VIEWPOINT

The Consequences of INEQUALITY

by Susan S. Fainstein

Susan S. Fainstein outlines the impact of worsening income inequality in cities and how it is impeding social mobility. She also argues that wealth does not necessarily trickle down. Professor Fainstein, who has taught at the Harvard Graduate School of Design (GSD) as well as at Columbia and Rutgers universities, focuses on planning theory, urban redevelopment and comparative public policy in her research. In her book, *The Just City*, she argues that urban policy should be valued according to its contribution to justice rather than competitiveness. She is currently a Senior Research Fellow at the Harvard GSD, a visiting professor at the Lee Kuan Yew School of Public Policy at the National University of Singapore, and a visiting fellow at the Centre for Liveable Cities.

In New York's recent mayoral election, the victor, Bill de Blasio, won an overwhelming majority after calling New York's recent history "a tale of two cities". By this he meant that it had become a city marked by extreme inequality, with the rich doing better than ever, the middle class disappearing, and the number of poor growing. His triumph followed on the Occupy Wall Street movement, which began in New York but was taken up in cities around the world. Its slogan, "We are the 99%", responded to the perception that the top 1% were getting a disproportionate amount of income. Protests against increasing urban inequality have also manifested themselves in strikes against fast-food restaurants in the United States, demonstrations in European cities affected by austerity policies, "Right to the City" alliances in South and North American cities, and worker rebellions around factories in Asia.

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Inequality manifests itself in the wage structure, in spatial segregation by class and ethnicity, in the quality of and access to housing, in life expectancy, and in educational attainment. The most common measure of income inequality is the Gini coefficient, which is expressed as a number between zero and one; the higher the number, the greater the amount of inequality. In Singapore in 2012, that number was 0.459 after taxes and transfers, about the same as in the United States and nearly twice as high as in the comparably wealthy northern European countries. Since Singapore does not count non-residents in its calculations, the number would undoubtedly be much higher if it included foreign contract workers. Generally those cities that have attained "global city" status show higher levels of inequality than more ordinary cities, in part because they have more wealthy people whose assets derive from the financial industry and also because they attract low-income immigrants.

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Some people argue that the presence of very wealthy people benefits the rest because their income trickles down in the form of expenditures. New York's former Mayor Michael Bloomberg told an interviewer: "Wouldn't it be great if we could get all the Russian billionaires to move here?… That would be a godsend, because that's where the revenue comes to take care of everybody else. The way to help those who are less fortunate is, number one, to attract more very fortunate people. They are the ones that pay the bills."

The reality, however, is that growth in GDP does not always trickle down. To be sure, the expenditures of the well-to-do stimulate employment, but many of the jobs created in the service sector that respond to the needs of the wealthy – kitchen help, nannies, house cleaners, etc. – usually pay very little. Moreover, even while some of the wealthy may support the local tax base, many keep their assets and the income flowing from them in offshore, low-tax locations. At the same time they produce enormous pressure on the housing sector, as the presence of high-end bidders forces up the cost of space. Even while global cities suffer from housing shortfalls, the oversized apartments of the wealthy often sit empty as their owners spend time in their other domiciles. Thus, while it might be argued that inequality is a relative term and does not necessarily imply that people at the bottom live in poverty, in fact the presence of those with much more disposable income raises the cost of living for everyone. As the very rich take up more and more centrally located space, businesses pay higher rents and raise their prices to compensate, the middle class moves into working-class areas, and low-income households either move far away from places of employment or carry a rent burden that leaves them with little disposable income.

In addition, the presence of households with high levels of income impedes social mobility. Although theoretically in a meritocratic system everyone has an equal chance of gaining an education and competing for desirable jobs, in fact those with wealth and influence seek to monopolise the top of the economic hierarchy for their offspring. Access to elite private schools and to useful social networks is largely restricted to those already at the top. While those with a relatively disadvantaged background can make their way up the economic ladder, the odds in their favour are much lower than for the children of the already well-off, who can afford tutors, can send their children abroad, and can provide helpful connections.

In a famous thought experiment, the philosopher John Rawls asks how people would choose to design a society if they did not know where they would be in it. He argues that rationally they would opt for equality since the odds were much greater that in a pyramidal structure they would find themselves at a disadvantage. This argument reflects the reality that social inequality perpetuates itself and that if you start out at the bottom of the heap, you are likely to remain there.

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