

Turkey Urbanization Review

Rise of the Anatolian Tigers

Building Competitive Cities in Turkey



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Building Competitive Cities

- Fundamentals
- What can other countries learn from Turkey?
- What are the key second generation issues for enhancing competitiveness?

Building Competitive Cities

- Fundamentals
 - Managing Density
 - Benefits: productivity, livability
 - Costs: land scarcity, commuting, congestion
 - Competitiveness: Maximizing benefits while managing costs of density
 - Mechanisms
 - Markets: Critical for allocating Labor and Capital across cities; Land within cities
 - Policies: Correct market failures; provision of infrastructure

Typically, density is associated with higher productivity.



Density saves transport costs, shipping of goods, cost of time and uncertainty about delay.

Density saves communication costs, increases face-to-face interactions, increases high frequency exchanges and complex noncodifiable ideas, and builds trust.



Scale enables finer specialization, specialist firms and specialist workers.

Density promotes knowledge spillovers, learning by workers, spillovers between firms.



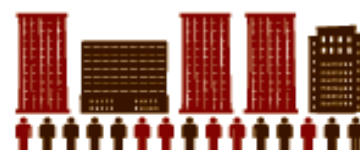
Scale promotes competition:

- Bigger markets: more firms and more intense competition
- Good for consumers (buyers), if not necessarily for firms (sellers)
- Competition for labor: incentive for workers to acquire skills

Different densities succeed at appropriate scales.

TOWNS AND SMALL CITIES

Allow firms and farms to grow **internal scale economies**, which are low in light and high in industries.

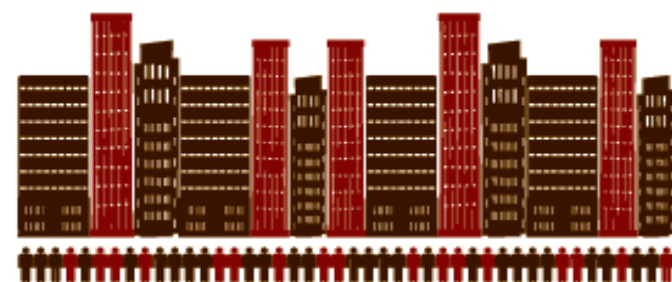


MEDIUM-SIZED CITIES

Facilitate **localization economies** which arise from sharing inputs and close competition among firms within the industry.

METROPOLISES

Facilitate **urbanization economies** which come from industrial and cultural diversity that fosters innovation.



Usually, large cities have higher productivity. Each doubling of city size statistically raises productivity by 5%.¹

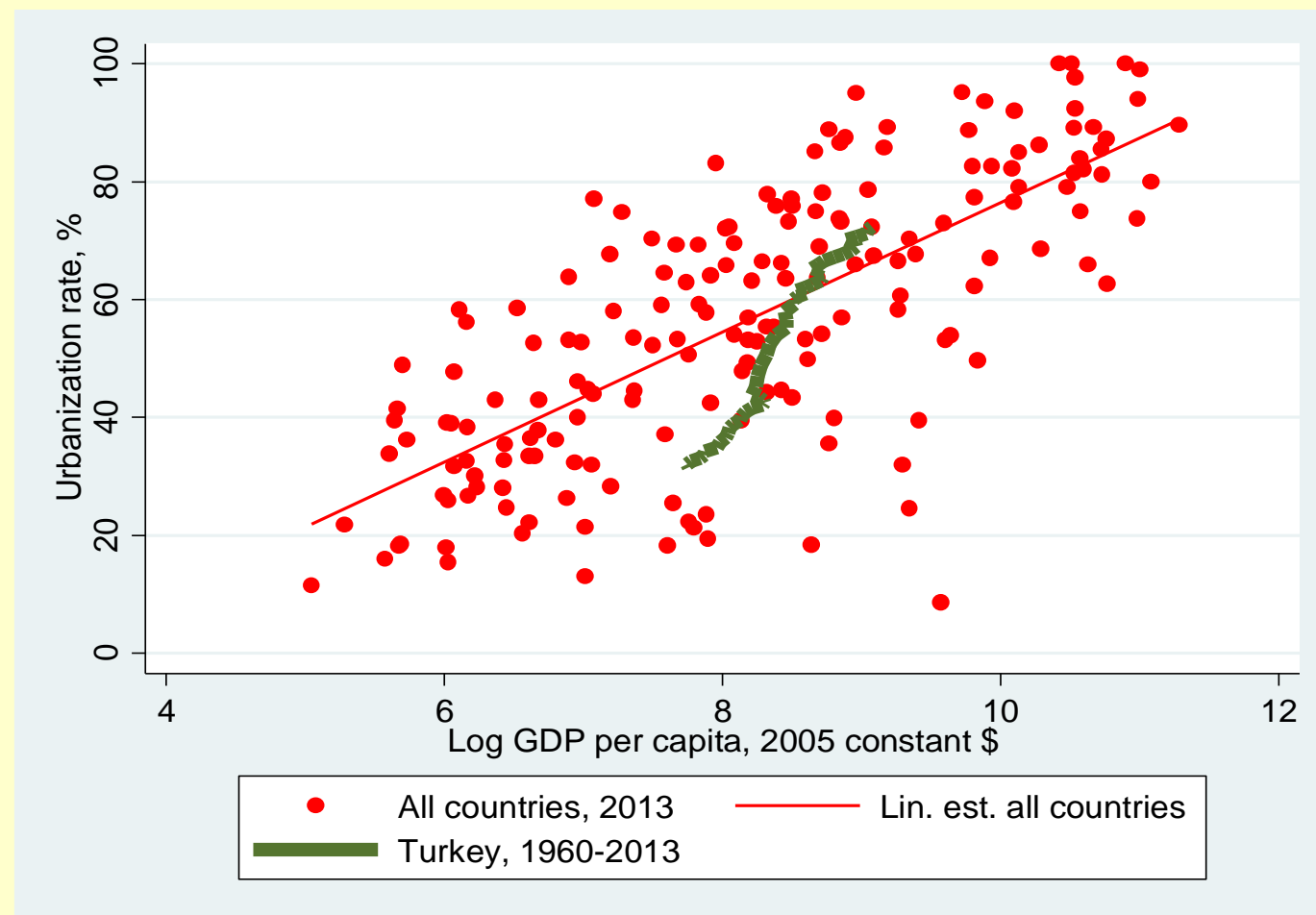
¹Controlling for skill level of labor force, elasticity of income per capita with respect to city population

Building Competitive Cities

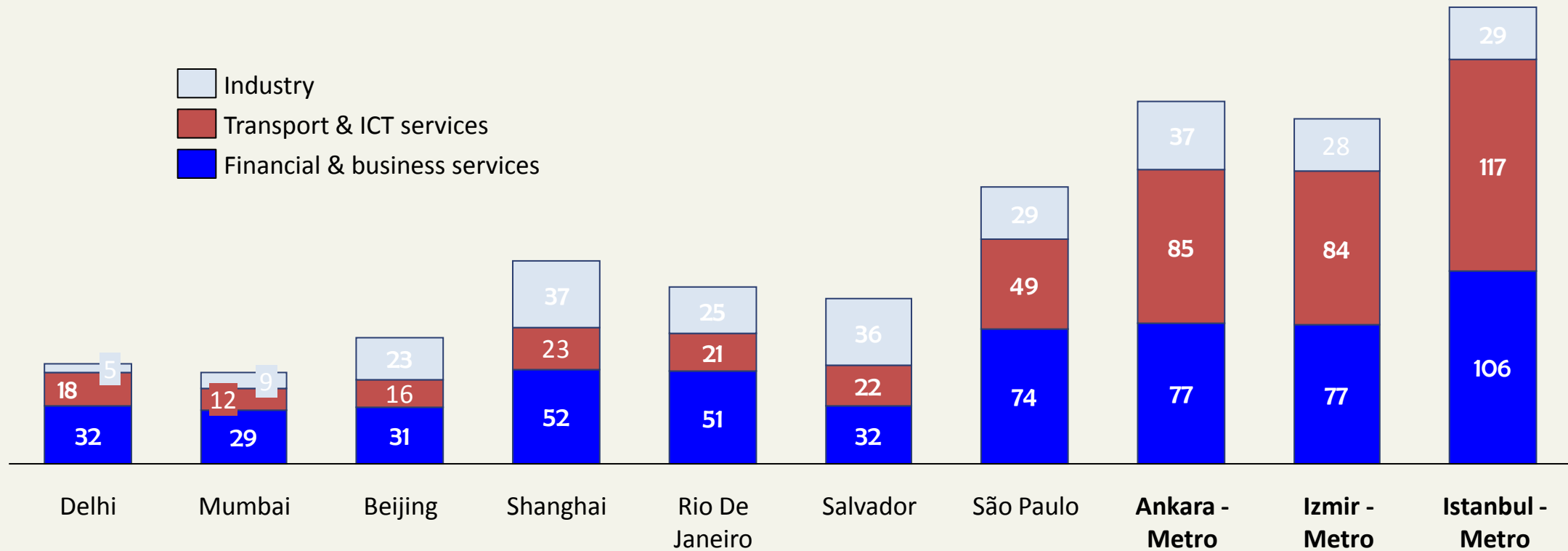
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Turkey has harnessed gains from urbanization

- Links between urbanization and economic development has been consistent with global patterns

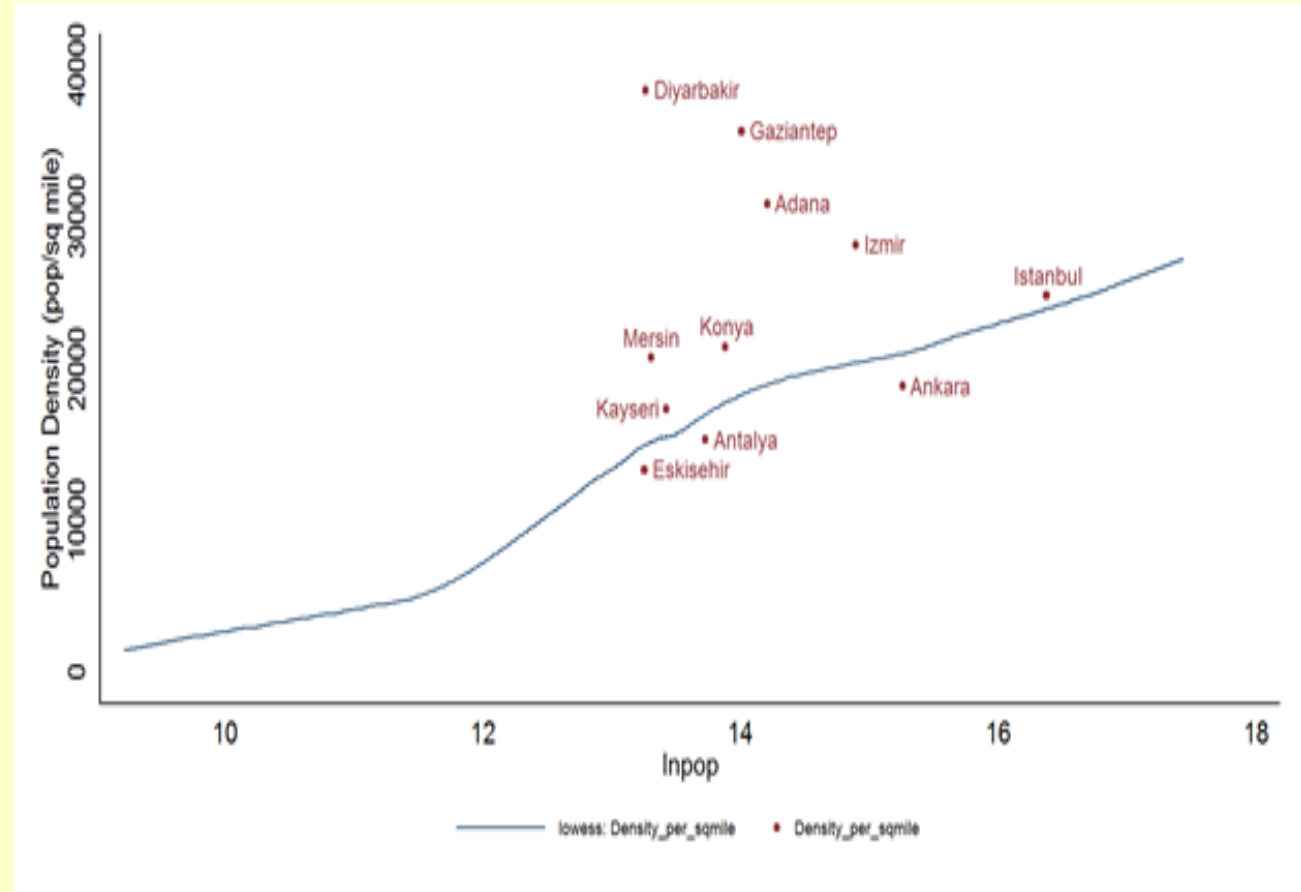


High productivity in the services sector USD\$1000/worker (2012)



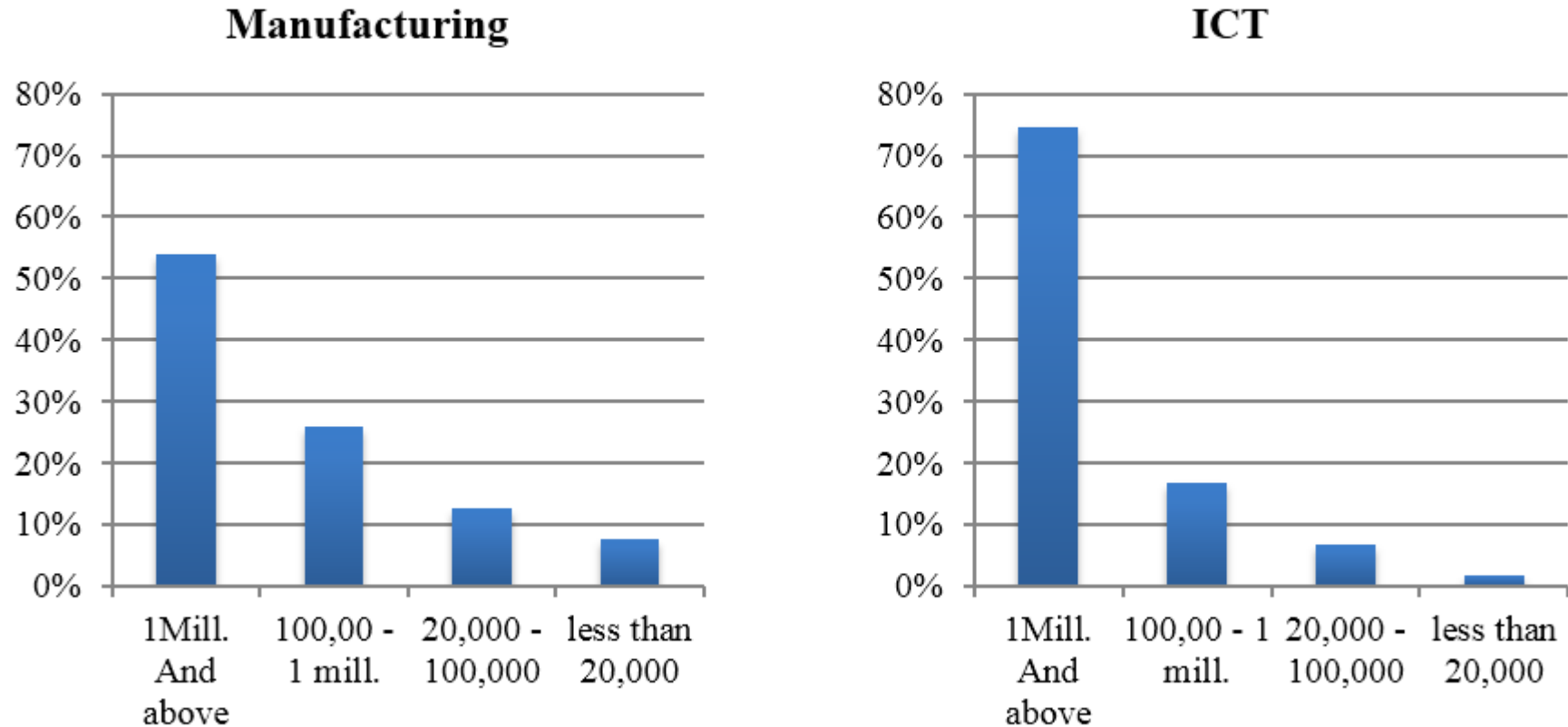
Turkey's cities have levered economies of scale..

- Density:
 - Turkey's largest cities have performed above the global average



Turkey's cities have levered economies of agglomeration..

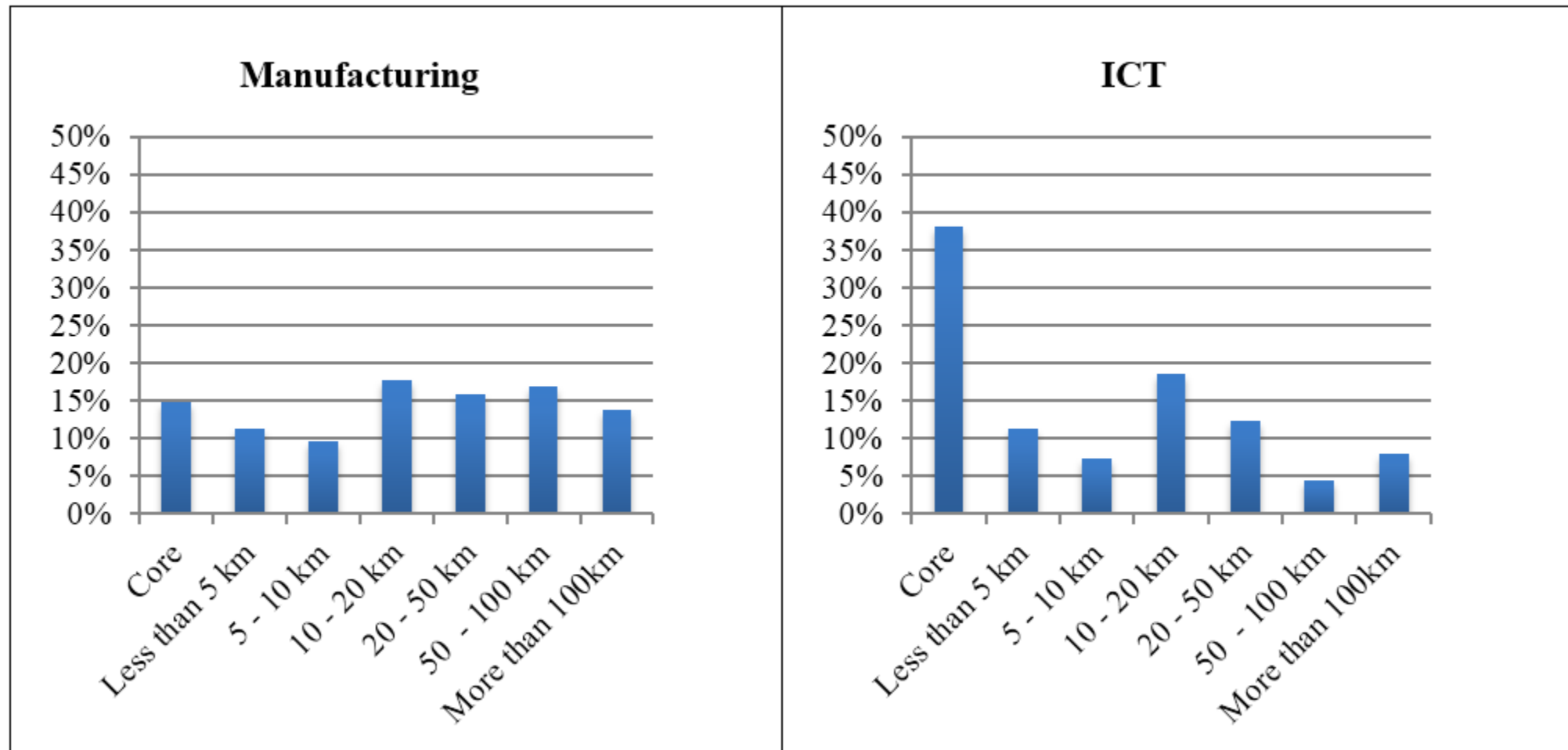
Distribution of Firms Across City Sizes – by Sector



Turkey's cities have levered economies of agglomeration..

Higher value industries in urban cores

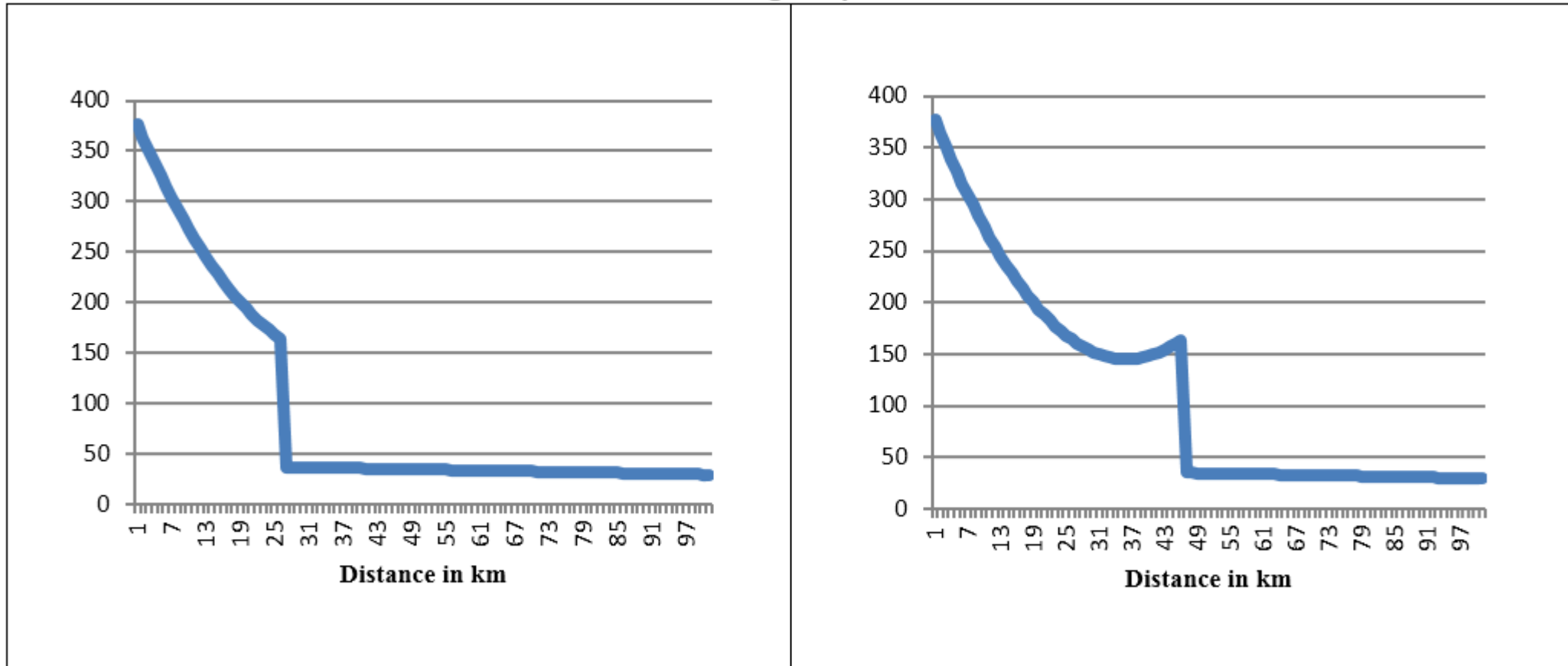
Spatial Distribution of Firms – by Sectors



Turkey's cities have levered economies of agglomeration..

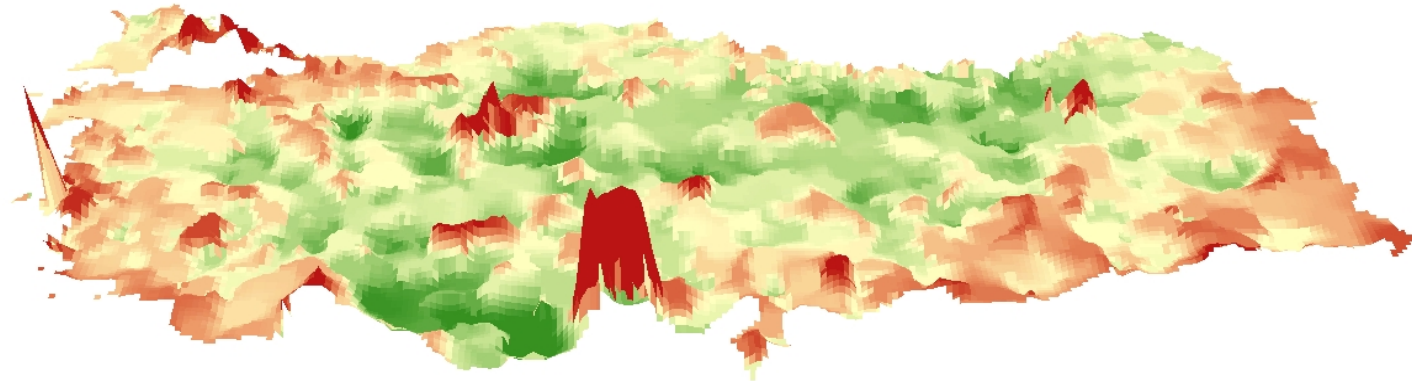
Multiple job centers in large cities

Simulated Number of Firms per District and Distance to City Center, for an average city and an average large city



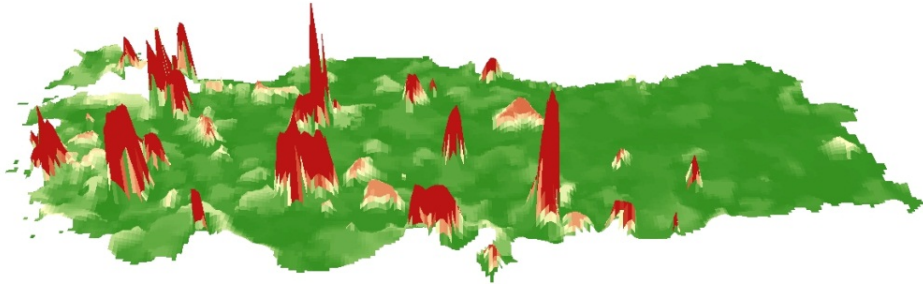
Growth of secondary cities – enabling economies specialization

Population growth of border cities and metropolises (2000-2010)

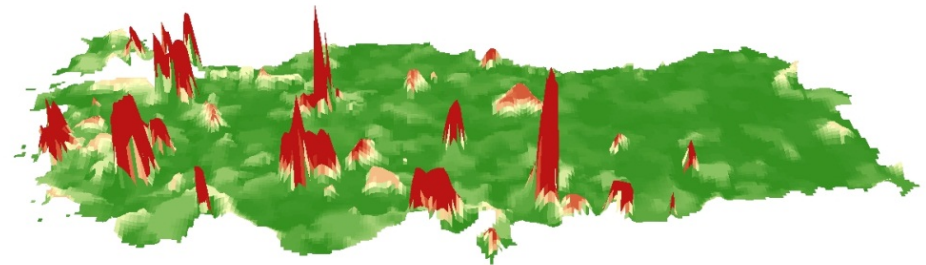


Development of an economic system of cities

Spatial distribution of firms through 2006

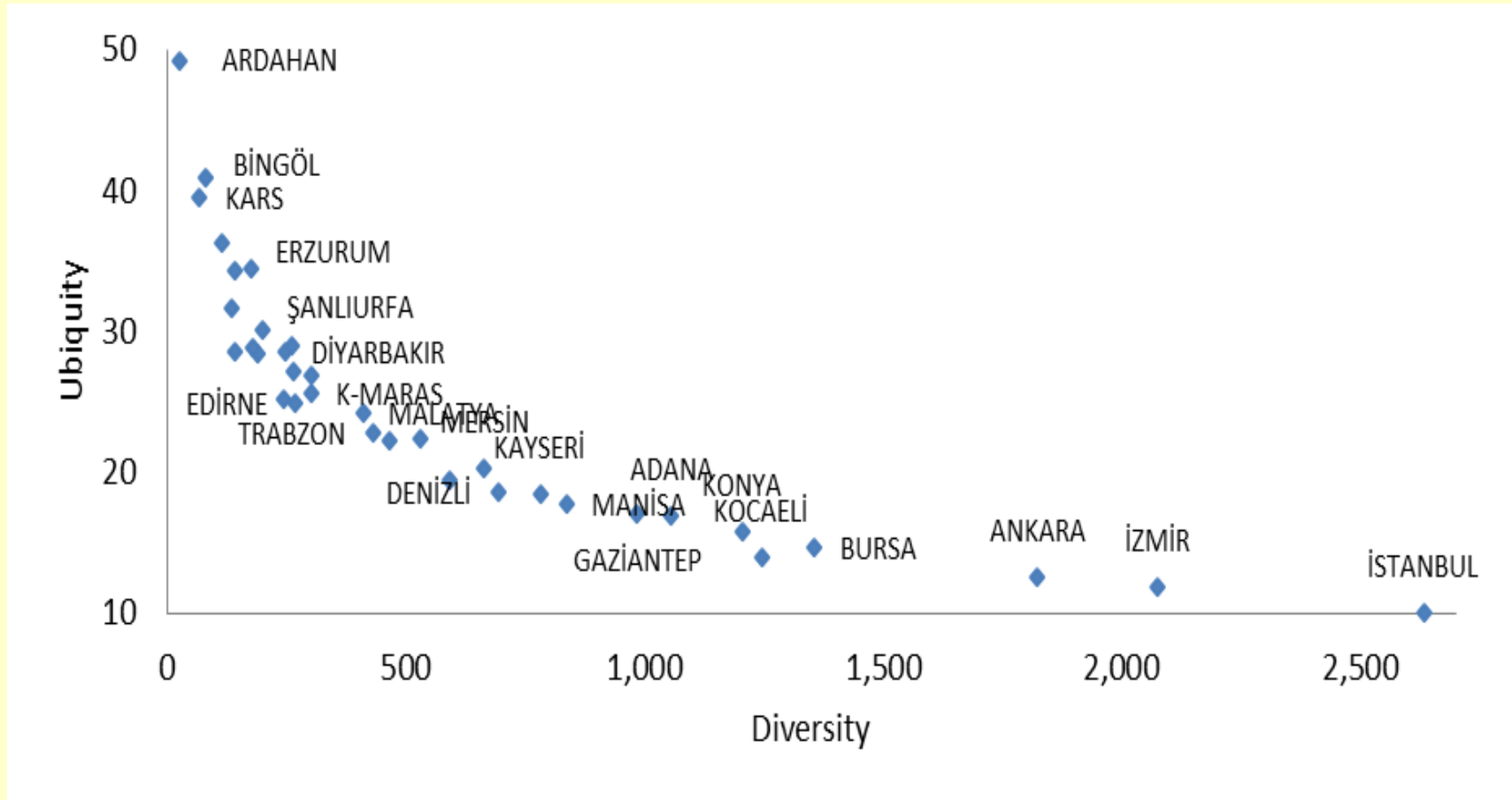


**New business follow their peers –
Path dependence / stickiness**



Spatial distribution of new firms through 2007-2012

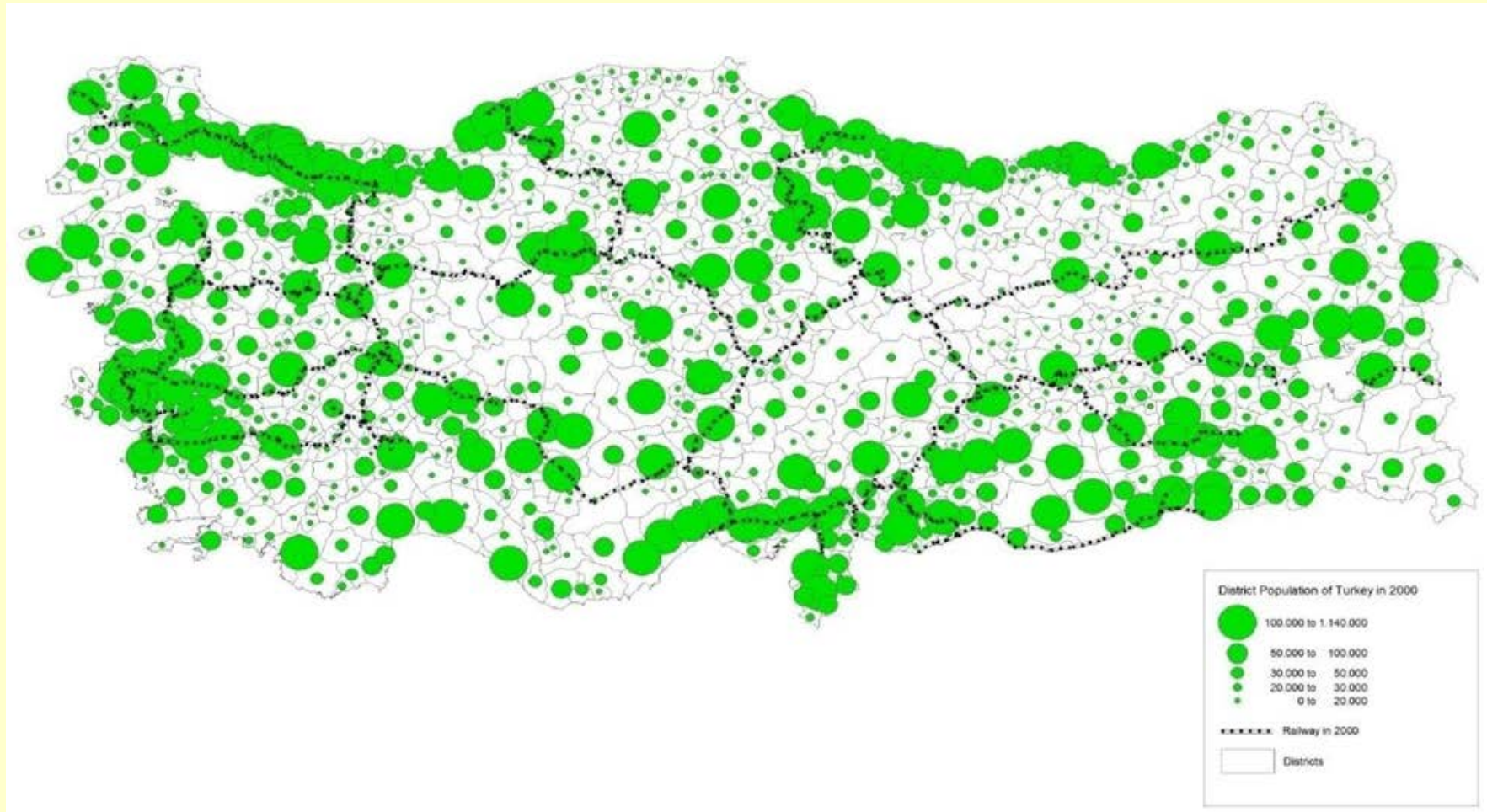
Turkey's cities have levered economies of specialization..



How did Turkey do it?

- **Facilitate market forces**
 - Economic liberalization in the 1980s
 - Pull of cities for rural migrants
- **Coordination**
 - Metropolitan Municipality Regime
- **Early investment in infrastructure**
 - Household and municipality investment in housing and neighborhood infrastructure
 - Regional transport

Early investment in regional connectivity



Metropolitan Municipality Law

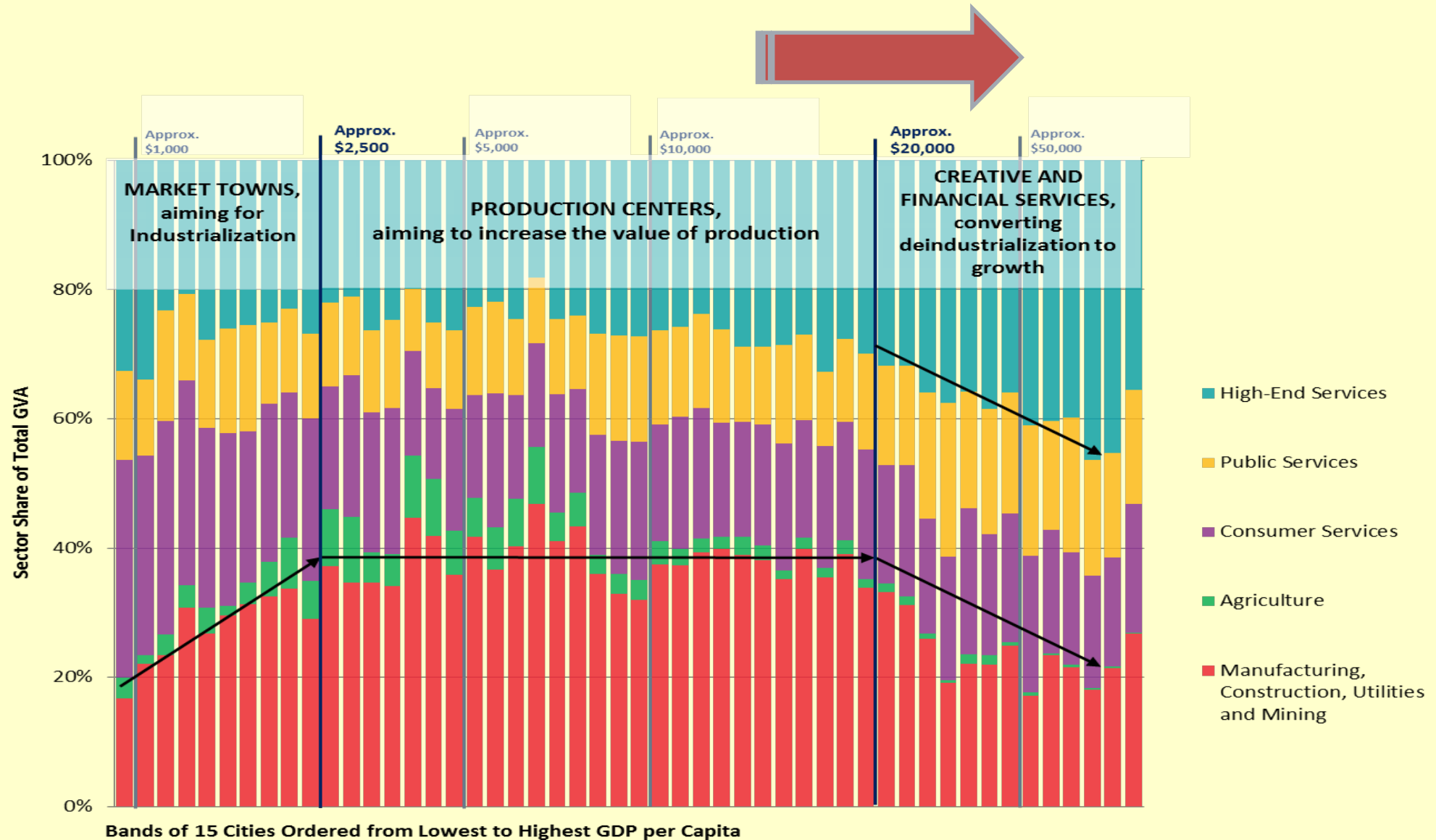
- The Metropolitan Municipality Law in 1984 created the legal framework to manage cities, linking the administrative area with the city's economic footprint
- By contrast, metropolitan cities like Manila and Cairo suffer from severe coordination problems across multiple administrative jurisdictions



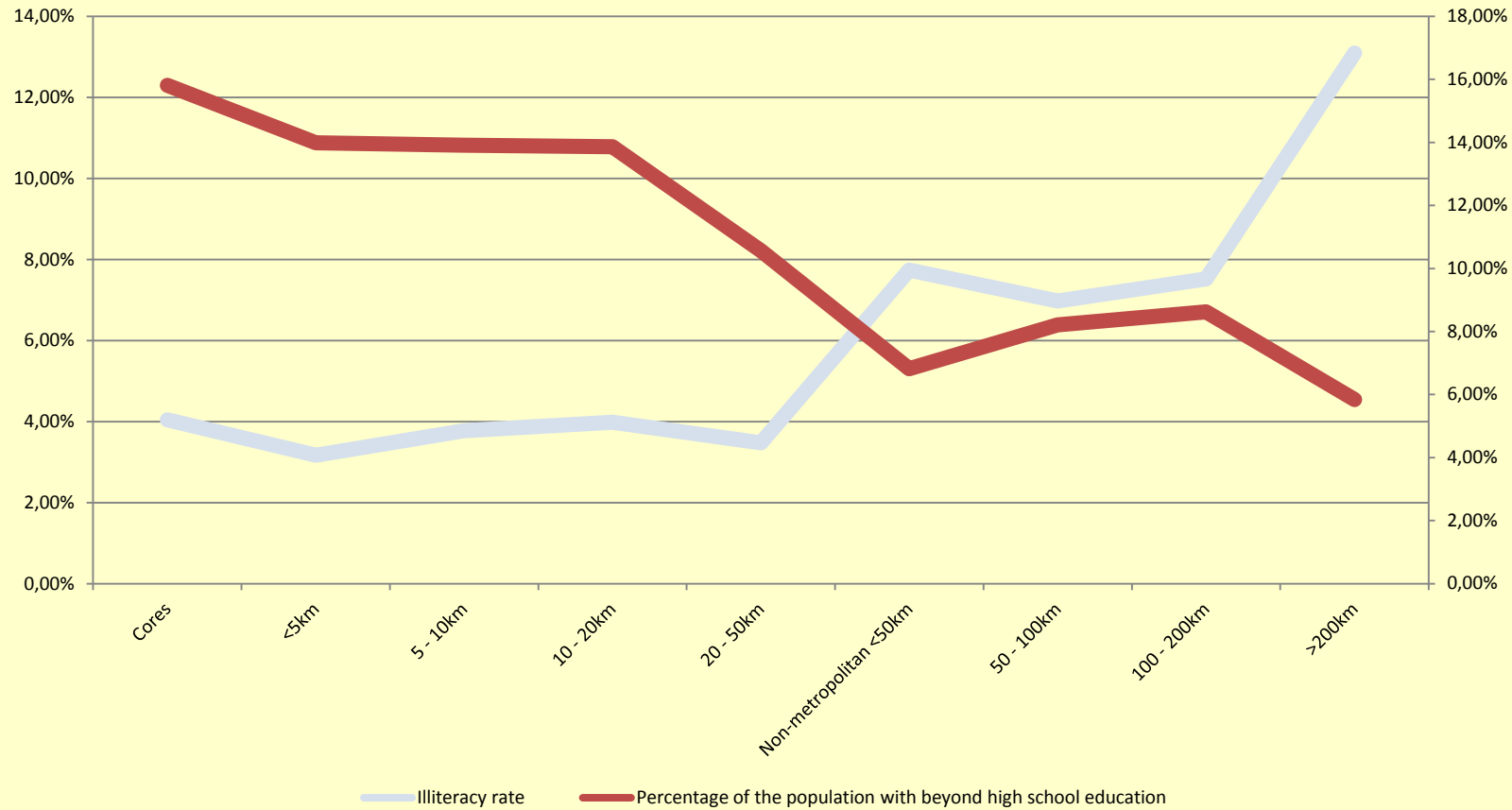
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Enhancing Productivity through structural change



Enhancing the quality of human capital



Managing Congestion

- Istanbul has been ranked as the most congested city of the World (TomTom Traffic Index)
- On average, journey times in Istanbul are 57% longer than when traffic in the city is flowing freely
- Trips are 84% longer during morning rush hour
- Ankara and Izmir are not far behind, occupying the 34 and 37 places out of 146 countries

Thank you!
Teşekkür ederim