

Urban inequality and justice

Creating conceptual order and providing a policy menu

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Abstract

Urban-economic inequality is commonly considered to be increasing and a phenomenon that needs to be combatted. However, discussions about it are sometimes rather unsystematic, unsubstantiated and alarmist. This compromises policy effectiveness. In this paper we put forward a decision-making framework that can be used to provide structure to the discussion and to derive policy options from. It first deals with some definitional issues by distinguishing inequality from related but distinct concepts such as poverty, segregation and justice. In addition, it discusses measurement challenges. As investigating urban inequality is not value-free but can be approached from different angles, the paper elaborates on three alternative normative perspectives that relate (in)equality to (in)justice. The first considers economic inequality to be undesirable from an instrumental view: it impacts negatively on economic growth, social cohesion or other societal goals. The second argues that relative poverty (economic inequality) in itself (intrinsically) is irrelevant and not unjust but that the focus should be on absolute poverty. The third and final perspective takes issue with the material emphasis of one (relative poverty) and two (absolute poverty) and raises awareness for the importance of capabilities: people can do different things with the same amount of money because of their differences in capabilities. Each normative perspective leads to its own policy options within different policy categories (people-based/place-based and picking winners/saving 'losers'). Through providing conceptual rigour, illustrating the way concepts can be measured and distinguishing between competing normative perspectives, a policy menu is sketched.

Keywords: inequality, segregation, polarisation, poverty, justice, place-based policy, people-based policy

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1 Introduction

The city is back at the top of the academic and the policy agenda. Current discourse has been fueled not in the least place by economics. When Ed Glaeser's *Triumph of the City* was published in 2011 it was an instant classic. At the same time, inequality gained a more prominent spot on the agenda through the publication of Piketty's *Capital in the 21st Century*. Consequently, the two discourses have made *urban inequality* the centre of many policy and scholarly debates.

Although an important topic, it is often unclear what is meant by urban inequality. There are many forms of urban inequality and concepts that are related, such as poverty, segregation and (in)justice, but not the same. In addition to a lack of clarity, the value judgements and their foundations are often left implicit – reference to urban inequality is usually accompanied by a normative *reflex*, rather than *reflection* – and not systematically thought through towards policy options and their consequences. When does inequality become unjust? And when it does, what should we do? Pursue physical policies to reduce spatial inequalities, as is often done?

It is important to emphasise from the outset that we treat equality and justice as distinct. Although some egalitarians fuse them into what is called 'egalitarian justice', justice and equality have a different resonance in the political domain: "Apart perhaps from a few half-baked neo-Nietzscheans, every-one is in favor of justice. Equality, by contrast, seems only to be embraced unreservedly by political fanatics and philosophers" (Miller, 1997: 223-224). In this paper we treat equality as a positive or empirical concept that is used to make descriptive statements about the assignment of rights (i.e. formal equality) or the distribution of resources such as income and wealth (i.e. material equality). Justice, on the other hand, is considered as a normative concept which is related to what is the 'right' thing to do and through which prescriptive statements can be made. The two are of course often related: an equal distribution of rights or resources can be a requirement of justice, but not necessarily so (Miller, 1997; see also section 3). We are aware that defining urban inequality, and even referring to the 'concept' altogether, is value-laden in itself. We come to terms with that later in the paper. However, the fact that the dividing line between description and prescription is often blurred in practice, does not mean that a distinction cannot and should not be made (Chiappero-Martinetti & Moroni, 2007: 362).

Many social sciences pay more attention to description than to prescription. Atkinson (2009: 794) argues that although economics is a *moral* science, in the sense that not

only positive statements are made, the value judgements lack sufficient and explicit justification. In the field of sociology, geography, and planning too, large and implicit normative leaps¹ from observing to judging (that is often, condemning) urban inequality, and the spatial sorting thereof (i.e. segregation), are being made. The implicitness of values and their scant justification can be illustrated by the first statement in a recent large comparative empirical study on urban inequality and segregation: "Growing inequalities in Europe, even in the most egalitarian countries, are a major challenge threatening the sustainability of urban communities and the competitiveness of European cities" (Tammaru et al., 2016b: 1).

In an attempt to assist policy-makers in their search in this complex debate, we try to create some order to the definitional issues, the value judgements, the policy options and their expected consequences. The first step is defining inequality, measuring it and distinguishing it from related concepts such as poverty, segregation and justice. Then we move to the value judgements of inequality. Different competing values lead to different (sometimes competing) policy options. We therefore decide to take urban inequality as a starting point for our endeavor as it is so central in today's academic and applied discourse. Where others have explicitly refrained from doing this (Campbell, 2006: 103), we propose a decision-making framework through which the issue of dealing with urban inequality and justice can be structured in the hope it will help decision-makers in different countries to take an explicit normative position and act accordingly. This is important because in a democratic country governments have to persuade society of the legitimacy of their objectives and actions (Atkinson, 2009). It is important to stress that we do not aim for an extensive or even exhaustive exposition of the various normative positions, since that would encompass a vast literature. We simply highlight their main features and differences so as to assist decision-making in dealing with urban inequality.

We use data from the Netherlands and, to a lesser extent, Europe to illustrate our arguments. The Netherlands is an interesting case in an international context as it is often seen as exemplary. Fainstein (2010) considers Amsterdam to be the almost perfect example of *The Just City*², although some contend that it has become 'just a nice city'

¹ Rein & Schön (1993) refer to this as a "normative leap from 'is' to 'ought'" (p. 148).

² Two things must be noted about the Fainstein's position. First, she favors the term *equity* over *equality*. Where equality assumes equal distribution of goods, equity looks at an appropriate distribution and takes the issue of need into consideration. Policies that focus on the latter do "not favor those who are already better off at the beginning" (Fainstein, 2010: 36). Secondly, equality/equity is just one of the criteria she uses to evaluate the social justice of cities. Diversity and democracy are the others. These two are not part of our exploration.

(Uitermark, 2011). Extreme cases always help to shed light on concepts and social phenomena³.

In section 2 we define urban inequality and the various forms it takes. In doing so, we also discuss measurement issues. In the third section, we try to order the various value judgements with regard to urban inequality. Here we draw particularly on the literature in the planning discipline where a realm of publications has developed in recent years that deals with exactly this issue. Starting from these value judgements, we identify different policy options and their consequences in section 4. In the last section (5) we discuss how these insights might be helpful to policy makers.

2 Defining and tracing *urban* inequality in time

The topic of this paper is urban-economic inequality. But before we turn to the urban 'version' of economic inequality, we must first decide what we mean by *economic* inequality itself.

Economic inequality

The focus in this paper is on (urban) economic inequality, a specific type of material inequality (as mentioned in the introduction), not on other forms such as ethnic or age inequality, although in practice those are often connected to economic inequality. In economics, inequality has been given renewed attention in recent years (e.g. Stiglitz, 2012; Piketty, 2014). Economic inequality refers to a skewed distribution of wages, income and/or capital. Economic inequality and poverty are often fused in the literature (e.g. EUKN, 2015)⁴. We believe they need to be distinguished. Economic inequality is the same as *relative* poverty, not *absolute* poverty (Moroni, 2015). In the case of absolute poverty the 'distance', in terms of income, wage or wealth, between one person or one group and the other is irrelevant. Instead, the emphasis is on whether someone is above or below what is politically or socially accepted as a minimum level of income, wage or wealth.

The Gini coefficient is a common indicator to measure that. It takes a value between 0 and 1, where 0 refers to perfect equality and 1 to perfect inequality. The alleged relative equality of the Netherlands, which is sometimes lauded internationally (Fainstein, 2010),

³ Extreme or atypical cases often help to shed more light on social phenomena and their causal mechanisms than average and representative cases (Flyvbjerg, 2006).

⁴ For instance: "This is more in line with the major feature of **poverty** as an accumulation of interrelated forms of exclusion and **inequality**" (EUKN, 2015: 4).

is confirmed by a relatively low Gini coefficient (after taxation) of 0.33 for income (in 2000). This is comparable to the Scandinavian countries and substantially lower than the US (0.42) and the UK (0.41) (WRR, 2014 on the basis of Cassidy, 2013 and LIS⁵ data). The Gini coefficient for wages is even lower (0.26 in 2012, own calculations for all social security jobs). The Gini coefficient for capital ownership, however, is 0.8 and has been qualified as relatively high in an international context (WRR, 2014).

At least equally important as measuring inequality statically is looking at the direction of its development. Is it growing or decreasing? And are people and groups diverging or converging? There seems to be a substantial and growing consensus that in the light of globalisation, 'neo-liberalisation' and de-industrialisation inequality and divergence are growing (e.g. Sassen, 2006; Piketty, 2014).

Urban inequality: between and within cities

Inequality among people, and the development thereof, is not homogeneously distributed over space but shows traces of spatial concentration. The adjective 'urban' in this regard means that the empirical phenomenon (in this case inequality, poverty and segregation) takes place *within* an urban context (urban region, city or neighbourhood) or, additionally, *because* of the urban context. To illustrate the difference we draw the attention to a well-known debate in the literature on the presence of *neighbourhood effects* (Van Ham & Manley, 2012; Boschman, 2015). A neighbourhood effect is a negative or positive effect that the neighbourhood (the people who live there and/or its physical features) has on the functioning of an individual. An example of a (negative) neighbourhood effect that is put forward in the literature (e.g. Grant, 2010) is a *discouraged-worker effect*, which means that people are less willing or able to get a job when in their neighbourhood they are surrounded by many other unemployed people. Alternatively, scholars have suggested that such neighbourhood effects exist to a (much) lesser extent, because there is a different (reversed) causality: it is not the neighbourhood that impacts on the people, the people live in that neighbourhood because they have particular propensities and behaviours. This is referred to as a *selection effect*. Applied to the topic of this paper a neighbourhood effect versus a selection effect comes down to the question: does the neighbourhood make you poor(er) or rich(er) or do you live in a particular neighbourhood because you are poor(er) or rich(er)? Analytically the two types of effects are distinct, but empirically it is hard to distinguish them which sometimes leads to the question if neighbourhoods effects exist at all (Van Ham & Manley, 2012; Boschman, 2015).

⁵ This is short for Luxembourg Income Study.

Urban inequality can occur between cities and within cities⁶. In other words, we can distinguish between *inter*-urban and *intra*-urban inequality. Not every city is triumphant, nor is every neighborhood within a city, not even when that city as a whole is triumphant. In other words there is a *Divided Triumph* (PBL, 2016).

Inter-urban inequality appears to be increasing. Enrico Moretti (2012) talks about a *Great Divergence* between urban areas in the US. At one end of the spectrum are the hugely innovative hubs such as the San Francisco Bay Area and Greater Boston, while at the other end there are the industrial cities of the Rustbelt (Detroit, Cleveland, etc.) that have not been able to catch up with the demands of a globalised and technologically-advanced world and suffer from increasing deprivation as a result. The factors that make cities successful or triumphant (Glaeser, 2011) are exactly the ones that make one city drift away from the other. "Globalization and technological progress have turned many physical goods into cheap commodities but have raised the economic return on human capital and innovation" (Moretti, 2012: 10). Consequently, cities in which innovation and human capital are widely present are much more capable of capitalising on those global processes than cities that have specialised in producing commodities.

These processes are also considered to evoke *intra*-urban inequality. "It is not just that the economic divide in America has grown wider; it's that the rich and poor effectively occupy different worlds, even when they live in the same cities and metros" (Florida & Mellander, 2015: 9). This is not new. Plato said that "any city, however small, is in fact divided into two, one city of the poor, the other of the rich" (Glaeser, 2011: 69). However, recent global processes are held responsible for enhancing that divide. On the basis of her Global City research, Saskia Sassen (e.g. 2006; see Florida & Mellander, 2015, for a similar claim) concludes that the post-industrial, service-orientated (global) city is characterised by growing differences. Her *polarisation* thesis comes down to claiming that both the top and the bottom of the urban labor market are growing at the expense of the middle class. Hamnett (1994) has questioned the polarisation thesis and proposed an alternative: the *professionalisation* thesis. He argues that the transition from an industrial city to a city in which the service economy is dominant, does not have a polarising effect but leads, as a result of better education, to an increasing middle class and a reduced lower class. In testing these hypotheses in the Netherlands, Burgers & Musterd (2002) argued that, due to greater de-industrialisation, Amsterdam has become more polarised than Rotterdam.

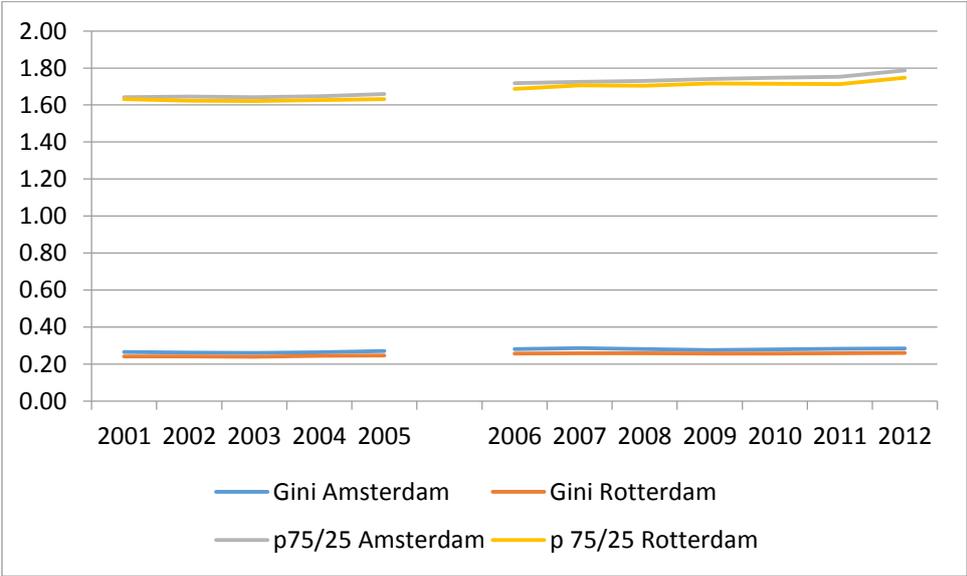
⁶ Materially speaking, 'urban' and 'the city' refer to *daily urban systems*, which are the areas in which daily commuting takes place. However, those systems usually do not coincide precisely with formal statistical and administrative boundaries of cities or urban areas.

Using data from Statistics Netherlands on all social security jobs⁷ in the Netherlands, we show the development of the wage inequality in the urban regions of Amsterdam and Rotterdam between 2001 and 2012 (see figure 1).⁸ Although wage inequality is generally not very high in both cities, we see increasing wage inequality in both cities, where the increase in wage inequality is stronger in Amsterdam. During the whole period Amsterdam has had a slightly higher Gini coefficient (0.29 in 2012) than Rotterdam (0.26 in 2012), but the difference between the two urban regions did not increase. Since the Gini coefficient mainly reflects the changes around the middle of the distribution (Salverda 2014), this suggests that there is no clear evidence for the polarisation thesis. To test the polarisation thesis, we looked at the divergence of the 75th and the 25th percentile of the wage distribution. The 75:25 ratio, which measures how much higher the 25 percent top wages are compared to the 25 percent lowest wages, shows a stronger increase between 2001 and 2012 than the Gini coefficient. Furthermore, while in 2001 the 75:25 ratio was only slightly higher in Amsterdam than in Rotterdam, this ratio increased more in Amsterdam than in Rotterdam during later years. In other words, in line with Burgers & Musterd (2002), we conclude a greater level of polarisation in Amsterdam than in Rotterdam.

⁷ This means that self-employed people are not included.

⁸ We defined these regions following the 'stadsgewest' labeling from Statistics Netherlands.

Figure 1: Development of the Gini coefficient and the 75th/25th percentile ratio of wages in Amsterdam and Rotterdam (urban regions)⁹



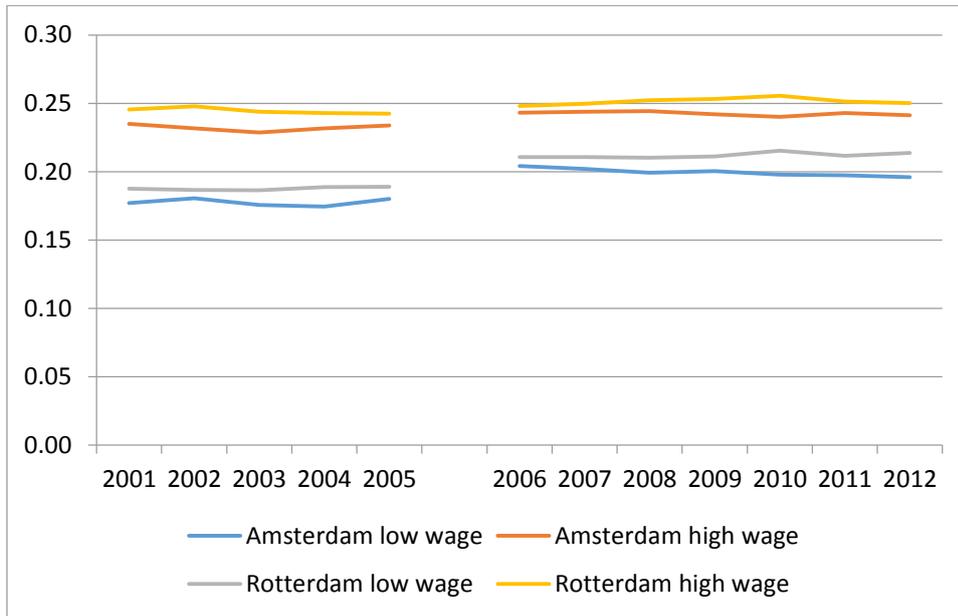
Source: Statistics Netherlands, edited by the authors

Intra-urban inequality may materialise spatially in the form of (spatial) segregation, but not necessarily so. An increase in urban inequality may be accompanied by a decrease in segregation and *vice versa* (Ponds, Van Ham & Marlet, 2015). Figure 2 shows that, while wage inequality in Amsterdam is higher than in Rotterdam, in terms of segregation the image is reversed. The level of segregation (as indicated by the dissimilarity index¹⁰) of inhabitants with a high wage (75th percentile) or a low wage (25th percentile) is higher in Rotterdam.

⁹ In 2006, Statistics Netherlands started to use a different source for the job database, therefore, the trend line is deliberately disconnected between 2005 and 2006.

¹⁰ The dissimilarity index is a common indicator for measuring the level of segregation (see also Tammaru et al., 2016a). It measures the evenness with which two (wage) groups are distributed over neighborhoods that make up the urban region. The score can be interpreted as the percentage with which one of the two (wage) groups would have to move neighborhoods to get a distribution that is equal to the urban region.

Figure 2: Development of the dissimilarity index for wages in Amsterdam and Rotterdam (urban regions)



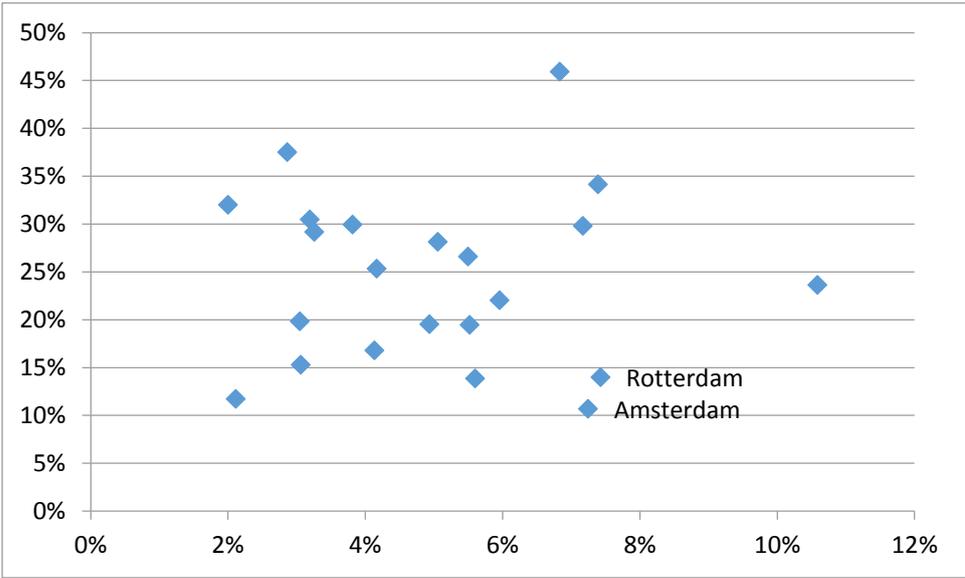
Source: Statistics Netherlands, edited by the authors

Also the change in wage inequality in the 22 urban regions of the Netherlands between 2001 and 2012 is not accompanied by a clear increase in the level of segregation (see Figure 3a and 3b). While in all urban regions wage inequality increased during this time period, in some regions the level of segregation of groups with higher wages even dropped (Figure 3a). Although this is not the case for the inhabitants with the lowest wages, still there is no strong relation between the change in inequality and the level of segregation.

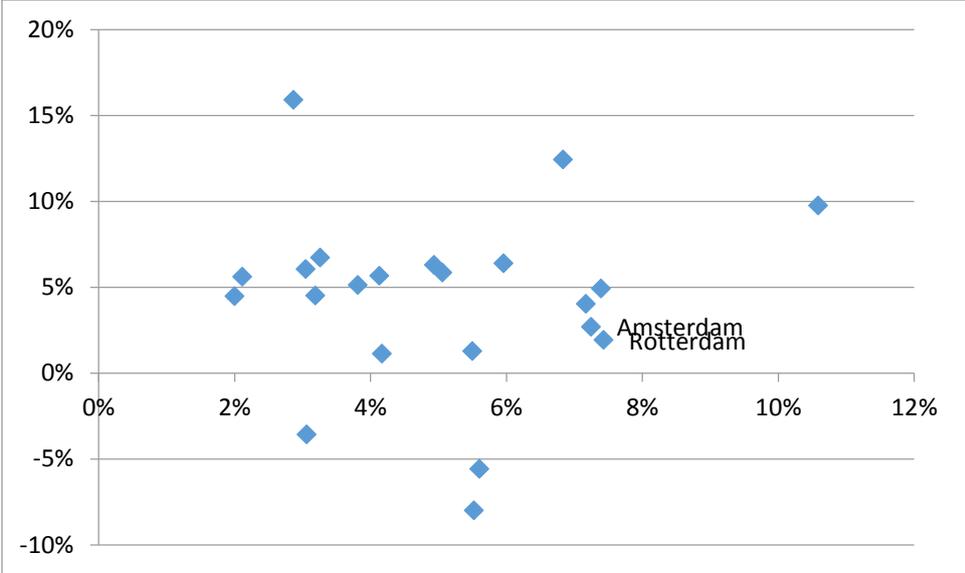
The association between the two is dependent on the specific cultural, institutional and spatial context of cities (Tammaru et al., 2016b; Burgers & Musterd, 2002). In the case of Amsterdam, Boterman & Van Gent (2015) argue that a stable level of segregation of the highest income groups is due to housing associations' strategy (induced by government policy) to reduce the social-rented stock by selling units to (more affluent) owner-occupiers. This fits a trend of decreasing importance of social housing across Europe (Jones & Murie, 2006). The influx of more affluent groups to deprived neighborhoods leads, at least in the short run, to greater mixing of income groups and hence to less socio-economic segregation or at least no increase thereof. However, when in the long run gentrification matures, segregation is likely to increase (see Tammaru et al., 2016a).

For this paper and for working towards policy options, it is important to emphasise that intra-urban inequality has two dimensions: 1) economic inequality between groups within cities, and 2) spatial sorting (segregation) of economic groups within cities (see Tammaru et al., 2016b, for a similar distinction).

Figure 3: The association between the development of wage inequality (y-axis) and the development of segregation (x-axis) in 22 Dutch urban regions, (2001-2012
a. Share of inhabitants with a wage below the 25th percentile (correlation -0.008, r square -0.000)



b. Share of inhabitants with a wage above the 75th percentile (correlation 0.015, r square 0.000)



Source: Statistics Netherlands, edited by the authors

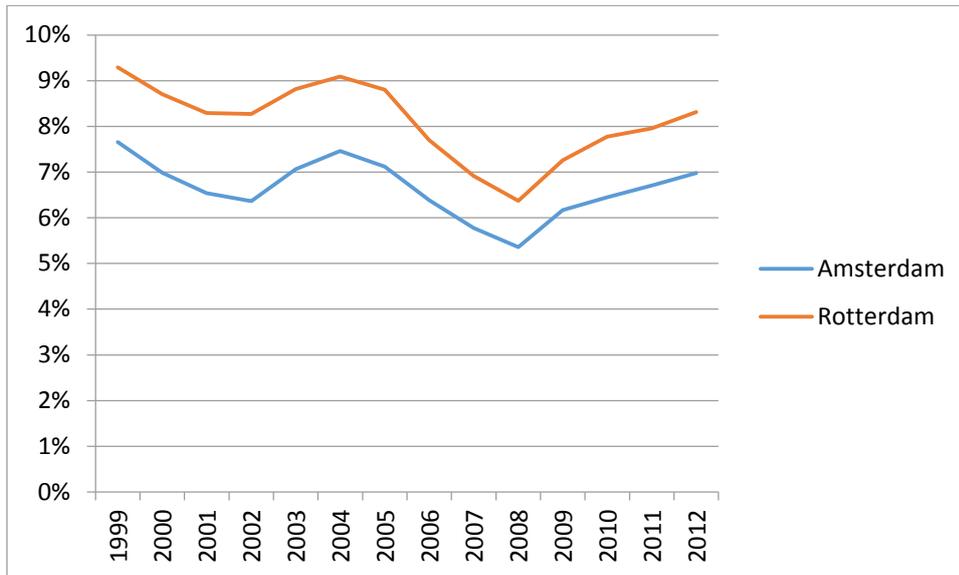
Focusing on income and wages is only one way of measuring and looking at inequality. It relates to what Burgers & Musterd (2002) refer to as looking at inequality *in* the labor market. They identify a second labor market dimension on which inequality can occur: being *in or out* of the labor market, put plainly: being employed or unemployed.

Although not or loosely connected to labor, for a complete picture of inequality it is important, as argued earlier in this section, to take capital into account, not just income or wages, since the former is deemed to be a greater source of economic inequality than the latter (Piketty, 2014). However, looking at urban inequality from an income or capital perspective poses serious, and sometimes insurmountable, research challenges. First, when looking at the spatial income distribution it becomes clear that economic power houses such as New York, London and San Francisco pop out. However, the income earned in such places is also needed to cover the large expenses of living. These are the cities where house prices are also booming (Glaeser, Gyourko & Saks, 2005; Quigley & Raphael, 2005). And also, the prices of consumption goods are higher in those places than elsewhere. It is difficult to make the calculation of income on the one hand and the cost of living on the other hand (i.e. the net result) in such a way that when comparing cities it does not become equivalent to comparing apples and oranges. Second, capital differences are not or only very loosely connected to the (urban) labor market – capital accumulation follows a different logic – but depend much more on the location and composition of the housing stock.

When looking at jobs and employment (i.e. the second labor market dimension) these methodological and theoretical problems do not occur. Figure 4 shows the development of unemployment in both Amsterdam and Rotterdam. It shows that in both cities unemployment has decreased in between 1999 and 2012, in the Rotterdam region from a bit more than 9% to slightly higher than 8%, in Amsterdam from almost 8% to almost 7%. In other words, in terms of jobs there are fewer *havenots*. The decrease of unemployment is perhaps contrary to general expectations. It has largely to do with institutional changes in the Netherlands in the *Bijstand* (one of the two types of unemployment benefits). Since 2004 this was decentralised to local governments. They have strongly discouraged applications for these benefits (Van Es, 2010).

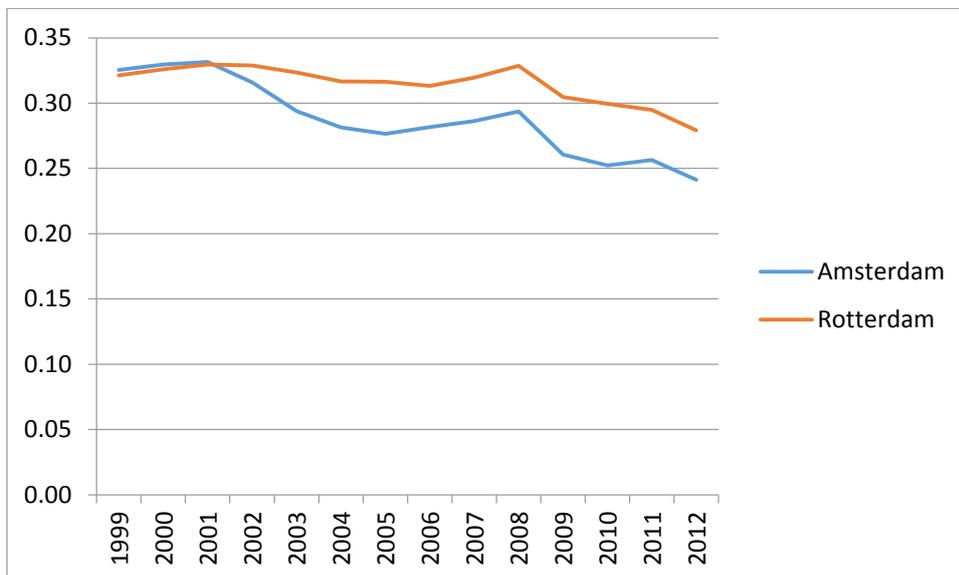
Also the segregation of unemployed has decreased since 1999, in Amsterdam even further than in Rotterdam which started in 1999 at an almost equal segregation level (see Figure 5).

Figure 4: Development of unemployment¹¹ in Amsterdam and Rotterdam (urban regions)



Source: Statistics Netherlands, edited by the authors

Figure 5: Development of the dissimilarity index for unemployment¹² in Amsterdam and Rotterdam¹³



Source: Statistics Netherlands, edited by the authors

However, not in every Dutch region the development of unemployment and the segregation of unemployed followed a similar trend as in Rotterdam and Amsterdam.

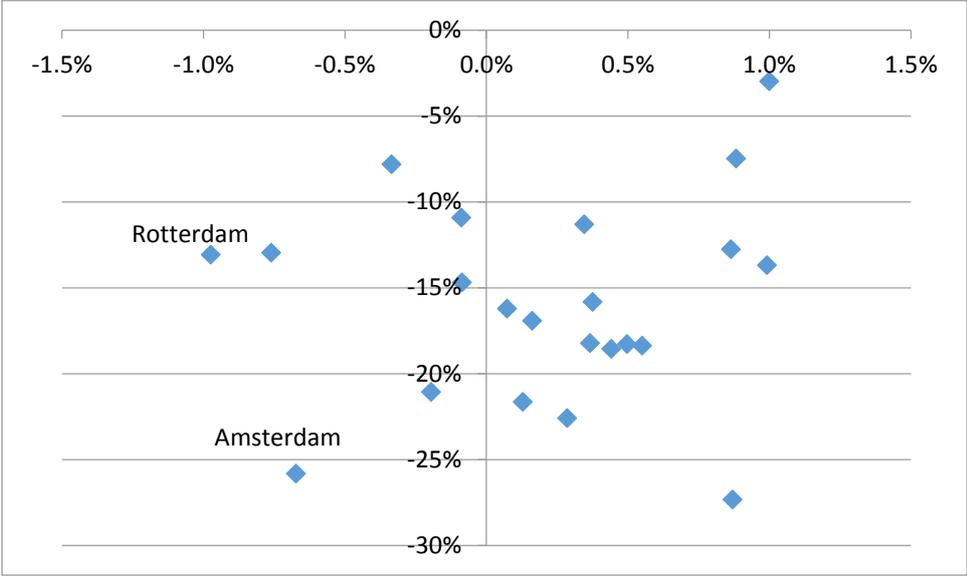
¹¹ Two types of unemployment benefits: *WW* and *Bijstand*.

¹² Two types of unemployment benefits: *WW* and *Bijstand*.

¹³ Only neighborhoods with over 200 inhabitants were considered.

There is hardly any association between the development of both indicators in all Dutch urban regions, as can be seen in Figure 6.

Figure 6: The association between the growth in share of unemployed (x-axis) and change in segregation of unemployed (y-axis) in 22 Dutch urban regions, 1999-2012 (correlation 0.12, r square -0.015)



Source: Statistics Netherlands, edited by the authors

It shows that when, for pragmatic reasons, the indicator of inequality is changed, the image itself changes (substantially). On top of the above mentioned 'research reasons', it may be argued, as Atkinson does, that looking at employment differences instead of income/wage differences refocuses our attention from "financial resources (wages, income and capital) to a broader concern with the capacity of individuals to participate in society" (Atkinson, 2009: 800 - parentheses ours). This statement shows, again, that measuring inequality is not a value-free exercise. Therefore, it is no longer tenable to leave the normative question off the table.

3 Normative perspectives on urban inequality

Empirically observing that urban inequality is great or increasing is insufficient to say that something should be done about it. You cannot derive an 'ought' from an 'is' – a statement that is commonly attributed to David Hume and referred as his *Guillotine*. Being able to make value judgements that are sound, logical and persuasive requires values derived from ethics. However, in much of the literature on urban inequality such values are absent or at least implicit. Richard Florida, for instance, argues that "what's needed is a new urban policy that addresses the deep-seated geographic as well as

economic bases of inequality” (Florida & Garlock, 2013). Why that is “what’s needed” remains unclear, let alone what the foundation of that value judgement is.

Many economists, at least welfare economists, are utilitarianists, either implicitly or explicitly. This means that they seek for the greatest sum of individual welfare. A common policy evaluation instrument within this tradition is cost-benefit analysis (CBA), which is used to estimate which project alternative produces the greatest overall welfare. This implies that the distribution of welfare is irrelevant, or at least not considered. Utilitarianism has been criticised elaborately by many, first and foremost for its disregard of the distribution of welfare (Campbell & Marshall, 2002).

Within economic and political philosophy many alternative justifications than aggregate welfare have been explored. The literature on inequality and justice is particularly vast. We focus on the use and applications of the literature on justice within the planning discipline, where a broad stream of what Basta (2015) calls ‘planning ethics’ has materialised (Klosterman, 1978; Harper & Stein, 1992; Campbell & Marshall, 2002, 2006; Campbell, 2006; Chiappero-Martinetti & Moroni, 2007; Fainstein, 2010; Davoudi & Brooks, 2014; Basta, 2015; Basta & Moroni, 2013; Talen, 2013; Moroni, 2015). Although public planning arose out of a commitment of social reformers to create a good life for ordinary people, since the 1960s the planning discipline had become disassociated from ethical theory (Harper & Stein: 1992: 105). Klosterman signalled that when he wrote that “value-free planning is impossible in principle because planning is essentially political” (1978: 37). In a field of ‘science for policy’, academics must explore various normative positions as well and think through the consequences. That translation to practical policy options is often weak (Talen, 2013).

When and under which circumstances does inequality become undesirable? There are various normative perspectives on how to approach that question. A crude distinction can be made between perspectives on the instrumental and intrinsic value of equality (WRR, 2014)¹⁴. In the former, inequality viewed on the basis of what it does to other societal goals: as a means to an end. In other words, the effectiveness and efficiency of inequality is at stake.

In the case of intrinsic perspectives the moral value of inequality in itself is considered. In this case not effectiveness or efficiency are at stake, but justice. Is inequality unjust? We submit (see section 3.2) that when viewed intrinsically (not instrumentally) inequality

¹⁴ The WRR (2014) refers to ‘moral’ instead of intrinsic values. However, we maintain that an instrumental value is also a moral value. Therefore, we distinguish between intrinsic and instrumental.

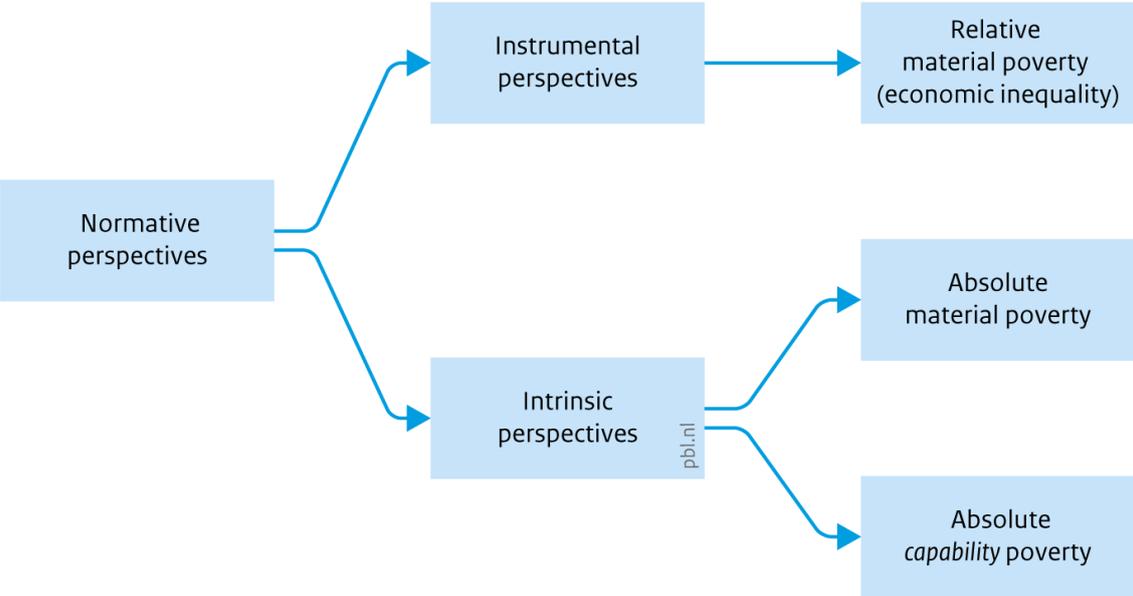
in itself is not and cannot be morally unjust (Chiappero-Martinetti & Moroni, 2007; Moroni, 2015; De Vos, 2015), whereas (absolute) poverty is.

Figure 7 shows the three perspectives that we distinguish and discuss because we believe those positions are widely present in the literature and in policy discourses on urban inequality and justice. But more importantly, because we think they are morally and practically tenable¹⁵. Perspectives of 'egalitarian justice' or 'libertarian justice' (e.g. Nozick, 1974) – both at opposite ends of the ethical spectrum – are left out of the exploration exactly for those reasons: they are considered either morally unjust or practically impossible. We have to be terse in our description of the three perspectives and focus on the core elements of often extensive philosophical *exposés*.

We focus particularly on the extent to which the adjective 'urban' is relevant for making value judgements about inequality. By that we mean whether the city or the neighborhood makes people less equal (or poorer), regardless and on top of their personal characteristics, such as ethnicity, gender, age, education, and so on.

Figure 7:

Normative perspectives on relative and absolute poverty



Source: PBL

¹⁵ Here we focus on substantive ethical theory which provides *a priori* non-contextual values. Procedural ethical theories focuses on how such values can/should be generated during a (collaborative) policy process (Harper & Stein, 1992: 106). The 'communicative turn' in planning theory, inspired by Habermas, fits within that category (e.g. Healey, 1997).

3.1 Focus on economic inequality (relative poverty)

Welfare economics has increased its attention for inequality in recent years, since growing inequality might lead to less economic growth and less welfare (e.g. Stiglitz, 2012). To put it metaphorically: the division of the cake becomes problematic when it reduces the size of the cake altogether. There are also other negative effects that are attributed to growing inequality. Economic inequality would lead to a decrease in the faith in politics, smooth social mobility, lead to undemocratic power concentrations, decrease social cohesion, increase health problems, and so on (Wilkinson & Pickett, 2009; Stiglitz, 2012; WRR, 2014). Reducing inequality would then help to reduce or eliminate those negative (side) effects. Whether and to what extent inequality has a negative impact on other variables is an empirical question that has not been answered unisonously: both negative and positive impacts have been found (Dominicis, Florax & De Groot, 2008; Went, 2014). This holds true even for the impact of inequality on economic growth, the most researched relation of all. For a long time, the inverted U hypothesis by Kuznets (1955) was dominant: when a country's economy grows income inequality decreases initially, but at a certain in its development inequality decreases (Went, 2014). With the increase of the availability of reliable data, other scholars have found evidence of a positive correlation between equality and growth (Piketty, 2014; Stiglitz, 2012). For instance, growth of the top income group leads to underconsumption because these groups tend to raise savings rather than consumption. In addition, the political power of the top of the income distribution can become as large as to lead to continuity of an inefficient *status quo* (Stiglitz, 2012). Went (2014) argues that today the evidence for the negative impact of income inequality on economic growth is stronger than ever, but not rock solid.

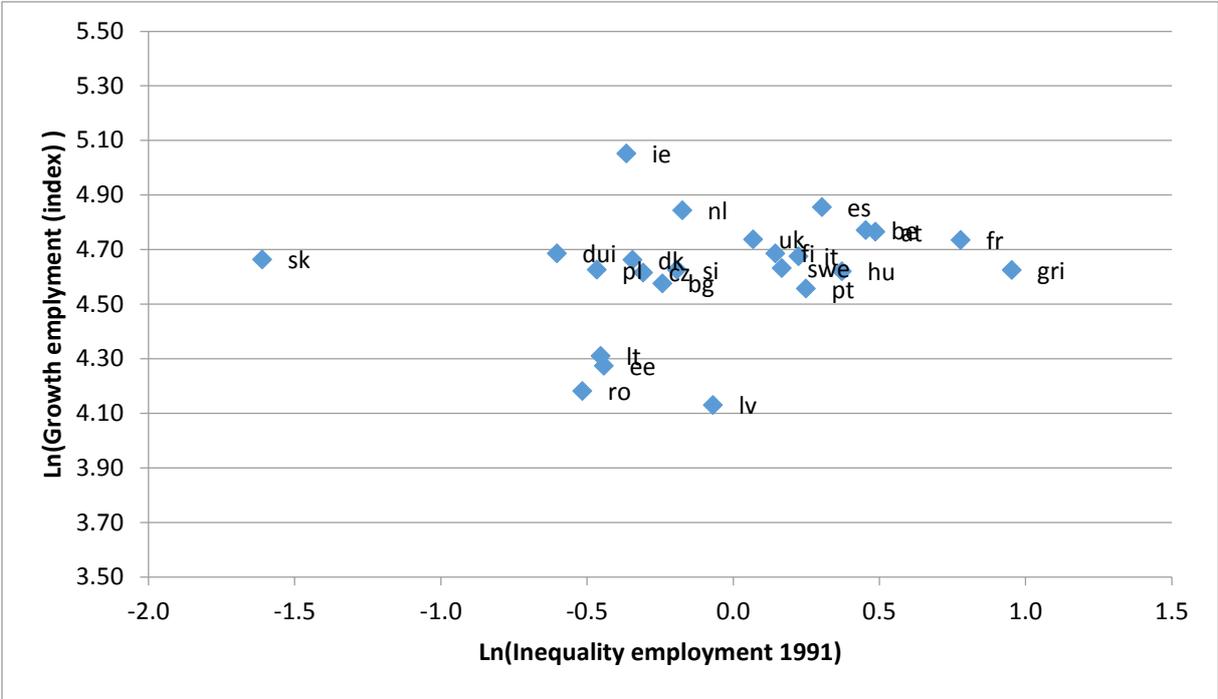
Urban inequality

From an instrumental perspective there is no additional problem to economic inequality (if any) if urban inequality is 'just' a special type of spatial sorting thereof. When it does lead to additional negative impacts (such as the earlier mentioned neighbourhood effects) on other factors, such as economic growth, it is undesirable, at least from an instrumental perspective. In the literature on urban inequality there also appears to be little consensus about its impact. First, there is the issue of *inter-urban* inequality. The agglomeration literature is often used to assert that we need one or few powerful cities for our economy to thrive (e.g. Glaeser, 2011). In other words, we need some degree of inter-urban inequality. Martin et al. (2015) question that. They state that "economic growth is not a simple 'spatial zero-sum game'" (p. 9). The size of the cake is not fixed:

promoting one urban area does not necessarily occur at the expense of the other. This is because most economies are open to investments and migration from outside.

Our own basic empirical analysis, in line with the in/out of the labor market dimension from Burgers & Musterd (2002), of the association between interregional job disparities¹⁶ and national job growth of European countries shows ambivalent results. Figure 8 depicts a positive but small correlation (0.22) between interregional job inequality in 1991 and the national job growth since. When we look at the development of interregional job inequality, the correlation reverses to negative (-0.33), though still relatively small (Figure 9).

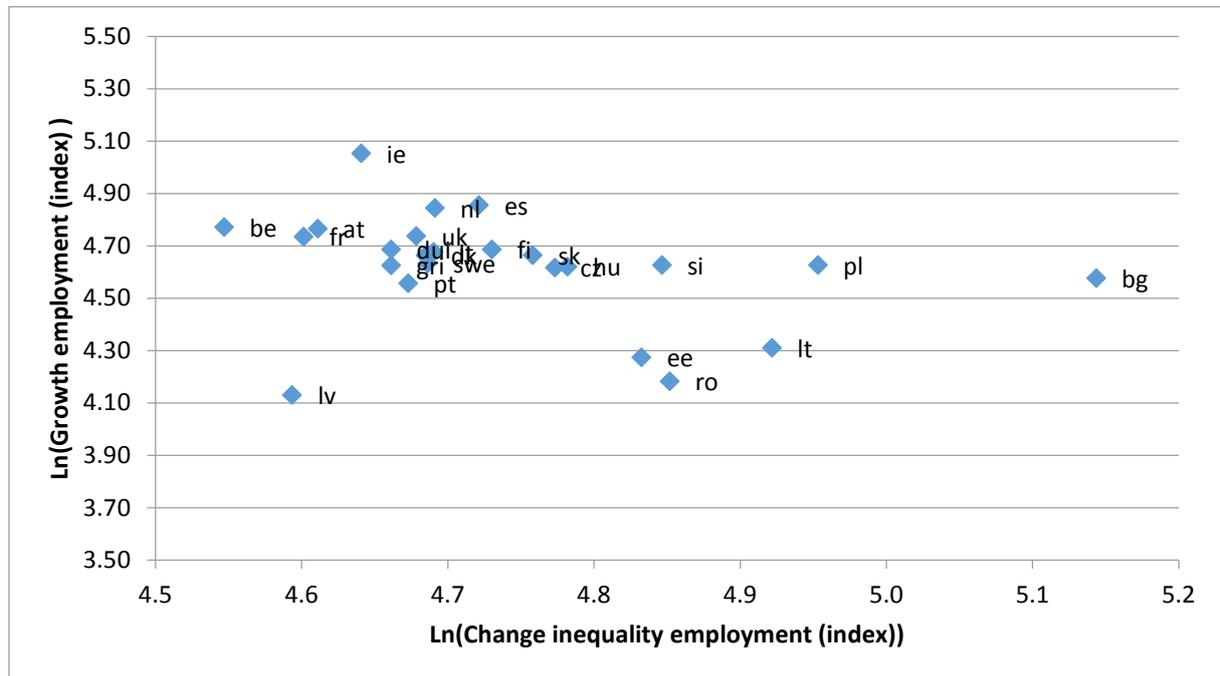
Figure 8: Interregional inequality of jobs 1991 vs. national growth of jobs 1991-2012



Source: Cambridge Econometrics, edited by the authors

¹⁶ This is measured (per year) by the *variation coefficient*, which is the standard deviation divided by the average number of jobs.

Figure 9: Change interregional inequality of jobs 1991-2012 vs national growth of jobs 1991-2012



Source: Cambridge Econometrics, edited by the authors

Intra-urban inequality can also be approached instrumentally. Florida & Mellander (2015) find a positive association between segregation and urban economic success (in salaries, income and output per inhabitant). On the other hand, others assert that segregation has a negative impact on social stability (Tammaru et al, 2016a; Ponds, Van Ham & Marlet, 2015). According to some, high concentrations of deprivation and joblessness lead to negative neighbourhood effects, such as so-called *discouraged worker* effects, turning neighbourhoods into *spatial poverty traps*. Such 'traps' are made and sustained by the negative externalities caused by neighbourhood characteristics related to the labour market, housing market, infrastructure, basic services and social capital (Grant, 2010). For example, empirical research has shown that highly segregated neighbourhoods often limit the chance to escape poverty as a result of poor social networks, limited local resources and constrained job opportunities (Bolt, Philips & Van Kempen, 2010).

In short, from an instrumental perspective, urban inequality and the increase thereof might be problematic if it impacts negatively on other variables that are deemed socially important. However, statistical analyses provide us with varying results. In other words, statistical associations, either positive or negative, are not self-evident, let alone that there are causal relations. A lot more empirical research and meta analyses are needed to support instrumental claims about the (in)effectiveness of urban inequality.

3.2 Focus on absolute material poverty

According to Atkinson (2009) welfare economics has to take account of the alternatives to utilitarianism that have been advanced in the past 50 years, most notably Rawls' theory of justice (1971) and Sen's capability approach (2009). Also within planning, these two approaches are often discussed in connection with each other and in relation to justice in and of places (Basta, 2015; Moroni, 2015; Fainstein, 2010; Davoudi & Brooks, 2014). Rawls' *justice as fairness* will be discussed in this section, the capability approach is the subject of the next section (3.3).

John Rawls is perhaps the most influential thinker on justice from the 20st century. His book *A Theory of Justice* from 1971 is his best-known publication. In this book, he advances the idea of *justice as fairness* through (among others) the *difference principle*, which means that social and economic inequalities are justified if they are arranged "to the greatest benefit of the least advantaged members of society" (Rawls, 1993: 293). The implication is that a rise in inequality is not problematic if the least advantaged improve their position as well. The focus here is on the distribution of so-called *primary goods*, which he considers to be the bottom-line of 'things' people should possess or have access to. Rawls defines primary goods broadly and inclusively by encompassing both material and immaterial goods such as rights, liberties, opportunities, wealth and income (Rawls, 1993: 181).

Rawls is not primarily concerned with inequality per se, but with the position of the least well-off. In Moretti's terms (2012): a rising tide is only allowed if it also lifts the weakest boats. Other than the instrumental perspective set out above, Rawls thus focuses on *absolute* rather than *relative* poverty or material inequality (Moroni, 2015). Or as Rawls himself phrases it: "given our assumption throughout that everyone has the capacity to be a normal cooperating member of society, we say that when the principles of justice (with their index of primary goods) are satisfied, none of these *variations among citizens* are unfair and give rise to injustice [...] Justice as fairness rejects the idea of *comparing* and maximizing overall well-being in matters of political justice" (Rawls, 1993: 184-188 - italics ours).

Chiappero-Martinetti & Moroni (2007: 372) support this position by saying that "the fact that some people have a lower standard of living than others is certainly proof of inequality, but by itself it cannot be a proof of poverty unless we know something more about the standard of living that these people do in fact enjoy" (Sen, 1981 in Moroni,

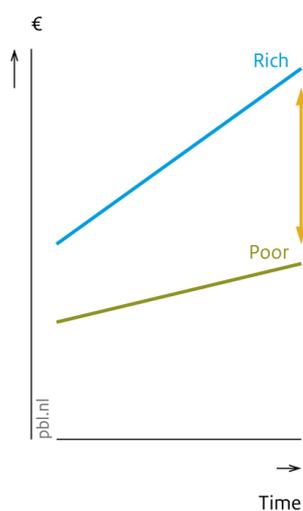
2015). “It would be absurd to call someone poor just because he had the means to buy only one Cadillac a day when others in that community could buy two of these cars each day” Moroni, 2015). Apart from the logical reasoning against focusing on material equality, Moroni (2015) raises two practical problems in pursuing and preserving material equality. The first is the incompatibility of formal equality (i.e. equality of rights) and material equality. If you give people equal money, but also equal rights, chances are great that in the end the distribution of money is not even anymore. Equal rights lead to unequal distributions and, reversely, redistribution towards material equality would mean infringing upon the equality of rights (Nozick, 1974; Moroni, 2015). And the second, though related, is that if you grant people a certain degree of liberty, patterns such as material equality are very unlikely to occur (see also Nozick, 1974).

Figure 10 clearly shows the differences in focus: in situation 1 and 2 the emphasis is on relative poverty, in 3 on absolute poverty. A focus on (absolute) poverty rather than material inequality (relative poverty) obviously has policy implications (see section 4).

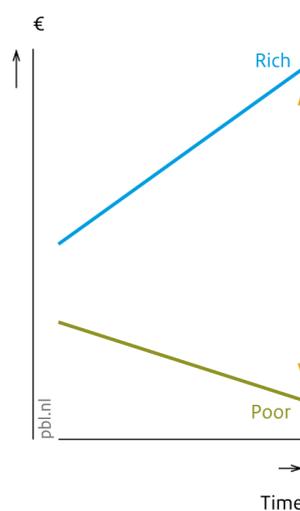
Figure 10:

Social-economic focus

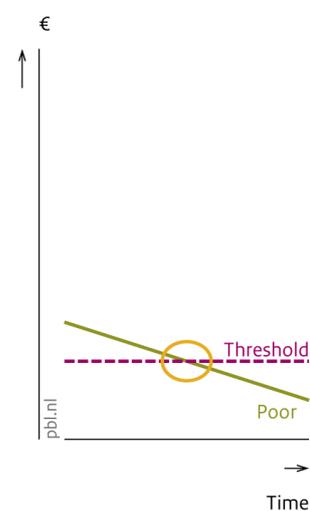
Relative poverty 1



Relative poverty 2



Absolute poverty



Source: PBL

Urban inequality / poverty

Although Rawls did not consider *urban* inequality or poverty, it is possible to make the connection with the difference principle. Moroni (1997, in Basta, 2015) transfers the idea of a fair distribution of primary goods to land use simply by defining *spatial* primary goods, such as decent housing, access to basic transport, availability of green areas and

a safe living environment. Of people have no or insufficient access to such goods, it may be argued that this has to be provided for or facility by the state.

3.3 Focus on absolute capability poverty¹⁷

Sen (2009) and Nussbaum (2011) developed the *capability* approach, which has also received attention in the planning literature (Chiappero-Martinetti & Moroni, 2007; Basta, 2015; Davoudi & Brooks, 2014). Where the capability approach diverges from Rawls is its concern with personal capabilities rather than 'primary goods' and resources. Capabilities "are the answers to the question, "What is this person able to do and to be?" (Nussbaum, 2011: 20). For Rawls income level is sufficient to identify in what state a person finds him/herself (*Ibid*: 366). Sen says that the capability approach is a "serious departure from concentration on the *means* of living to the *actual opportunities*" (Sen, 2009: 233, in Davoudi & Brooks, 2014: 2690). Sen has accused Rawls' primary goods approach of being insensitive to the intrinsic diversity of human beings. He makes a distinction between primary goods and "what goods *do* to human beings" (Basta, 2015: 10). Not everyone is capable of doing the same with the same good. For instance, people's expenditure varies because one is a more prudent bookkeeper than the other.

What are those capabilities? Sen refuses to compose a universal and definitive list as he argues that different contexts and cultures lead to different selections of valuable capabilities (Chiappero-Martinetti & Moroni, 2007: 370-371)¹⁸. Nussbaum is clearer on this point and identifies ten capabilities that are only very briefly enumerated here¹⁹:

1. Life (being able to live a normal life and not die prematurely);
2. Bodily health (being able to have good health);
3. Bodily integrity (being able to move freely and without being violated);
4. Senses, imagination and thought (being able to use the senses, to imagine, think, and reason);
5. Emotions (being able to feel attachments to things and people);
6. Practical reason (being able to form a conception of the good);

¹⁷ There are other theories that focus on the *access* to resources rather than their *distribution*. Robert Nozick (1974), for instance, argues in favour of personal liberty and the right to ownership. The government's sole role is to safeguard these rights. Consequently, he argues for a *minimal state*. Although his reasoning is logically sound and consistent, in the light of existing political-economic regimes in Europe, it is slightly far-fetched and provides few feasible policy options. We therefore leave it aside for the moment.

¹⁸ In that sense Sen can be seen as taking a relativist position. At the ethical level the position is absolutist in the sense that he maintains that a list of *basic* capabilities that affect everyone (Chiappero-Martinetti & Moroni, 2007: 371).

¹⁹ Extensive explorations, especially of the ethical foundations, are beyond the scope of this paper.

7. Affiliation (being able to connect to and care for other people);
8. Other species (being able to live with others);
9. Play (being able to laugh and play);
10. Control over one's environment (political and material).

It is clear from this limitative list that capabilities of people are not all directly and solely related to the labor market. They affect the basic integrity of every human being²⁰. In line with Rawls the emphasis is on absolute (capability) poverty, not so much on (material) inequality, at least at an ethical level (Chiappero-Martinetti & Moroni, 2007; Hartley, 2009). The capability approach is concerned with a minimum and absolute capability 'threshold' for each of the ten capabilities, above which everyone should be able to find himself (Nussbaum, 2011: 24, 36). In other words, capability improvement is determined in relation to an absolute norm, not in terms of the distance towards the capabilities of others within society (i.e. capability inequality). However, the precise definition and measurement of the threshold has to be relativist/contextual: every country has its own traditions and culture. Developed countries usually apply a higher threshold than the developing countries do and can do. At an explicative level, capability deprivation is also relativist/contextual. It means that people's capabilities are a function of their own (natural) features in combination with contextual circumstances (Chiappero-Martinetti & Moroni, 2007: 370-371).

Urban inequality / poverty

Although (capability) poverty is considered absolute in the capability approach, the way people derive at a particular state of poverty is partly conditional to his/her circumstances (Moroni, 2015). The city and the neighbourhood someone lives in is part of those circumstances. Earlier mentioned *discouraged worker* effects, in particular, may impact significantly on one's capabilities. *Redlining* is another example, a practice widely reported on in the US. It means that access to the mortgage market is closed off for people living in particular (deprived) neighborhoods, regardless of their personal features (such as age, income level and ethnicity). Aalbers (2005) finds some examples of this in Rotterdam, but none in Amsterdam. In both cities he does find examples of *yellowlining* (lower loan-to-value ratios in particular neighborhoods).

In short, in section 3 we have distinguished between three different perspectives that value material inequality differently. Instrumental perspectives value relative poverty

²⁰ There has been critique on the capability approach as well. According to Hartley (2009), identifying and scoring capabilities does not challenge the roots of social injustice and the dominant power relations.

(material inequality) in its impact on other things, we interpret justice as fairness as essentially about absolute material poverty and the capability approach as an approach that takes absolute capability poverty as its core object of study (Table 1). In relation to these perspectives, the *urban* is relevant in as much as it adds to people’s absolute/relative material/capability poverty.

Table 1: Absolute/relative material/capability poverty

	Relative	Absolute
Material	Economic inequality	Absolute poverty
Capabilities	N.a.	Absolute capability poverty

4 Policy options for urban inequality

This section connects the various normative perspectives to policy consequences. But before that, we introduce a policy categorisation that helps to structure the policy options.

4.1 A policy categorisation

Spatial researchers, planning scholars in particular, are inclined to focus their attention one-dimensionally to physical policies and planning options alone. In the case of urban inequality and justice, however, it is important to increase the policy scope as it is first and foremost about the social position of people (Campbell, 2006: 94), although as we argued in section 3 there may well be urban features that add to the absolute or relative poverty of both the means of living and of capabilities.

In the literature a helpful distinction has been made between place-based and people-based policies (Winnick, 1966; Bolton, 1992; Glaeser, 2011; Manville, 2012; Kraybill & Kilkenny 2003). People-based policies are targeted at individuals and groups, regardless of *where* they live. Alternatively, place-based interventions are indirectly focused on people and are directly aimed at territories such as neighborhoods and regions. Although we make an analytical distinction, in practice both types of policy often overlap. Place-based policies are not necessarily mere physical, they do also focus directly on people and social relations, but only within specific territorial entity (Webber et al., 1964: 24). We come back to his in the conclusion.

People prosperity and place prosperity are often used in the context of depressed and declining places, not prosperous and growing ones (Bolton, 1992; Kline & Moretti 2013). However, the way in which increasing prosperity is being attempted varies along another dimension. This dimension distinguishes between collective actions that try to stimulate groups of people or places with great potential, assuming that this will pull along the lower part of the distribution: “the rising tide lifts all boats” (Moretti, 2012). This is what we refer to as *pull* policies. Alternatively or complementarily, *push* policies are deployed so as to push the lower part of the distribution (either people or places) upwards and to compensate for lagging behind. Combined, the two dimensions lead to the diagram below (table 2).

Table 2: Policy categories and examples

	People-based	Place-based
Pull (the lowest along with the the top)	<ul style="list-style-type: none"> - Improving higher education - Stimulating the knowledge economy 	<ul style="list-style-type: none"> - Creating / stimulating the production and innovation milieus
Push (the lowest upwards)	<ul style="list-style-type: none"> - Education policy - Income policy - Labour market policy 	<ul style="list-style-type: none"> - Preventing segregation - Improving neighborhood conditions (livability)

People-based policies targeted at pulling at top are for instance policies that seek to stimulate the ‘knowledge economy’ or to improve higher education and innovation (see Stiglitz & Greenwald, 2014 pp 369-473 for examples and an elaboration of this policy approach). The assumption behind those policies, is that this would increase the innovation capacity of the country and improve its competitive position. This is often supposed to *trickle down* and “rise all boats” (Moretti, 2012) within society.

There is also placed-based policy aimed at stimulating the top by creating innovation hubs, campuses, clusters or other types of places that are supposed to create a chimney that pulls upwards other more deprived people and places (see for example Nathan & Overman 2013 who elaborate on agglomeration, clusters and industrial policy). According to Moretti (2012) this type of policy can only be successful if it is backed by sufficient and substantial investments: a *big push* in Moretti’s words, a *big pull* in ours. However, we do not know too much about their effectiveness in terms of achieving *trickle down* (having said that these effects have only recently been studied closely by economists; see Kline &

Moretti, 2013). In the Netherlands, in 1980s and 1990s central government initiated and started to subsidise so-called 'key projects' (*Sleutelprojecten*), all urban redevelopment projects aimed primarily at attracting new businesses and employment to the then deindustrialising and struggling cities. Spaans, Trip and Van der Wouden (2013) show that the effects of central-government subsidies on real estate values of the 'key projects', as opposed to projects that did not receive similar subsidies, is ambiguous, which lead them to the conclusion that the government's involvement cannot be justified convincingly. This is not to say that there has not been any positive local impact. Real estate values on those locations have gone up as a result of the policy interventions. But the extent to which that has provoked a trickle down to other places and people is unknown, let alone the extent to which it has widened or decreased the gap between rich and poor.

People-based policy can also be targeted at supporting (i.e. 'push') the least advantaged in society. This category encompasses education and labor market policies that seek to improve the *capabilities* of people to participate *in* the labor market. But also income policies to support those who are *out* of the labor market and not willing or able to get (back) in, are part of this policy category (this is in line with the earlier mentioned distinction by Burgers & Musterd, 2002).

Placed-based policies that seek to improve the position of deprived places can also be found at different spatial scales. In many countries there are policies to deal with regions that are shrinking economically and demographically such as previously industrialised urban areas in England, East-German regions and the more peripheral regions of the Netherlands (e.g. Verwest, 2011).

The neighborhood level is perhaps where most policy attention with regard to urban poverty is directed to. Many scholars are critical about the effectiveness of alleviating poverty and concentration thereof (i.e. segregation) through place-based policies (see special issue of *Housing Studies*, edited by Bolt, Philips & Van Kempen). "There is a huge gap between ambitious policy rhetoric and the limited policy effect on residential segregation" (Ibid: 132). They question the effectiveness and point at the negative side effects of the physical orientation of place-based policies. Permentier, Kullberg Van Noije (2013) have made an extensive evaluation of the 2007 Dutch national policy to improve the position of 40 deprived urban neighborhoods (*Krachtwijken*) across the Netherlands. They conclude that the people in those neighborhoods do not show a significantly different social-economic ascendancy and change in income position than people in other neighborhoods. The general critique is that place-based policies do too little for the

people themselves; they do not get any more skills or money through investments in bricks, to put it bluntly. Therefore, Glaeser is very clear in his recommendation: "Public policy should help poor *people*, not poor places" (Glaeser, 2011: 9 – emphasis in the original). Moreover, there is the argument that not everyone in poor places is poor, which implies that channeling resources to those places runs the risk of assisting those who do not need help and overlooking those who do (Manville, 2012). Next to the alleged limited effectiveness it has been argued that there are negative side effects to place-based policies towards poorer areas (e.g. Uitermark, 2011) or unintended consequences (Kline & Moretti 2013). One is that of spatial redistribution of poverty and unemployment, rather than solving it. In the Netherlands, for instance, there have been place-based attempts to prevent ghetto formation of low-income groups and unemployed by means of mixing neighborhoods and substituting rental homes for owner-occupied housing. This spatial redistribution has been referred to as the 'waterbed effect': pushing at one part of the bed makes other parts rise and *vice versa* (Permentier, Kullberg & Van Noije, 2013). Posthumus, Bolt & Van Kempen (2014) find that households that are forced to relocate in the process of urban renewal are, on average, more satisfied with their new home than they were with the old one. However, the lowest income groups are less satisfied as they are transferred to (even) less desirable neighborhoods. Another mentioned side effect is that place-based policies discourage migration (i.e. encourage staying) that is needed to mitigate economic distress (Glaeser, 2011).

4.2 Policy options and normative perspectives

This section connects the three normative perspective and the four policy categories in various policy options.

Economic inequality

From a perspective of reducing urban-economic inequality, there are various policy options. People-based trickle down (i.e. 'pull') policies that focus on innovation and knowledge-intensive industries might help produce that. Place-based policies could, additionally and specifically, focus on the spatial conditions for innovation and technological development to emerge and thrive. It is, however, unlikely that the trickle down will be complete and lift all city and neighborhood citizens. Not every person is susceptible to that process. Poverty traps might remain or increase in size and numbers. People-based policies, in particular income compensation, could be pursued to support the catching up of those in the worst economic position. In short, in an instrumental perspective, economic growth is the primary objective. Trickle down policies meet that objective best. But when ineffective, 'push' policies could be implemented in addition.

Absolute material poverty

From a perspective of absolute poverty and in an attempt to try to alleviate the least well-off, 'pulling at the top' cannot be the policy approach from a logical point of view. Only push policies seem valid within this perspective, at least to the extent that poverty is below a minimal poverty level. The question of course is what we consider to be an (un)acceptable poverty level. We consider this to be subject to political debate. While in some developing countries basically staying alive is the bottom line, in developed countries the bar is often much higher. So although at an ethical level, poverty can be perceived in absolute terms (not in terms of its relative distance to more affluent groups), the determination and measurement of the bottom line is often a contextual/relative matter.

People-based income policies (e.g. in the form of income redistribution) and employment policies (i.e. matching labor market demand and supply) directed at improving the poorest are the most obvious policy approaches in this line of reasoning. Place-based policies only come into picture to the extent that the neighborhood or an urban area withholds people from improving their socio-economic position, that is, in cases of spatial poverty traps. But then it should be targeted explicitly at the 'urban addition' to poverty in order to be successful. According to Talen (2013), urban design can play a role in creating access to *primary goods*: "some forms, such as low-density sprawl, pose a significant barrier when it comes to the provision of neighborhood-level facilities or access to jobs and urban services" (Talen, 2013: 130).

Absolute capability poverty

As the capability approach too focuses on the least well-off, trickle down policies that are either people or place-based are, again, less appropriate. People-based policies that aim to deal with *capability poverty*, such as education in order to improve skills and knowledge of the poor, actions to create equal access to jobs and housing for the poor, and healthcare for the poor (e.g. Obamacare) fit within this perspective. In the context of this paper, particularly relevant are the capabilities that affect one's socio-economic position. Place-based policy comes into play when place circumstances obstruct capability improvement. In other words, when there is an 'urban addition' to capability poverty. This is the case, for instance, with redlining (Aalbers, 2005) as it breaches Nussbaum's tenth capability (control over one's environment), which includes the possibility to hold possession (also of land and property). Also the school quality within a particular neighborhood, can be the focus of place-based policies that aim to improve (indirectly) the socio-economic position of the people who are educated there.

5 Conclusion and discussion

In this paper we used the concept of urban inequality as an entry. Logically reasoning from various normative perspectives to their policy consequences, has shown that the concept gets various implications and is sometimes (i.e. when starting from a notion of absolute poverty, such as the capability approach does) even not accepted as a basis for action. The aim of this paper was to provide a decision-making framework that provides various menus based on ethics and logic. And that is how we think it should be used in practice. Not picking *a la carte* or cafeteria-style, but principally thought through and internally consistent menus.

It needs to be noted, though, that practice can be leathery. Based on logical and empirical research place-based policies are potentially worse at helping the people they target (indirectly) than (direct) people-based policies. However, there is a pragmatic reason for place-based policies or for fusions of the two: "stacked against these economic arguments is a cold political fact: power tends to be place-based. Thus person-based policy, however desirable in the abstract, might be unrealistic in practice. Delivering aid to troubled places might simply be more feasible than delivering it to distressed people" (Manville, 2012: 3103). The simple fact is that we have organised the state in a territorial way (e.g. neighborhoods, boroughs, cities, provinces, regions and the like).

Place-based does not necessarily have to be associated with physical interventions, although they often appear to be. However, there is complementarity of the Rawlsian theory and the capability approach (Basta, 2015). "By proposing that planning interventions should not "end" with the provision of spatial primary goods, I have suggested that the reach of such interventions should be extended to [...] linking goods to individuals' capabilities" (*Ibid*: 15). Basta (*Ibid*) gives the example of green space, a primary spatial good that, no matter how close, is not accessible for everyone. Elderly, for instance, would need additional assistance. Or in the case of the provision of social housing, some people need extra help to become tenants. It requires a combination people-based and physical policies: one needs the other. Basta refers to this as a 'capabilities-sensitive approach'. The corollary is that spatial primary goods are essential too: without a home, tenant capabilities are irrelevant.

There is yet another, more pragmatic reason why place-based people policies might be advisable. At the local or regional level, it is much easier to make the match between what is needed to participate in the labor market and move up the ladder, on the one

hand, with the qualities and capabilities people have on offer, on the other. Local governments have more specific tacit knowledge to facilitate that match.

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