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Employment, Income and (In)equality

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Introduction

Employment, income and (in)equality: what can be said in just a short space about these broad elements? Answer: only the basics, avoiding too much detail by taking a theoretical angle as this chapter proposes. And what can be understood of them relative to a typical city planning department? Three things: first, the selected topics lean more toward function than form so that, second, they will most likely receive strategic rather than structural consideration. Third, they would normally be studied at the outset of a planning scheme rather than monitored during its day-to-day implementation. Hence, they are unlikely to be “top of mind” in practice and nor have they received significant attention in the scholarly literature. For example, they remain unaddressed in Heikkila’s (2000) leading text, *The Economics of Planning*.

Despite their relegation, employment, income and (in)equality bear heavily on the welfare of a city and its inhabitants, potentially causing friction if wider economic and social relationships destabilize. Each element relates to the next in a virtuous or vicious circle. Employment, or a lack of it, is readily observable. In Australia, the labor force comprises both the unemployed and the employed; the latter having worked for payment or profit, or as an unpaid helper in a family business, during the week prior to the census collection day, or having had a job from which they were on leave, temporarily absent, on strike or stood down. “Worked,” according to the Australian Bureau of Statistics (ABS, 2016: 6202.0), means “engaged in work, as defined, for 1 hour or more” in the survey reference week. Employment is measured in headcounts or effective full-time staffing units, often dissected by: gender; skill levels; age; blue, pink or white collar status; wage rates; and sundry other variables.

Income can follow employment, but is far less tangible. It constitutes the monetary value of output sold within and beyond a region, thus mirroring economic activity over an accounting period. Different statistical treatments might track it as “revenue” or “turnover.” For an enterprise, income represents the costs of production, plus a profit margin. Another interpretation sums the cost of inputs to a business (purchased components originating outside the place of production) and the value added in-house in striking a price which, when paid, becomes income to the company. As individuals, people receive income on account of the services of land (rent),
labor (wages and salaries), capital (interest and gains) and management (salaries, retainers or royalties etc.) which they provide to the economy. Income is measured in national censuses and at other times through statistical surveys.

(In)equality is the hardest of the three concepts to define and appraise, notwithstanding efforts of liberal scholars and neoclassical economists. The starting point is to recognize that the macro-economy undertakes production (of goods and services), distribution (of the same) and allocation (to business or personal consumers). None of these activities is necessarily conducted on some “equal” or even equitable basis, either among individuals, firms, areas, or over time. At the logical limit, if there were no domestic production or importing, and no distribution, then there would be no allocation among the subject population, resulting in an equality of scarcity but no inequality. Yet, goods and services are not the only objects of social interest. Other desirables can include power, status and money, measured in flows (periodic receipts) and stocks (asset holdings). A time horizon also applies, in that, importantly in terms of policy making, we can look at (in)equality in terms of (initial or ongoing) opportunity and an eventual outcome.

With these definitions, the approach is to examine employment, income and (in)equality separately, with insights from various jurisdictions. The coming analysis allows some general and prognostic conclusions regarding their economic and social evolution over the next 50 or so years.

Employment

Employment is regarded as a prime indicator of the economic health of a metropolis, region or nation due to its undergirding of income and, potentially, welfare and equality. Its relevant parameters demand study. The labor force consists of persons of 15 years through to a retirement age; this age can be open or, as mediated by the state, via pension entitlement. In aging, developed societies, the trend has been for governments to raise the eligibility age—partly to counteract any potential, age-induced, labor shortages—but also to reduce the aggregate public pension payable in later life. In 2016–2017, seniors payments will amount to AU$51.8 billion or 11.5 percent of the Australian government’s fiscal outlays (The Open Budget, 2016). The federal position is currently that the pension can be accessed by men and women over 65 years, though in 2009 it was announced that the qualifying age would rise from 2017 to reach 67 years by 2023. In the 2014–2015 national budget, the entry age was amended to 70 years by 2035, thereby proposing a working life of 55 years.

This backdrop influences the employment participation rate, defined as the labor force in any group expressed as a percentage of the civilian population aged 15 and over in the same group (ABS, 2016: 6202.0). To illustrate, in April 2016, Australia’s male labor force stood at 6.785 million, that of females 5.853 million, for a total of 12.637 million within a civilian population aged over 15 of 19.494 million (viz. a participation rate of 64.9 percent). Participation naturally varies by sex and area, falling as the age of workers increases. Over 459 monthly observations from February 1978 to April 2016, the Australian labor force participation rate has varied between 59.6 and 66.2 percent, depending on contemporaneous economic conditions (ABS, 2016: 6202.001). In the same period, the participation rate of women underwent a major social shift, rising from 43.7 to 59.4 percent.

Participation clearly relates to variables of unemployment and under-employment. In April 2016, Australia’s unemployment rate was 5.7 percent, comprising 373,200 males and 345,400 females actively seeking work (ABS, 2016: 6202.001). Under-employed persons are those aged 15 years and over who are employed:
In Australia, under-employment is mentioned infrequently. Nonetheless, in February 2016, it beset 450,700 males and 613,100 females, a total of 1,063,800 persons representing 8.7 percent of the employed workforce (ABS, 2016: 6202.022). Along with unemployment, it indicates that labor in the economy is far from fully engaged. This realization introduces a final statistic linked to wellbeing, namely, hours worked. Since the variable of hours worked overrides others such as full- and part-time employment and under-employment, working disputes and other interruptions, it is arguably a reliable indicator of the actual demand for labor. An ABS (2016: 6202.019) monthly trend series reports that, when entering the global financial crisis (GFC) in December 2007, 1,510,767 thousand hours were worked in Australia. For April 2016, that number reached 1,628,934 thousand hours, a gain of 7.8 percent. Yet, over the same time span, the labor force headcount increased by 14.3 percent (ABS, 2016: 6202.001). This disparity could signal several issues: sluggish demand for actual labor; a possible dilution of real wages (labor income); or the emergence of inequalities, in that some people worked excess hours while others were under-employed.

Unemployment, for most of those unwillingly in its grip, leads to a lack of income and a consequential loss of opportunity and welfare. Joblessness comes in four forms (Armstrong & Taylor, 2000: 175–76):

1. Frictional unemployment is temporary and unavoidable; in an economy operating at a full employment level, it represents the time it would take for employers and active applicants to find each other and then negotiate and await a start date.
2. Structural unemployment occurs because of a mismatch (sometimes chronic) of skills required and supplied in an area’s labor market, including the availability or otherwise of seasonal work opportunities. Frictional and structural employment together contributes to the “natural” rate of unemployment, normally from 4 to 6 percent, in a full economy.
3. Cyclical or demand-deficient unemployment occurs when the overall economy of an area contracts such as in a business recession. Labor is shed to reduce inventory of goods and the production of services until demand recovers.
4. Hidden unemployment is based around variation in the labor force participation rate over space and time. In regions with a low participation rate or a high unemployment rate, there is also likely to be hidden unemployment of those who have not registered as unemployed but would like work.

Planners have available a limited range of micro-economic instruments. What can they do to counter these types of unemployment which, if left unchecked, can impact on urban form by way of disused premises, blight and social disarray? Orthodox thinking promotes a liberal, pro-business approach to planning, and engagement in the avenues of economic development to be explained below. A less-recognized suggestion would tackle employment issues within strategic planning by focusing upon labor-intensive use of scarce city floor space.

In the conventional view of space allocation, economic theory proposes an ordering of the “highest and best” urban land uses based on a bid-rent curve. This reasoning parcels out land holdings to those functions which can obtain the greatest economic rent per square meter of
site area. Leaving aside negative externalities, neoclassical economics would anticipate this arrangement of land uses occurring by market forces without planning intervention (i.e., involving minimalist or otherwise highly “facilitative” “regulation”). Market-based (i.e. traded) functions would be ranked by their capacity to achieve rates of return on net assets over a series of accounting periods.

Focused on employment, more interventionist planning would instead rank, and then preference, land uses around central urban nodes based on their labor intensity per unit space. For the most labor-intensive functions, expansive plot ratios and supportive transport facilities would be provided. Thus, offices, now posting gross floor space ratios of 18.5 square meters per worker (Bibby, 2009) would be a favored land use; if only because little is published about the labor/space intensity of competing functions. Currently, any attention to labor relativities usually occurs in structural planning, and is characteristically related to parking provision around manufacturing, warehousing, educational and other major establishments. Meanwhile, in almost direct contravention of the logic just relayed, high rise apartments are being promoted in central business districts. They might boost short-term construction employment but will not be employment-intensive, and perhaps not even commercial (i.e., rented out) in the long run. Their effect could well be to break up the functional unity of a city’s business core, thereby deprecating its performance in the global market (Lenaghan, 2016). So much occurs, given the inattentiveness to labor in the planning calculus.

**Income**

In the writings of both the commentariat and scholars, the critical importance of income to community wellbeing is regularly overlooked; eclipsed by the immediate attractions of demographic growth. Demography is indeed destiny; particularly for those without adequate means of sustenance. Principally, income is about sales for firms, receipts for governments, rents for lessors, pay for workers and transfers for welfare recipients.

Income determination is modeled convincingly in regional economics in a way that can be interpreted by planners. To illustrate the most basic case, and with due acknowledgement of Armstrong and Taylor (2000: 8–9), the Keynesian income–expenditure (also known as the five-sector circular flow) identity is written as:

\[
Y = C + I + G + X – M
\]

in which:

- \(Y\) = regional income
- \(C\) = regional consumption
- \(I\) = regional investment (assumed to be exogenously determined, thus \(I_0\))
- \(G\) = government expenditure (assumed to be exogenously determined, thus \(G_0\))
- \(X\) = regional exports (assumed to be exogenously determined, thus \(X_0\))
- \(M\) = regional imports.

Consumption and import expenditure are deemed partly exogenously determined and partly dependent on disposable income \(DY\), such that \(C = C_0 + cDY\) and \(M = M_0 + mDY\). For its part, disposable income is that remaining after payment of income tax \((t)\), as per \(DY = Y – tY\).

At this point, an income multiplier can be introduced to display the effect of an injection of expenditure on the input-output linkages between the entities in the circular flow within
a region. These links include households selling labor to firms and consuming goods and services from them; the finance sector borrowing and lending funds; government fiscal receipts and outlays; and export receipts offsetting import costs. An injection provided by a new firm start-up, inbound tourist visitation or an external government deposition will have direct impacts on income and employment. Additional indirect effects occur via a firm’s demand for local supplies and services, while induced outcomes include the spending of employees on locally produced goods and services, all within a virtuous circle. In this regard, the rate of regional income tax (t), and the marginal propensities to consume (c) and import (m) become important. Thus the regional income multiplier (k) takes the form of the initial injection (nominally, 1.00) reduced by leakages from the circular flow determined by the inclination of a populace to either save or spend, their openness to imports and the relevant tax rate. The specific equation is:

\[ k = \frac{1}{1 - (c - m)(1 - t)} \]

in which the \((c - m)\) component represents the propensity to consume locally. It varies with the size of a region, its industry mix and tendency to import, the last element likely influenced by extra-regional commuting behavior. Broadly, as \((c - m)\) increases, for every dollar of initial injection, more indirect and induced income accrues. The reverse applies as the tax rate rises and money is withdrawn from the circuit. The regional multiplier (k) can now be fused into a more comprehensive circular flow model as:

\[ Y = k \left( C_0 + I_0 + G_0 + X_0 - M_0 \right) \]

Armstrong and Taylor (2000: 13) are at pains to point out that the effects of a regional income multiplier are diluted by leakage from the initial injection of expenditure, frequently in the form of imported capital equipment. This loss to a region can be great, but the initial round is also large relative to successive ones, so the impact can be magnified before the multiplier even takes effect. While politicians might assert that “something gained is always better than nothing,” planners need to be more analytical and measured in reacting to an initial input.

Formal study of income within regional economics devolves into a quest for wealth through a copious local economic development literature and an equally burgeoning economic development practice usually situated in local government. From the United States, Leigh and Blakely (2017: 59–63) explain that initiatives have proceeded through several phases:

- The first, emphasizing industrial recruitment, emerged in the 1930s around public incentives to create a good business climate, including tax relief, soft loans, infrastructure provision and access to sites and land. Over time, this practice produced “beggar thy neighbor” behavior (i.e., states “pinching” footloose firms from each other), escalating incentive levels and seeing firms play off one location against another. Long established enterprises were disadvantaged in the scramble.
- The second, during the 1960s, responded to critiques of the foregoing situation and the beginnings of a long-term retraction in manufacturing. To address equity issues, economic development stakeholders were more closely identified and business attraction better targeted. Strategies were added to retain and incubate new firms in situ, assisted by expansion loans and grants and provision of information by small business development units.
- The third, of the late 1980s and 1990s, concentrated on fostering new business and industry, oriented to high technology and clustering. International trade promotion, sister city
twinning, venture capital and small business development were part of the project which included analysis of the creative classes (Florida, 2002; Landry & Bianchini 1995). Municipalities expanded the stakeholder base in economic development to address local poverty and disadvantage. Skills underpinned participation in a “new economy” featuring advances in information handling and communications. Connectivity and networking of entrepreneurship, human resources and technology became keynotes in an expanding global economy.

- The fourth, heralding the new millennium, brought the concept of sustainability to the fore. Practitioners were (and are) called upon not only to “grow” a local, metropolitan or regional economy but to distribute the gains and respect ecological principles so as to improve quality of life outcomes. Balance was sought among environmental, economic and social “triple bottom line” outcomes.

- The current fifth phase emphasizes market solutions engaging competitive advantage and wider-scale metropolitan and regional strategies. Government facilitation encourages public-private partnerships (PPPs) to acknowledge missing markets and unmet demand. Minority groups and minority firms are central. Despite these foci, Leigh and Blakely (2017: 63) warn of potential inequalities in unintended gentrification in newly revitalized downtowns, while the poor are displaced to declining suburbs which lack support systems and infrastructure to enable their full participation in wealth-generating processes.

The benchmarks of economic development, over eight decades of stimulus within a dynamic and often turbulent environment, have rightly remained around job creation and retention and the expansion of community income. The last connotes flows which can, over time, translate into stocks of assets, both enumerable in ABS publications such as the Census of Population and Housing (individual income) and the Australian System of National Accounts (ABS 5204.0; total factor income within gross domestic product, capital accumulation and stocks, value of land etc.). These sources are seldom tapped by populist hucksters and boosters of economic development and city growth, who can overlook two important standardizations. First, cross-sectional data need to be presented on a per capita basis to offset increases or decreases in a demographic base. Second, income and the accumulation of wealth must be appraised in real, not nominal or current, terms, which involves indexation (discounting) of longitudinal data to a base year. At a retail or consumer level, these measures can be aligned with purchasing power parity to inform a population of whether it is really better off, over time or compared with other nations.

**(In)equality**

Most broadly, equality and inequality can occur in the quantity and quality of flows to individuals and organizations of tangible and intangible goods and services, and of information. This process can involve positive, inferior and negative products; over time it can determine the asset stocks held by parties in a community. People attach two kinds of value to stocks: that of personal or corporate use, and that of exchange. (In)equality can capture a plethora of dimensions in societies featuring active “identity politics” maintained by apparently marginalized groups. The most embracing metric which can encapsulate these wide-angle concepts is arguably the quality of life experienced by individuals, given that every moment of their time and all their actions have an opportunity cost.

Treatments of (in)equality in city planning rarely take an approach as fundamental as linking quality of life with welfare, which is inspired more by political economics. Inherent in this nexus is a definition of welfare, understood by the Oxford ethicist, G.A. Cohen (1989) as:
• a measure of the number of preferences a person is able to achieve (welfare as preference satisfaction); possibly contributing to
• an agreeable state of consciousness (hedonic welfare).

If these desiderata are valid, it follows that that the aims of city planning should be to facilitate access to them by individual citizens who, at the same time, would avoid the conflicts associated with negative producer or consumer externalities generated by other inhabitants. This outcome could augment levels of intrinsic motivation among city dwellers (Ryan & Deci, 2000a; 2000b) and so establish the vibrant polis envisioned in contemporary, but often poorly conceived, strategic planning documents.

From this base, we can turn to the allocation of welfare. Neoclassical micro-economics properly stresses the fundamental significance of effectiveness, efficiency and equity in any production function, of which the daily business of a city could form one example. In lay terms, effectiveness is “doing the right thing” or ensuring that socially valuable ends are met. In economics, it is labeled “allocative efficiency.” The more commonly understood concept, however, is productive efficiency, which follows the rational choice model in proposing actions which ensure a positive benefit-to-cost result (“doing the thing right”). Equity, as taught in geography and other disciplines, is about who gets what, when, where and how (i.e., reflecting the economist’s concepts of time, form and place utility). Notably, it need not imply that recipients have equal access to any item.

Welfare economics is concerned with the structural conditions promoting effectiveness, efficiency and equity. For societies involved in production, distribution and allocation, as well as land use planning, the spectrum of organizational choice includes libertarianism through to arrangements representing the dilution of its allegedly “free” market by up to 100 percent of public intervention (i.e., socialism or communism in a “command” economy). In maximizing social utility, libertarians assert the right of individuals to choose courses of action with minimal constraint. Only individuals, not groups, should retain the benefits created through their energies and talents. Apart from defense of the nation state, acceptable constraints are those which uphold an orderly and lawful society and those associated with the operation of the market system. Individual initiative legitimizes the share of income allocated to a person and his or her accumulation of assets, which, in turn, influence levels of equality or inequality. Any attempt to redistribute resources constitutes an unwarranted interference with the rights of private ownership and becomes an imposition upon liberty. This is allegedly unjust. Philanthropy must be self-motivated and has no part of the system of justice. There is scant taxation and very few social safety nets.

From this extreme of decentralized decision-making, societies can opt for greater public intervention at two levels. The first involves direct, micro-economic action. Few might dispute a public sector role in plugging missing markets, since an inadequate supply of goods or services reduces social welfare. Yet, for the state to compete with the private sector in supply inevitably raises questions about its relative productive efficiency.

The second level of intervention involves macro-economic fiscal policy, which might recall a saying popularized by Karl Marx in his 1875 *Critique of the Gotha Program*: “from each according to his ability, to each according to his needs.” Though it originally envisaged allocation in the anticipated abundance of communist production, this redistributive manifesto still informs modern socialism. Theoretical analysis would recognize many potential, needy claimants; the disabled, the poor, the “battlers,” the “aspirational” and even those “of means,” who could do so much more (for the common good but likely also themselves) with access to public resources. Corporate welfare via public “co-investment” in Australian manufacturing has provided a recent example.
If society wishes to intervene in the market, it has to weigh up and action these claims against criteria of public accountability, and consider who will bear the costs and receive the benefits.

Public fiscal initiatives, along with the control of resources and of production and distribution, might address the utilitarian end of “the greatest good for the greatest number” and thereby meet efficiency criteria. An initial equity test could be Paretian: can continuing production (e.g., urban development) make people better off without making any others worse off? More challenging issues arise in the public allocation of goods and services. A logical outcome of utilitarianism is the right to equal shares of the maximized social utility. In real life, losing even minor marginal utility would be resisted by the well-off, though their losses would mean relatively major gains for those who had little. In this respect, John Rawls (1971) theorized that an allocation which can be called “just” would benefit the poorest in society, irrespective of the gains it offered to the rich. However, the poor might harbor envy and suggest that even equal shares were unjust on account of the prior asset base of the rich.

Writers acknowledge the difficulty of making individual or community preference schedules commensurate, thus invalidating much of the utilitarian position. Resourcists argue that, since tastes and preferences are diverse, it is better to focus on how much everyone is allocated and to let recipients choose how they use the proceeds. This is the stance taken by the Australian government in disbursing general-purpose federal grants to the states and territories. Critics note significant differences in the abilities of recipients to use resources and that they might not gain the same utility from a given allocation. Illustrating this quandary, city and regional planners might recall the trials of installing local infrastructure under political and media spotlights: who will benefit from it, how will it be financed, and will it end up actually being used? These concerns around equality of opportunity cannot enforce an equal outcome because some people and areas might have more (stocks of) public or private resources prior to the current allocation (a flow). One way or another, inequality might be perceived and, indeed, prevail. Focused on single parameters such as income, the Gini index offers a methodology which can chart the development of (in)equality over time.

For planners, problems at the margin involving placement of a new public facility are compounded by equity questions confronting existing private property stocks held in fee simple (freehold) or strata arrangements. They arise from demographic pressures, particularly in economies with high immigration. It is one thing for states or local governments themselves to enforce acquisition for purposes of establishing essential public infrastructure. It is altogether another issue for them to resume property for redevelopment of brownfield or greyfield areas in order to house an expanding population in consumptive residential urban forms. Lots acquired invariably have to be released to the private sector so that dwellings can be constructed. Questions immediately arise about the prices received by ousted owners and prices paid for sites to the resuming authority by prospective developers in what could a case of worsement, unless generous Kaldor-Hicks type compensation has been offered (Tisdell, 1982: 214). Such disruption has extended to strata titles, in that various Australian state governments have legislated, or are under pressure to introduce, stipulations that a strata property can be acquired in the private market if 75 percent of owners favor selling (McKenny, 2012). This move can leave the reneging 25 percent with no choice but to quit their premises of any property class, be it residential, commercial or industrial. Given the expansionary demographic zeitgeist and the economic imperative, lobbying for such acquisitions pays little attention to equality, inequality or just plain equity. The current thrust indicates that long-established tenure conditions are worth less in a fluid neoliberal market wedded to ideas of growth.

The problems of allocation are largely foreign to libertarians but are not the end of the story for interventionists and egalitarians. In The Just City, Susan Fainstein (2010) writes that “in order to
overcome the bias in favor of powerful social groups, an emphasis on democratic deliberation has become central to discussions within planning theory.” This statement acknowledges Rawls’ (1971) claim that a just outcome demands a fair process. Yet, on many levels, much-acclaimed “democracy” can no longer be taken at face value. In cities, there can be illicit political donations, especially from property developers, who might stack local councils to ensure sympathetic decisions. Some national governments, particularly in client states, resemble cabals or plutocracies, as against any commonly understood semblance of democracy, with rigged elections a frequent feature of the governmental process. Finally, a democracy needs operational boundaries, as in who is eligible to reside in its area, participate, share in its costs and benefits and in its expression of equality and inequality.

As democracy strains, the European-American nexus and the settler societies are, via globalization, becoming vastly more pluralistic. Simple wealth or class distinctions of the “rich” and “poor” are being overshadowed. In a pointed article in 2004, Prospect magazine editor, David Goodhart (2004: 30, 33), explained that Britain exhibited both value and ethnic diversity and that much of the population spent its life among strangers.

We share public services and parts of our income with the welfare state, we share public spaces in towns and cities where we are squashed together on buses, trains and tubes, and we share in a democratic conversation—filtered by the media—about the collective choices we wish to make. All acts of sharing are more smoothly and generously negotiated if we can take for granted a limited set of common values and assumptions. But as Britain becomes more diverse, that common culture is being eroded . . . If welfare states demand that we pay into a common fund on which we can all draw at times of need, it is important that we feel that most people have made the same effort to be self-supporting and will not take advantage. We need to be reassured that strangers, especially those from other countries, have the same idea of reciprocity as we do. Absorbing outsiders into a community worthy of its name takes time.

Various systemic challenges for the Western democracies will play out in cities. On one hand, governance can be disturbed as powerful lobbies, both domestic and international, effectively pay for political influence. On the other hand, the social contract behind the long-standing, post-war welfare state is stressed by population change. Conventional redistributive egalitarianism has met the progressive liberalism which urges free-wheeling internationalism and demographic cosmopolitanism. As Goodhart (2004: 36) concludes, a universal, human rights-based approach to welfare ignores the fact that the rights claimed by one group do not automatically generate the obligation to accept them, or pay for them, on the part of another group . . . welfare should become more overtly conditional. The rules must be transparent and blind to ethnicity, religion, sexuality and so on, but not blind to behavior. People who consistently break the rules of civilized behavior should not receive unconditional benefits.

This is fair enough within a democracy, but Australian observer, Greg Sheridan (2016), goes further; he writes of borderless Britain that “in the year just gone . . . about 77,000 migrants came from other European Union (EU) countries, without jobs. They are all entitled to claim British welfare payments and, if they like, they can send these welfare payments back to their countries of origin.” Apparently 430 million other EU residents could similarly migrate. At this juncture, the orthodoxy of democratic limits, inclusion and exclusion, equity and (in)equality
seems well-nigh confounded. The Brexit result of June 2016, in which a majority of people in the United Kingdom voted to leave the EU, appears to support this view (Der Spiegel, 2016).

**Conclusion: A Realist Future**

I was once told by a sadder and a wiser woman, formerly married and proprietor of a large enterprise, that “you do not appreciate wealth until you have lost it,” a striking testimony to the potency among people of loss aversion (Brafman & Brafman, 2009). Anyone who weathered the GFC after 2007 could readily recount how quickly bubbles burst, booms bust and wealth can evaporate, not just in the virtual casino of equities and derivatives, but also in the real economy. The neoliberal worldwide market rates nations, regions and cities, and competition is ruthlessly pervasive. In the poorest areas, there is simply little to plan for other than subsistence. In a Darwinian environment, stagnation and inwardness will quite likely shrink employment, income and fiscal capacity at the expense of equity and equality. Given offshoring and on-shoring in increasingly internationalized (trade-exposed) labor markets, jobs are becoming the most valuable commodity which a community can possess. Proof lies in the millions of people in the developing world who, seeking a better quality of life, either go overseas for employment or would if they could. Such forces of “function,” writ large, are far more decisive than form in shaping the fortunes of a region or city.

Accordingly, it is debatable whether practising planners have the standing to influence the exigent macro context. They are occupationally and politically constrained in processing development applications (in so far as they continue to flow in). For many cities operating as economic ‘price takers,’” any development would seem potentially a good one, irrespective of its consequences for labor or other dynamics. Only a few celebrated “price-making” metropolises can reject business and housing proposals by questioning their compatibility or citing limits to growth. Periodically, planners come up for air via the construction of strategic metropolitan schemes. These documents are often long on rhetoric—“lifestyle,” “amenity,” “inclusiveness,” and “quality of life”—and notably short on the mechanics of how, by chiefly manipulating form, these elements could be achieved. Indeed, from New Zealand, Gunder (2014) has written lucidly of a political and bureaucratic fantasy in which planners were required to support “delusion or perhaps deception” in the Auckland metropolitan plan.

Theoretical accounts, like this present one, of employment, income and (in)equality are unlikely to burden tertiary planning degrees. These analyses do not appeal to faculty who might regard economics as a bridge too far, or who are otherwise unequipped to deal with such topics. Besides, they might not suit students lacking an introductory macro- or micro-economics course, who could have entered college with insufficient mathematics to go the distance. Such students are being sold short, especially if their careers will brush with practising economists and engineers who can easily outmaneuver them on technical issues underpinning policy making.

Recourse to urban design is no panacea. Publicly financed, it can be the handmaiden of neoliberalism, producing positive externalities which are easily appropriated by private interests and do little for equality in the process. Moreover, it could simply reflect the application of prior urban economic and physical planning policies blindsided by incisive global competition. Thus, brownfield sites are fêted as residential redevelopment areas (for people with some job, someday, somewhere), rather than lamented as places in which industry faltered or vacated, thereby losing real jobs. By this reasoning, the design skills of planners address symptoms rather than the causes of urban retrogression.

During the 1960s, Japan arose economically and then slumbered from the 1980s onwards. There is nothing to stop other developed countries becoming stultified or sclerotic in the next
half-century since, according to Clive Prestowitz (2005), three billion new capitalists are now busy entering the global market. Just as Germany and Switzerland have recently posted effectively negative returns on their highly rated, long-term (“safe haven”) government bonds, pundits foresee an era of low growth, low inflation or actual deflation, low or negative interest rates, limited private capital expenditure and large public debt. None of these trends augur well for high-wage, welfare economies (Korporaal, 2016; Uren, 2016). Yet, any significant recovery could speed substitution of capital and enterprise for labor, as emergent in the service sector, the last bastion of job growth. Can employment, real wages and income streams rise in future, possibly enabling more acceptable allocative outcomes? If ongoing wealth is recognized as a key to opportunity and the means to access preference and hedonic welfare, it is time to acknowledge the big-picture, economic realities and not aim low or sweat the detail.

Notes

1. In this section, I acknowledge the original work of the late Norman Elvidge in his 1999 University of Queensland doctoral dissertation entitled “Equity and Efficiency Effects of Suburbanised Retailing Systems in Australian Regional Cities.”

2. This statement reflects laissez-faire, growth-oriented Thatcherism: increase the size of the pie to enlarge everyone’s share. The alternative scenario, redistribution within a static economy, has difficulties which have been outlined above.

3. Rather than mindless demographic expansionism.

References


