.



Vibrant metropolis: A day at the busy Chhatrapati Shivaji Terminus station in Mumbai

Urban economic activities are dependent on power, telecom, roads, water supply and mass transportation.

JNNURM,
mission statement

likewise choose to cluster in Silicon Valley rather than disperse.”

According to the Harvard professor, the slums of Mumbai attract hundreds of

thousands of migrants because they offer more hope than the almost static hinterland. “The millions of poor people who choose to live in Mumbai and Bengaluru, reflect the strength of these cities, which offer economic opportunity not found in villages,” he adds. “The right response to the problems of mega-cities is not to get misty-eyed about village life, but rather to work to improve the quality of infrastructure in those growing urban areas.”

Realising the importance of urban development, the Indian government launched the Jawaharlal Nehru Urban Renewal Mission (JNNURM) in December 2005. The mission estimated that over a seven-year period, select urban local bodies would require total investments of nearly US\$25 billion.

According to the 2001 census, 28 per cent of Indians (285 million) lived in urban areas. This is expected to touch 40 per cent by 2021, according to estimates by the JNNURM. By 2011, urban areas are

expected to contribute about 65 per cent to the country’s gross domestic product (GDP).

“However, this higher productivity is contingent upon the availability and quality of infrastructure services,” points out the mission statement of the JNNURM. “Urban economic activities are dependent on infrastructure, such as power, telecom, roads, water supply and mass transportation, coupled with civic infrastructure, such as sanitation and solid waste management.”

Not surprisingly, Union Minister of Finance, Mr Pranab Mukherjee, has allocated US\$2.67 billion towards the JNNURM in the 2009-10 Union Budget, a whopping 87 per cent increase over the previous year. Indeed, the huge investments being made in urban development in India are expected to accelerate economic growth over the coming years, besides improving the quality of life in Indian cities. 🌱