Tackling the income inequality in urban areas

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Introduction

Social, economic, and material diversity are inherent characteristics of cities. Currently, 54% of the world’s population live in urban areas, and the proportion is set to increase to 66% by 2050. The United Nations predicts that urbanization combined with the overall growth of the world’s population could add another 2.5 billion people to urban populations by 2050. Therefore, the inequality between cities may be as important as the inequality between countries. Since 1980, inequality in almost every urban area has been severed. In the urban area, inequality includes different fields. For instance, wealth and income, infrastructure, crime, and housing are the examples. The most recognizable one is income inequality.

In many countries, over the last few decades, the wealthiest individuals have become wealthier while the relative situation of people living in poverty has improved a bit. However, income inequality has increased in many urban areas. Inequality is also an issue of social justice. People want to live in societies that are fair, where hard work is rewarded, and where one’s socioeconomic position can be improved regardless of one’s background. However, the term “urban inequality” does still exist. Ingrained inequality of outcomes can notably undermine individuals’ educational and occupational choices, and might even discourage certain individuals from success. Furthermore, inequality of outcomes does not generate the “right” incentives. Hence, individuals have an incentive to divert their efforts toward securing favored treatment and protection, resulting in resource misallocation, corruption, and nepotism, with attendant adverse social and economic consequences.

Background

Income inequality not only influences economic status but also influences the environment. Most people recommend living in the cities owing to resulting benefits; however, there are still downsides, such as the garbage mountain between the rich and poor. According to Booking’s Institution, the top 5% of households make 10.8 times the income of the bottom 20%
in metropolitan areas, compared with 9.1 times in the rest of the country.

The Gini Coefficient is a measurement that gauges how the income for the citizens is distributed from the top of the citizens to the bottom. The number stays in between 0 to 1, and as the number gets closer to 1, the income is distributed among people unequally.

Gini coefficient can also show the correlation between crime rates and urban inequality. Crime rates are higher in places with more inequality, and people in more unequal cities are more likely to say that they are unhappy. There is a strong positive relationship between income inequality and murder rates across urban areas. This is because impact of inequality controls for the income level and poverty. Even though it is only a speculation, there was a report indicating the connection of unhappiness to envying richer neighbors. As people control the initial distribution of skills, which results in income inequality, there is a negative association between inequality and the growth of city-level income and population. The inequality-crime relationship is robust to a number of other controls, and that murder rates increase with inequality. One view for this relationship is that inequality is just a symbol for poverty, but both at the country and city level, the impact of inequality on crime survives controls, continuing to affect the mean income level and the poverty rate.

**Places of High Concern**

**United States of America**

![Graph showing the correlation between student’s dropouts and Gini coefficient](image-url)
America is a land with much inequality and the cities are places that are often particularly unequal. In recent decades, only a tiny proportion of the population saw a growth in their wealth, while the rest have not shown any progress in their fiscal bearing. The share of total income earned by the top 1 percent of families was less than 10 percent in the late 1970s, but now exceeds 20 percent.

According to the graph, this is the graph that regresses the Gini coefficient on measures of human capital in each metropolitan areas. This allows us to observe human capital and national wage regressions. The Gini coefficient on the sum of the share of the population with college degrees and the share of the population shows 32% of the variation in the Gini coefficient, which means 0.32 will be the number for its Gini coefficient and it is a considerable rate.

China

In the mid-1980s, China experienced rapid economic growth. However, they also faced an accompanying downside: a widening income gap. These days, although economy slows, income inequality remains high in China. The Gini Coefficient—an index which measures income equality—of China hit 0.474 in 2012, just a few decimal points above 0.4. This number is considerable regarding the normal Gini coefficient.

China is suffering severe income inequality because they are having a very difficult task to build a middle-class society since China’s population is extremely large.

According to online research by China Youth Daily (CYD), Chinese citizens believe that wealth inequality will become a key factor in hindering China’s economic development in the next generation.

Possible Solutions:

As there are many aspects to this problem, many solutions can be proposed. Among the many possible solutions to approach this issue, some of the most efficient means include:

1. All the members should be required to emphasize education regarding more equal skill distribution. Education will offer hope of creating a more equal skill distribution, and more equal skills should eventually lead to a more equal income distribution.

2. Make homeownership tax subsidies more progressive. Homeownership has been a method of saving for many low and middle-income families. It can also work as a stepping stone for a low-income family to become a member of the middle class. Low-income families generally miss out on homeownership subsidies funded by the tax system.

3. Reauthorize the assets for independence programs, such as Assets for Independence Act. Research finds that participating in the Individual development accounts (IDA) program

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increases the likelihood of an individual becoming a homeowner, starting or expanding a business, and pursuing postsecondary education.

Glossary

*Income inequality:* A measurement of the distribution of income that highlights the gap between individuals or households making most of the income in a given country and those making very little.

*Brookings Institution:* Nonprofit public policy organization based in Washington, DC. They conduct in-depth research that leads to new ideas for solving problems facing society at the local, national and global level.

*Nepotism:* the practice among those with power or influence of favoring relatives or friends, especially by giving them jobs.

*Gini coefficient:* a measure of statistical dispersion intended to represent the income distribution of a nation's residents, and is the most commonly used measure of inequality. 0 indicates perfect equality while 1 represents the highest level of inequality.

*Assets for Independence Act:* largest source of funding for individual development accounts (IDAs) in the United States.

*Individual development accounts (IDAs):* personal savings accounts targeted at low-income households that encourage them to save for specific investments, such as postsecondary educational advancement, a home, or a business, by matching earned income deposits and providing other program supports.
Sources


