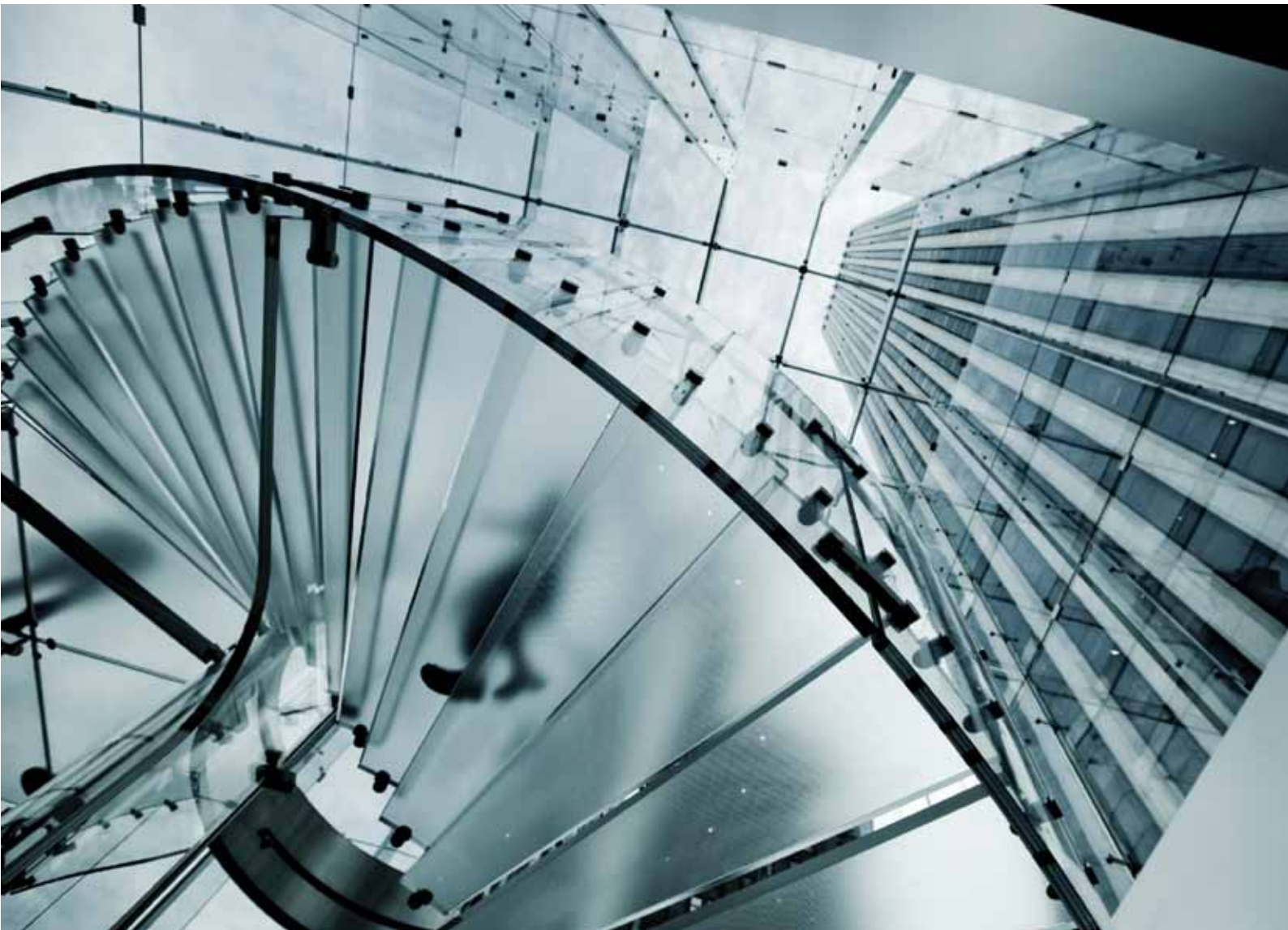




# The Broken Ladder

*The Threat to Upward Mobility in the Global City*

*Joel Kotkin*



May 2010

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The Threat to Upward Mobility  
in the Global City

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\* I would like to thank Zina Klapper, my editor and Director of Research, and the excellent support of my research team: Mira Advani, Erika Ozuna, Nathan Gamester, Matthew Leiphon, Mark Schill, and Megha Mukim.

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## EXECUTIVE SUMMARY

Since the beginnings of civilization, cities have been the crucibles of progress both for societies and individuals. A great city, wrote Rene Descartes in the 17th Century, represented “an inventory of the possible”,<sup>1</sup> a place where people could create their own futures and lift up their families.

In the 21st Century – the first in which the majority of people will live in cities – this unique link between urbanism and upward mobility will become ever more critical. Cities have become much larger. In 1900 London was the world’s largest urban center with seven million people. Today there are three dozen cities with larger populations.

The urban drama will play out on a truly global stage, with the most decisive developments taking place in the growing mega-cities of the developing world.

No longer do a handful of western cities represent the only, or even the most critical, front in the battle for social progress. Mexico City and Mumbai, two cities we have studied, have three times London’s 1900 population. Indeed, of the world’s twenty most populous regions, the preponderance are located in third world or developing countries.<sup>2</sup> The urban drama will play out on a truly global stage, with the most decisive developments taking place in the growing mega-cities of the developing world.

It is first and foremost in these great cities of the human future that upward mobility must be most accelerated. Urban agglomerations such as Beijing, Shanghai, New Delhi, Sao Paulo, Mumbai, and Mexico City daily stand witness to one of the most rapid expansions of prosperity in history, as well as to wrenching examples of deep-seated misery.

Urbanity in the advanced industrial world is an increasingly interdependent system. The established centers of the global urban culture – New York, Los Angeles, London, Paris, Tokyo, Berlin – provide the critical markets, capital, and technological assistance that drive economic growth in the developing countries, whose growth in turn provides new opportunities for the citizens of the advanced cities.

These established centers are often seen as occupying the Leninist “commanding heights” of the global economy. Is the kind of centralization we see in these cities, and in other mega-cities around the world, truly inevitable? And is their growth universally desirable? The answers to these questions are vital, notably because it is particularly in

these locations that upward mobility now appears to be increasingly stalled. The stasis is reflected in both income trends and popular opinion in the leading centers of advanced world, including the United States, Japan and the United Kingdom.

Optimists like historian Peter Hall believe that “neither western civilization, nor the western city, shows any sign of decay”. A recent World Bank report insists that large urban concentrations – the more dense the better – are the harbingers of opportunity and wealth creation. “To spread out economic growth”, it argues, is to discourage it. And it is certainly true that as countries modernize, they also urbanize, often quite rapidly. As a result, cities in the developing world – which also receive a great deal of international investment and aid – tend to be growing far more quickly than peripheral regions.<sup>3</sup>

Yet, in the longer term, the impacts of dense urbanization may not be universally useful at promoting either poverty alleviation or upward mobility. In advanced countries, this is already evident in large urban areas. Indeed, even the strongly pro-urbanist World Bank report acknowledges that as societies reach certain affluence levels, they begin to deconcentrate, with the middle classes in particular moving to the periphery.

This process reflects a shift in economic and social realities over the past few decades. After nearly a half century of sustained social progress in most advanced countries, income growth for the middle class, even among the best-educated, has slowed considerably, and by some measurements has even turned negative. As we will see, the effects have been particularly tough on the urban middle and working classes in cities as diverse as Toronto, Los Angeles, Tokyo and London.

Such concerns have been heightened by the current deep recession, which has caused wages to fall in both developing and developed countries.<sup>4</sup> Yet concern over upward mobility was developing even in the relative “boom” times of the recent past, particularly in the advanced western countries, but also in the developing ones. Since 1973, for example, the rate of growth of the “typical family’s income” in the United States has slowed dramatically, and for males has actually gone backwards when adjusted for inflation. This diminishment has been particularly marked in major urban centers such as New York, Chicago, San Francisco and Los Angeles.<sup>5</sup>

Similar developments can be seen in a host of European cities, including London and Berlin, and even in Tokyo, which long has been seen as distinctly middle class. In all these cities, the middle class appears to be diminishing, while the population living in poverty has increased.<sup>6</sup>

The reasons for this trend include the impact of technology, aging demographics, globalization, and greater government indebtedness. A critical factor may also be opposition to the very idea of economic growth, something first seen in the 1970s and now increasingly persuasive, at least within large portions of academia, the media, and even parts of the financial community. This attitude is vividly and forcefully expressed, for example, within sectors of the ecology movement.

Polls of popular opinion in the United States and the United Kingdom find ecological concerns well down the list, behind such issues as the economy, immigration, crime,

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unemployment and even the state of morality. Yet the agenda to address anthropogenic global warming promotes policies that seem likely to depress economic growth, particularly in cities, through further declines of productive industry, unaffordable housing prices and high levels of taxation.<sup>7</sup>

As recently seen at the global climate change conference in Copenhagen, few governments in the developing world are anxious to adopt any policy that weakens their ability to spark income and job growth in the near future. The pressing concerns of these cities remain focused on basic issues: sanitation, alleviation of poverty, industrial growth, infrastructure development and employment.

Policies that prolong poverty and depress mobility seem likely to delay the necessary social consensus needed to enact long-term environmental improvements. When concern for the sustenance of families grows, focus on environmental issues tends to decline, as is already clear in recent surveys in the advanced countries. The much overworked term “sustainability” needs to include both economic and social components, as opposed to strictly ecological ones.

Within the developing world, as the focus remains on basic economic issues, middle class residents of noted megacities appear to be more optimistic about personal advancement than their counterparts in the advanced countries. This may reflect the fact that countries such as India, China and Brazil have experienced rapid economic growth over the past decade, and expect more of the same in the decades ahead.

Yet this does not suggest that the rising cities of the Second and Third World are growing in ways that do not deepen inequality. With rapid economic growth, these locations have seen considerable expansion of gaps between rich and poor, particularly with the decline of socialist institutions. Similarly, in some developing cities – Mumbai, Bogota and Sao Paulo, for example – there may be a widening gap between economic success and population density, as growth shifts to places with better infrastructure, less congestion, and less crime.<sup>8</sup>

In order to look in depth at differing attitudes among urban dwellers, we have focused our research on three megacities that represent different stages of economic development. We start with London, arguably the world’s most important global city, and explore the prospects for upward mobility there.

Then we look at Mexico City, a city that represents the broad “Second World” of urban centers that have enjoyed some rapid growth but now face increased competition from China and other ascendant locations. Mexico City represents some of the realities that emerging urban centers in the Third World will face as they achieve higher levels of economic development.

Third, we focus on Mumbai, India’s premier commercial city and financial center. Mumbai reflects the dichotomy of a rapidly growing city in the developing world: increasing wealth and rising expectations among its expanding middle class, with the continued creation of huge populations of destitute slum-dwellers.

Yet for all the differences between these three great cities, we also find some commonalities. First, their future vitality depends largely on the future of their middle classes. Second, the critical issue for all these places remains how to sustain economic growth to meet the needs and aspirations of their citizens.

Finally, they share the challenges of the current great economic revolution – what has been called the “post-industrial” era by Daniel Bell or the “third wave” by Alvin Toffler – on the nature of class. The increasing primacy of technology and education, once seen as liberating, could make widespread class mobility far more difficult than in the past.

As occurred in the early stages of the industrial revolution, the current economic transformation threatens massive displacement of existing classes. Just as the machine age undermined the status of weavers, artisans and small farmers, the current technological epoch could well have similar impacts on not only industrial workers, particularly in the West, but on the supposedly ascendant educated middle class as well.

This leads us to suggest a primary focus by all great cities on basic economic issues. Current concerns among the dominant cognitive classes in the media, the academic world, and the policy elites, particularly in the First World, have tended to center on aesthetics and “green” issues, as well as on who can draw ‘the best and the brightest’, rather than on how to employ the vast middle or working classes.

We will explore some of the common challenges that will face all mega-cities as they evolve. Increasingly, they may find that their scale, long seen as an advantage, also produces inherent problems. In a globally interconnected urban environment, they must successfully compete not only with each other, but with smaller scale, and often more efficiently organized, urban areas throughout both the advanced and developing world.



## CHAPTER I

# THE ASPIRATIONAL CITY

All great urban civilizations – in Asia and Africa, in the Americas, Australia and Latin America – produce more than their share of “new men”. But it was largely Europe that gave birth to the modern aspirational city. Following the collapse of the Roman Empire, the earliest entrepreneurs came from the ranks of peasants and artisans who often traded with outsiders such as Jews or Arabs.<sup>9</sup>

Cities like Venice, Florence and Amsterdam created the basis for an economy that fostered “new men” from the artisan and even peasant classes. Peter Hall quotes a historian of 15th Century Florence:

Apprentices became masters, successful craftsmen became entrepreneurs, new men made fortunes in commerce and money-lending, merchants and bankers enlarged their business. The middle class waxed more and more prosperous in a seemingly inexhaustible boom.<sup>10</sup>

The role of cities in this process is incontestable. The Netherlands, with half its people located in towns and cities by the early 17th Century, became the most urbanized society in

The United States now boasts twenty-five of the world's thirty wealthiest metropolitan regions. These are followed by mostly European, Canadian and Australian cities.

Europe.<sup>11</sup> Amsterdam, Holland's primary city, was something new and yet remarkably familiar – a place noteworthy not so much for its heroic statues and great boulevards, churches or palaces, but for its teeming alleys, bustling wharves, and clean, comfortable residences. Having won at great cost their independence, the middle class carried out their trade with minimum interference.<sup>12</sup>

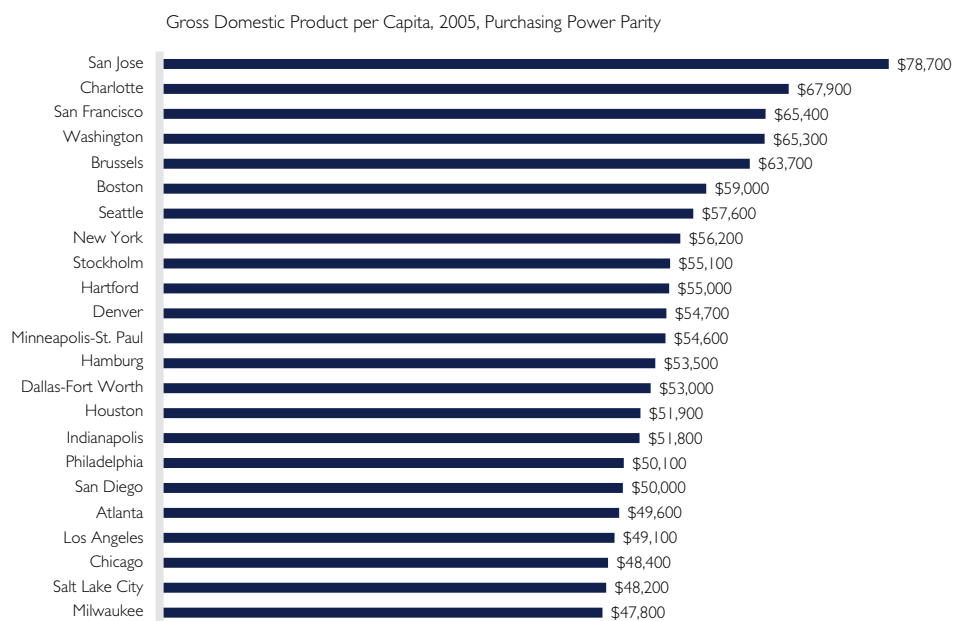
Much of the emerging new middle class was made up of newcomers from the countryside, as well as from Germany, England, Spain and Portugal. It was, as a French visitor noted, a place where “all things were new”.<sup>13</sup>

The same process repeated itself elsewhere, most notably in Britain and the United States.<sup>14</sup> Some “new men” from peasant and artisan backgrounds rose, but many others became part of an impoverished proletariat.<sup>15</sup> Historian Michael Sturmer notes that many

urban artisans lost their jobs to machines, but many others used their educations and expertise to move into the middle class.<sup>16</sup>

Great poverty plagued the western cities, even in North America, until the 1950s, but ultimately many aspirations were rewarded, at least in terms of median purchasing power. According to demographer Wendell Cox, the United States now boasts twenty-five of the world's thirty wealthiest metropolitan regions. These are followed by mostly European, Canadian and Australian cities, whose high costs and taxes depress their rankings despite high per-capita incomes.

### 30 Most Prosperous U.S. Metropolitan Areas



Source: Wendell Cox, Demographia – <http://www.newgeography.com/content/00934-rating-world-metropolitan-areas-when-money-object>.

The people of Asia also eventually benefited from the expansion of capitalist culture. It was not Mao's China, but rather American-allied Japan that led the charge towards capitalistic progress. Tokyo, then Seoul, Taipei and Singapore came to play enormous roles in the world economy. They now are ceding much of their critical industrial base to the inevitability of China.

A half century ago, Asia was considered part of the largely undifferentiated, impoverished "developing world", alongside the likes of Cairo, Lagos or Calcutta. But urbanism has developed throughout Asia, like modern Asiatic versions of Renaissance Italy, looking for new industries and markets to conquer.<sup>17</sup>

## CHAPTER TWO

# THE END OF WORLDWIDE URBAN UPWARD MOBILITY?

The remarkable spread of prosperity – from North America and Europe to Asia – through what historian Peter Hall calls “this unique creativity of great cities”<sup>18</sup> stands as one of the great achievements of the modern era. Hundreds of millions of people moved into cities. Many remained in abject poverty, but others exploited unprecedented opportunity.

Yet how long will this process continue? Are we, as Hall suggests, at the dawn of a “coming golden age” of cities? He argues that despite the shift of lower-paid and routinized work to the urban periphery or to developing countries, the unique opportunities inherent in cities, notably the ability to provide face-to-face contact, will guarantee the continued primacy and vibrancy of cities such as London, New York and Tokyo.<sup>19</sup>

This may indeed to some extent be true. But there should be more focus on the prospect that the era of upward mobility for the great mass of people has come to an end. There is a pervasive reality in many advanced countries – Japan, the U.K., the United States – that upward mobility has slowed significantly. A 2009 Labour government study of Britain

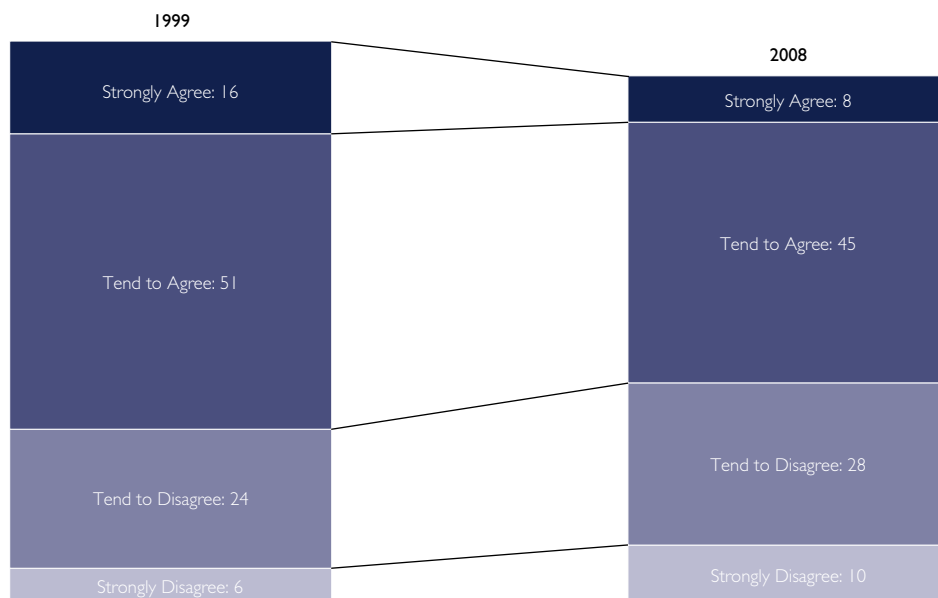
found that young people of poor backgrounds are less likely to gain high-paying jobs than their parents. As London Mayor Boris Johnson has noted, the decade under New Labour has not been kind to the working class: Britain has become the most socially immobile society in Europe *despite* its huge and ever-expanding welfare state.

British views on class mobility have experienced a bit of a retrenchment and, according to one 2009 University of Bristol study, have become more entrenched, as most benefits of expanded

education have gone to the middle class and above. While the ideal of classlessness – that one is not a member of a distinctive class – has grown, over the past decade the percentage of people who actually do identify with a particular class has also grown, from 31 percent to 38 percent. Looking into the future, IPSOS Mori concludes, “Social class may become more rather than less salient to people’s future”.<sup>20</sup>

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## I Don't Feel that I Belong to any Social Class ...



Source: Trend Briefing #2 – Class Consciousness, Ipsos Mori, May 2009.

The return of class as an issue is not restricted to the United Kingdom. A BBC poll in 2008 found that two-thirds of the people in the OECD countries felt that “the economic developments of the last few years” had not been shared fairly.<sup>21</sup>

Three powerful forces seem to be driving this process: technology, globalization and, most recently, the regulatory regime connected to climate change concerns. Many of the impacts are felt most grievously in places where technology is most pervasive, where the arbitrage of shifting to lower cost locales is most appealing, and where the pressure for draconian environmental policies is most compelling.

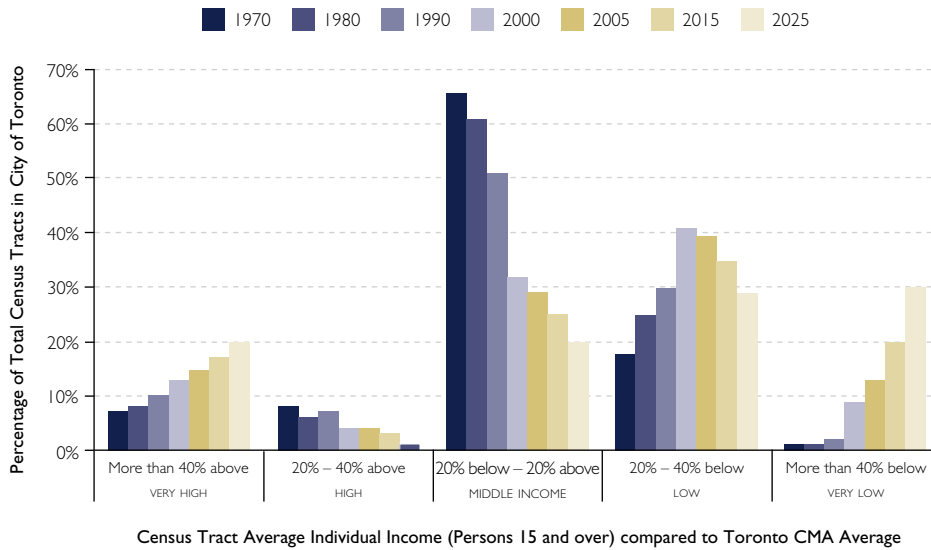
The leading economic forces, for example high-technology, media and financial services are far less reliant on the mass mobilization of labor, both skilled and unskilled.<sup>22</sup> An increase in “rewards” to the educated – particularly on the graduate level – has in the past resulted in increased intergenerational mobility between generations.<sup>23</sup>

Yet, more recently, gains to the value of an education in many advanced regions have stalled, in part due to increased competition from developing countries and to a shift to new, more productive technologies. As the new century began, the salaries of young college graduates in the United States started dropping. High unemployment levels among those under 25 have become commonplace, standing at 19 percent in the United States.

In effect, the pool of beneficiaries of “post-industrialism” may be getting smaller rather than larger:<sup>24</sup> Pressure from abroad both commercially and through immigration make it increasingly difficult for countries to maintain social protections at home.<sup>25</sup> Famously egalitarian Canada is among those countries that see decreasing upward mobility in megacities. A recent study of Toronto, for example, found that between 1970 and 2001 the portion of middle income neighborhoods in the city had dropped from two thirds to one-third, while poor districts had more than doubled to 40 percent. By 2020, according

to the University of Toronto team, middle class neighborhoods could fall to barely less than 10 percent, with the balance made up of both affluent and poor residents.<sup>26</sup>

### Change in Neighborhood Income in City of Toronto



Source: Statistics Canada, Census 1971, 1981, 1991, 2001, 2006. Forecast by R. Maaranen.

Tokyo, the greatest city in Asia, once widely seen as an exemplar of egalitarianism, also shows this pattern. By the mid-1980s, Japan was becoming less socially mobile and more stratified as the city moved towards its current “post-industrial form”.

In contrast to the period of enormous social mobility centered around the post-war boom, notes social analyst Jon Woronoff, “the narrow gates” may well be “getting narrower”, as the benefits of Japan’s high-tech and increasingly globalized economy become more concentrated.<sup>27</sup> There are now an estimated 15,000 people living on the streets of Tokyo, and the poverty rate has risen to the highest level in recent decades.<sup>28</sup>

Even more shocking is inequality in China, which, although officially Communist, has become increasingly unequal. Over the past twenty years it has shifted from an income distribution pattern closer to that of Sweden, Japan or Germany to one that is closer

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to Argentina or Mexico. By 2006, its measurement of inequality was greater than the United States, Vietnam, the United Kingdom, India or China. Not surprisingly, class anger has reached alarming proportions, with almost 96 percent of respondents, according to one recent survey, agreeing that they “resent the rich”.<sup>29</sup>

As China ages rapidly during the coming decade, and growth inevitably slackens, these class distinctions could deepen further.

The glut of college graduates – concentrated in urban areas – will need to compete with an aging workforce for a still limited number of positions. Ironically, the domination of the Communist Party appears to further concentrate wealth and power; most of the richest people in China are linked to the party.<sup>30</sup>

This all poses the threat of ever-greater social conflict in China's cities, as young people – even the educated – find themselves unable to rise even in an expanding economy. Roughly one-third of 2008's 5.6 million university graduates have been unable to find work. Things are worse for those less skilled. The shifts in technology that have been felt elsewhere also impact China's working class people. A migrant population that pours in from the countryside, estimated at 150 million, now constitutes upwards of one-fifth of the urban population.

Although a comparatively small number of skilled professionals and investors are doing very well, opportunities for economic advancement appear to be scarcer for most workers in comparison to the earlier period of China's remarkable "liftoff". Notably, the highest levels of income inequality can be seen in the most advanced cities, such as Shenzhen and Hong Kong, which have among the most skewed income distributions in all of Asia.<sup>31</sup>

Perhaps most unnerving has been the widespread dissipation of upward mobility in the great cities of the United States. In 2005 New York's middle class – households making between \$35,000 and \$150,000 a year – stood at 53 percent, well below the national average of 63 percent. Overall, New York has the smallest share of middle-income families in the nation, according to a recent Brookings Institution study, and virtually all the areas with the most rapid diminishment of the middle class occurred in big cities.

The burden of urbanization has hit not only the middle class, but working class minorities and immigrants who historically migrate to the city in search of opportunity. In the Bronx, the city's most heavily Latino county, roughly one in three households lives in poverty, the highest rate of any large urban county in the nation. In Manhattan, where the rich are concentrated, the disparities between the classes have been rising steadily. In 1980 Manhattan ranked seventeenth among the nation's counties for social inequality; by 2007 it ranked first, with the top fifth earning 52 times that of the lowest fifth, a disparity roughly comparable to that of Namibia.<sup>32</sup>

Inequality is also increasing in Europe's cities, often regarded as models of equality by American 'progressives'. Many low-wage workers congregate in the closer-in suburbs, as has happened in Paris.<sup>33</sup> The social protections of the EU may have ameliorated, for the time being, a shift to an increasingly bifurcated society, but have not stopped its progress.

Inequality and growing urban ghettos have been on the rise in such countries as Canada, Finland, Norway and even Germany, which was the only EU country to see wages fall between 2000 and 2008. In Berlin, Germany's largest city, unemployment has remained far higher than the national average, with rates at around 15 percent. One-quarter of the workforce earns less than 900 Euros a month. Many of these workers live in immigrant ghettos that belie the egalitarian ethos of 'red Berlin'. The city, notes one left-wing activist, has emerged as "the capital of poverty and the working poor in Germany".<sup>34</sup>

Much of this poverty is concentrated among Muslim immigrants who may now constitute as much as 10 percent of the EU's population. Heavily concentrated in cities, Muslims constitute at least 25 percent of the population of Marseilles and Rotterdam, 20 percent of Malmo, 15 percent of Birmingham, and 10 percent or more of London,

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Paris and Copenhagen. Over the next few decades, according to a recent Pew study, due to strikingly high birthrates, Muslims will constitute a majority of the population in several European cities.<sup>35</sup>

The burden in Europe, as in the United States, tends to fall most heavily on the children of immigrants and on younger people in general. An OECD analysis found that older workers enjoyed the best gains during the past thirty years, while children and young people fared worse. For workers under 25 the unemployment rate is well over 20 percent in the EU, and more than twice that in, for example, Spain.<sup>36</sup>

Poverty among the young is also widespread in other major cities. In Berlin, for example, 36 percent of children are poor; many of them are from other countries. Young people who rioted in Athens in 2008 suffer unemployment rates in excess of 25 percent. By the end of 2009 unemployment for those under 25 stood at 21 percent in the EU, with some countries – Sweden (27 percent) and Spain (44 percent) – at extraordinarily high levels.<sup>37</sup>

Such trends may soon worsen. Current and likely future climate change policies in advanced countries – the developing ones seem all but certain not to follow course – suggest a considerable, purposeful increase in the cost of living and a likelihood of the acceleration of the export of industry from urban regions of the First World. The current climate change debate has ushered in an ideology almost incompatible with social mobility as it advocates reduced economic growth and even Malthusian restrictions on population. The consequences for the great metropolitan regions of the West could be profound.

Until the last decade, public policy revolved around the issue of how best to promote economic growth and income mobility. Socialists, liberals and conservatives, of course, vigorously debated how best to achieve this goal. But the goal remained the same: how to shrink slums and increase opportunity for a better quality of life for the middle or working class. In the coming decades, at least in the Western countries, policies may be shifting their emphasis to concerns such as reducing the “human footprint” on the earth. These policies may prove intrinsically incompatible with overall economic growth, raising incomes, and improved living standards for a broad spectrum of the urban population.

But to climate change enthusiasts, such as *The Guardian's* George Monbiot, the aim of climate change policies extends beyond the warming issue. It is “a battle to redefine humanity”. Monbiot believes the era of economic growth needs to come to an inevitable denouement; that “the age of heroism” will be followed by the decline of the “expanders” and the rise of the “restrainers”. In this sense he is endorsing the policy of “de-development” espoused by influential figures such as John Holdren, President Obama’s Science Advisor.<sup>38</sup>

The “redefinition” and “de-development” could impose enormous costs on the working class in European and North American cities, particularly given the unlikelihood of similar restrictions on competitors in China, India, Russia and other countries. A huge shift to renewable fuels, for example, could quadruple the cost of energy in Britain, forcing a large percentage of the population into “fuel poverty”. Loss of jobs in trucking and manufacturing would hit blue-collar workers and neighborhoods hardest, according to most studies. How this jibes with meeting the high welfare and retirement costs with an urban population increasingly dominated by immigrants and poor children seems problematical at least.<sup>39</sup>

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## CHAPTER 3

# LONDON'S CLASS DILEMMA

For the past millennia, no western city has been a greater crucible of opportunity than London. From the 14th Century onwards, London has attracted an ever-greater portion of the country's young and ambitious of all classes. Even as older centers such as Winchester and Lincoln declined, London's population and economy expanded rapidly. Upstarts rose from middle and working classes, some aspiring to join the aristocracy, which represented barely 3 percent of the population. These ambitious commoners constituted an essential component of what historian F.R.H. Du Boulay would dub "an age of ambition".<sup>40</sup>

Britain's successful imperial thrust – particularly the conquest of India – made London a global capital on an unprecedented scale.<sup>41</sup> "Unbounded Thames", Alexander Pope predicted in 1712, "shall flow for all mankind".<sup>42</sup> In the 16th Century London itself grew from 60,000 to nearly 225,000 souls. Rebuilt on a grand scale after the great fire of 1666, it would soon emerge as Europe's largest city.<sup>43</sup> By 1790 London's population had reached almost 900,000, more than four times that of Amsterdam.<sup>44</sup>

This massive movement into London created many hardships. Friedrich Engels was shocked by "the most barbarous indifference and selfish egotism" evidenced on the London streets, yet it was on these same streets that the new urban pattern of upward mobility was being shaped. London – like Mumbai today – was filled with people who eked out "a miserable existence", collecting horse-dung, pulling barrows, or engaging in criminal activities, including some 40,000 prostitutes and an endless supply of petty thieves as well as serious knaves.<sup>45</sup> Observed one writer in 1843:

The East End of London is a hell of poverty. Like an enormous, black, motionless, giant kracken, the poverty of London lies there in lurking silence and encircles with its mighty tentacles the life and wealth of the City and the West End.<sup>46</sup>

In the downtrodden parts of London, workers paid upwards of 50 percent of their income in rent.<sup>47</sup> Yet for all these horrors, London continued to attract, from within Britain and abroad, those who saw in the city great opportunity for advancement. London, as Ford



Maddox Ford observed, “Attracts men from a distance with a glamour like that of a great and green gaming table”.

## The Triumph of Industrialism

The most dogged entrepreneurs often worked the same long hours as their workers. Small manufacturers could scale into the elite realms of banking, and some even into the aristocracy. But by mid-century, even ordinary Britons began to enjoy the benefits of mechanization. Measured along contemporary standards, manufacturing wages, particularly for skilled workers, were good and, spurred by the growth of trade unions, began to rise consistently.<sup>48,49</sup> Working class consumers, who in the past could hardly have hoped to afford them, now could purchase such items as stockings or dining utensils. Some, particularly in the skilled trades, ascended into the middle class; some children from the industrialist class now entered the elite universities; some became great lords without proper titles, and some, by marriage or through influence, acquired noble status.<sup>50</sup>

Social reform movements – usually led by the clergy and a rising professional class – organized to address the most obvious defects of the industrial system. Reform legislation, such as the Municipal Corporations Act in 1835 and the first Public Health Act by Parliament in 1848, brought more efficient administration to the sprawling, chaotic cities. Reformers established parks and washhouses for the poor. New sanitary measures and improvements in medicine lowered urban rates of mortality dramatically. Crime, once rampant, dropped dramatically.<sup>51</sup>

The optimism about the future that characterized the age was no place more evident than at the Crystal Palace exhibition in 1851. Indeed, it is one of the great ironies of history that at the very time that Karl Marx, sitting in the library at the British museum, was composing *Das Kapital*, unmistakable improvements in the life of the working class were taking place around him. The great inequality, so evident in mid-19th Century London, was beginning to narrow through natural economic forces and the growing power of working class organizations.<sup>52</sup>

## The “Golden Age” of Upward Mobility

It was after the Second World War that the quality of life for Londoners improved most dramatically. Between 1948 and 1960, per capita income in Britain jumped a remarkable 33 percent. After the Second World War, massive increases in new housing – both within and around London – contributed to a far better material standard for both the middle and working classes.<sup>53</sup> Suburbanization and dispersion, which had started in the 1850s, accelerated rapidly as British soldiers came home from war.

Throughout the next two decades, London expanded well beyond its historic districts, to places as far afield as Essex. In some places, such as Milton Keynes, a sprawling edge city to the northeast, the middle and working classes of London could find a place where they could enjoy safety, privacy and a spot of lawn. Planners, urbanists and green activists could find much to dislike in such car-oriented places, but, notes urban historian Mark Clapson, the reasons for the success of Milton Keynes, now home to over 160,000 people, are ones that “would have occurred to an estate agent”.

It is in such places, notes Clapson, that the aspirational classes still find something of the preferred “Englishness” of tidy homes and greenery. The prime goal of many in post-war Britain was the chance to own one’s own home. These outlying communities became the chosen nest to the majority of Londoners. These communities still remain places of considerable class diversity; professionals, skilled, and manual workers each constitute significant portions of the residential mix.<sup>54</sup> “Was there ever such a stealthy social revolution as the rise of this semi-detached suburbia?” notes filmmaker John Boorman.<sup>55</sup>

## The Return to Two Londons

Yet since the 1970s, as in other advanced countries, the road to upward mobility in Greater London has become increasingly treacherous, particularly in the inner city but across the breadth of the Metropolis as well. Of course, globalization and the technology revolution has produced an enormous concentration of wealth and luxury in London. This has greatly benefited the West End, a major center for the world’s economic elite; it is four times wealthier than the national average and more prosperous than even the richest parts of the United States.<sup>56</sup>

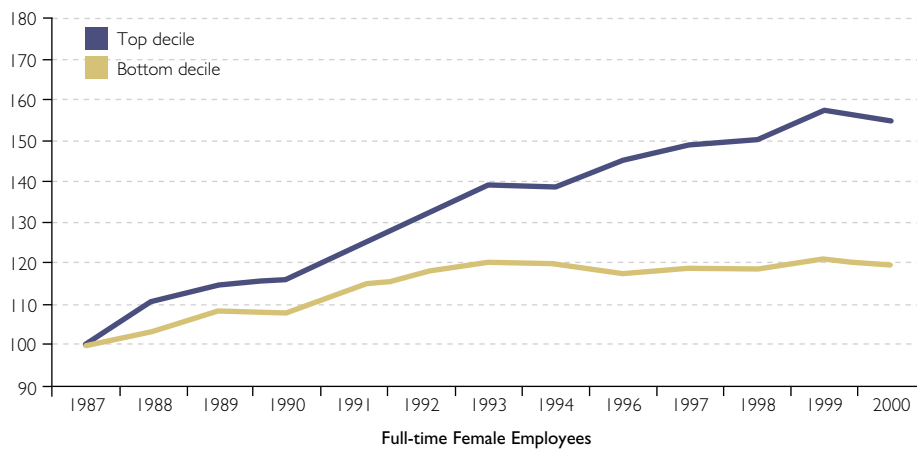
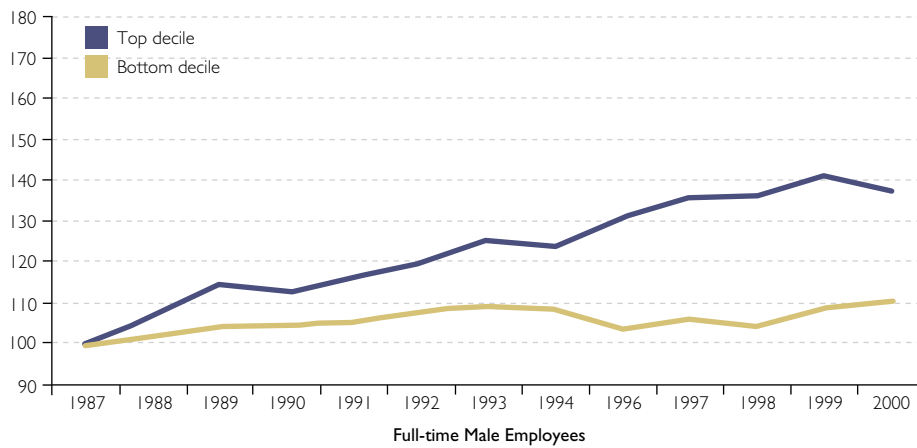
London has emerged as “the headquarters of globalization”. In the process it has developed an economy based in large part on servicing the wealthy; what economist Ajay Kapur calls a “plutonomy”.<sup>57</sup> And to be fair, there has been a considerable London renaissance, marked by the revival of many once-working class areas such as Shoreditch, Islington and Putney. Yet, at the same time, the economy and demographics of the city have become increasingly bifurcated between a post-industrial elite and a growing underclass. As author James Heartfield observes:

The vacated shells of industrial London were turned into expensive houses or art galleries. With rising home prices it was working class London that was being driven into the suburbs.<sup>58</sup>

The erosion of middle class London, Heartfield adds, has been encouraged by the notion of a “new economy” based on information that, as Department of Trade and Industry advisor Charles Leadbetter claimed, could rise out of “thin air business”. In this view, the activity of investment banks and media firms – major elements of London’s economy – are seen as positives, since they are perceived as comparatively low-carbon and able to deal with very high costs. In comparison, working and middle class industries such as manufacturing, construction and warehousing are seen as harmful due to their intensive use of fossil fuels, land and raw materials, and are more vulnerable to global competition.<sup>59</sup>

The impact can be seen in the evolution of the London job market that, by the 1990s, started to see a rapid decline in industrial and warehousing jobs but an increase in employment for younger, more qualified workers. Job gains, then, were concentrated at the top and bottom of the wage profile. The growth in real earnings for blue collar professions lagged behind those of white collar workers continuously, noted a 2005 report commissioned by London’s former Mayor Ken Livingstone.

Index of Hourly Earnings 1987–2000, Greater London



Source: Office for National Statistics, *New Earnings Survey 1987–2000*. Figure deflated using RPI (all items index).

At the same time, the ranks of top professionals, according to a 2009 report by the Government’s social mobility task force, are increasingly dominated by the children of the wealthiest families. Education, once a tool for expanded upward mobility, appears to be having the opposite effect.<sup>60</sup>

Even many of the lower-end service jobs in restaurants, construction and retail have not redounded to the benefit of the native-born in Britain; by some estimates, more than 70 percent of the jobs created between 1997 and 2007 in the United Kingdom

went to foreigners. London was the prime destination for the newcomers. Indeed, economist Tony Travers at the London School of Economics (LSE) estimated that during the last decade London received more immigrants, many from the rest of the EU, than did such American magnets as New York or Los Angeles.<sup>61</sup>

These changes have weighed have been most heavily felt in what Sarah Castells at Ipsos Mori calls “the “iPod generation”. It includes many younger workers who have qualifications, but see very little opportunity. “The iPod generation [is] confused”, she reports. “They don’t know where they can get a job even though they did all the right things”.<sup>62</sup>

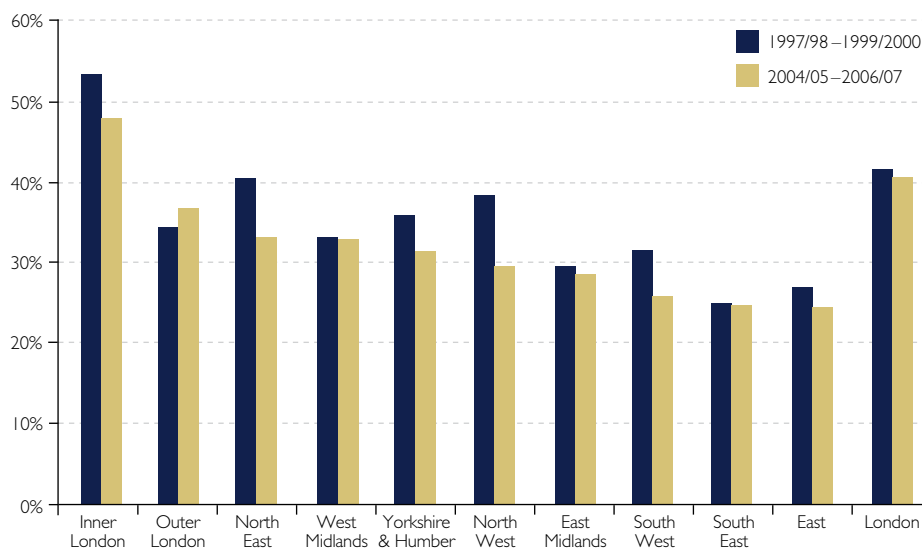
Education, once a tool for expanded upward mobility, appears to be having the opposite effect.

## The Persistence of the Class Divide

By 2002, a majority of working age people in social housing were unemployed, even before the great turndown of 2008. The high cost of housing was already making it very difficult for the poor to escape poverty in London.

At the same time, 36 percent of the children in inner London were living in poverty as well as one in five in the outer ring communities. These numbers are even higher – covering more than half the children in inner London – when housing costs are factored.

### The Child Poverty Rate in Different English Regions



Source: *London's Poverty Profile*, City Parochial Foundation, New Policy Institute, May 2009.

The graph shows that London has the highest child poverty rate of any region in England. About 40 percent of the capital's children live in low-income households, a figure little changed since the start of the decade. However, it is not the only region to have made little progress in addressing this key Government target – the Midlands and the neighboring South East and East of England have also barely improved.

In inner London, the child poverty rate is even higher, at about 50 percent, compared to 35 percent in outer London. However, while inner London has seen a decrease in child poverty since the late 1990s (of about five percentage points), outer London has seen an increase.

The pattern of poverty among children is repeated for working-age adults. London has the highest proportion of working-age adults in low-income households of any region in England. Inner London has seen an increase, from 19 percent to 22 percent.

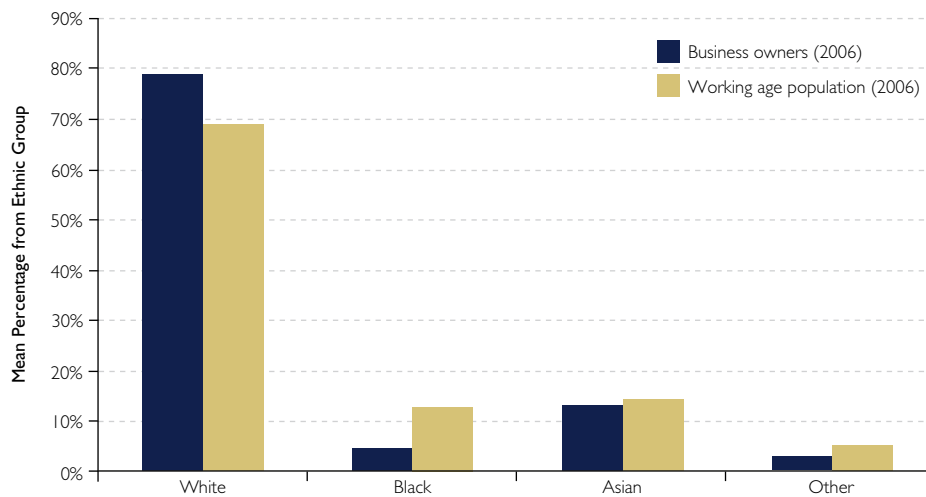
Overall, London, the financial capital of the EU, has the *highest* incidence of child poverty in Great Britain, even more than the beleaguered North-East. 73 percent of Pakistani and Bangladeshi children are living in poverty in London once housing costs are figured in.

Seventy three percent of Pakistani and Bangladeshi children are living in poverty in London once housing costs are figured in.

Minority groups account for 28 percent of working age Londoners, but for 45 percent of the unemployed.

Poverty also affects 30 percent of working age adults and over one-third of pensioners in inner London, and roughly one in five in outer London. The inner London rates are the worst in Britain. Over one million Londoners were on public support in 2002.<sup>63</sup> These figures are certain to become worse as a result of the recession that began in 2008; roughly 187,000 London jobs are expected to be lost across a broad swath of job categories.<sup>64</sup>

### London Businesses and Working Age Population by Ethnicity



Source: LABS 2006 (based on all businesses that reported the ethnicity of the owners) and DMAG.

This chart shows the proportion of business owners and the working age population by ethnic group. The proportion of businesses that are owned by Asians is approximately the same as the proportion of the working age population in London that is Asian.

## The Role of Housing

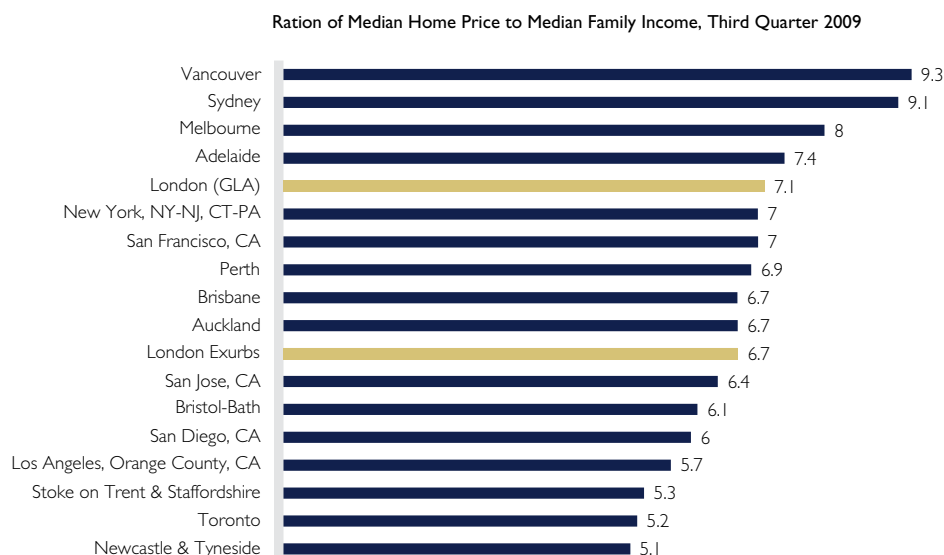
Another major obstacle to upward mobility stems from housing costs. Much of the problem can be traced to a precipitous drop in new housing starts across the United Kingdom; completions in the 2000s plunged to levels not seen since the Second World War.

The effect of limited construction has been particularly acute in Greater London and the greater Southeast, where the economy has become increasingly dominant over the rapidly de-industrializing regions to the north. London area housing prices, even after the collapse of the real estate “bubble”, are among the highest in the world. And the gap between the average London house and the ability of a Londoner to afford it now stands among the highest in the advanced world.

Although some of the planning policies that are blamed for this poor performance can be traced to previous Conservative governments, the anti-housing bias appears to have grown, if anything, stronger under New Labour:

Indeed, according to the most recent survey by demographia.com, it takes nearly 7.1 years at the median income to afford a median family home in greater London. This rank is higher than in any other North American city save Vancouver, Canada. Prices in the inner ring communities – particularly those experiencing gentrification – are even higher.

### Severely Unaffordable Major Housing Markets



Source: Wendell Cox, Demographia – <http://www.newgeography.com/content/001369-housing-unaffordability-public-policy-the-new-demographia-international-housing-affor>.

Market forces do not account for all or much of this gap. Housing production has been held down less by demand than by conscious government policy. The organization [audacity.org](http://www.audacity.org) projects that Britain has an annual shortfall of housing upwards of 260,000 and 300,000 units a year, much of it in Greater London and its environs.<sup>65</sup> It is not surprising, then, that housing affordability has fallen, particularly in London, where estimates by the Centre for Social Justice show that unaffordability for first time buyers doubled between 1997 and 2007.

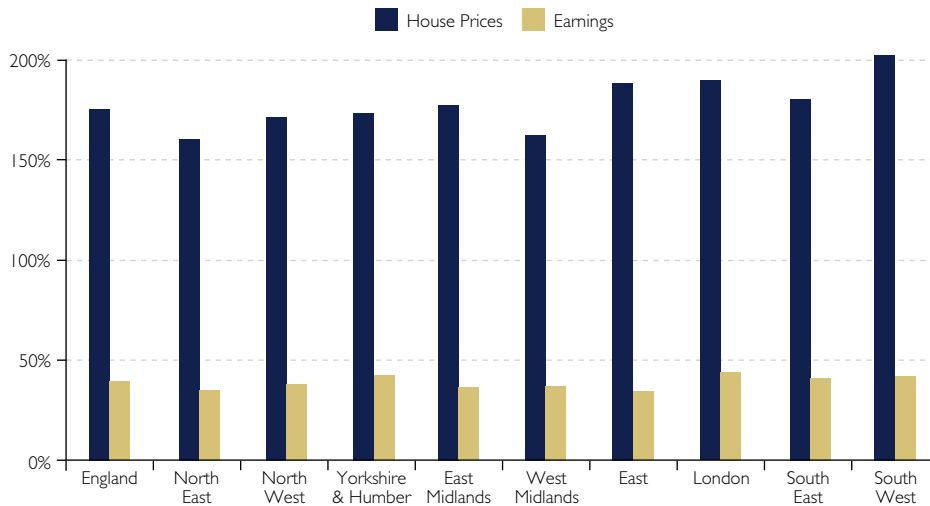
Completions have continued to fall during the recession, yet policies aimed at restricting new housing continue apace. This has led to a surge in waiting lists for 'social housing'; there are expected to be some two million households – five million people – on the waiting list for such housing. In London this number reached one in ten by 2008.

Given that these policies are likely to continue, forecasters at Oxford Economics expect prices to purchase homes to rise an additional 25 percent by 2013 from the 2007 peak. Unless there is some miraculous (and difficult to envision) surge in incomes, future housing prices in London can be expected to soar even more out of reach for all but the very affluent. By 2013, the median price for a house in London is expected to rise by 100,000 pounds to over 400,000.<sup>66</sup>

The anti-housing bias appears to have grown, if anything, stronger under New Labour.

Despite declarations from both Tory and Labour politicians, resistance to new building has remained very keen. Much of the opposition comes from an opposition to “suburban sprawl”. Some of this is based on aesthetic grounds – one critic called Milton Keynes a collection of “red-tiled, upvc windowed, developers’ junk”. Heavily publicized attempts to create “eco-towns” will do little to meet the needs of either the upwardly mobile, or, as the Centre for Social Justice points out, the growing ranks of the immobile poor.<sup>67</sup>

### Home Price and Income Increases, 1998–2007



Source: Home Truths 2008, Why the need for social housing is increasing, *National Housing Federation*; “Housing Poverty: From Social Breakdown to Social Mobility”, The Centre for Social Justice, November 2008.

## The Role of Green Policies

The assault on middle class aspirations has also been bolstered by the “green” movement. Long-term aesthetic arguments against suburbia have now evolved into a new emphasis on “sustainability”, largely in terms of greenhouse gas emissions. Ex-environment Secretary David Miliband calls climate change “the mass mobilizing issue of our age”. Yet in contrast to the mobilizing issue of the industrial age – the reform and trade union movements – there may be not much good here for the vast majority of middle and working class Londoners.

Suburbanites are already in the crosshairs of the climate change mobilizers, who fairly well block any real chance of a rapid expansion of housing along London’s periphery. But the news for urban dwellers may not be so good either, since the new denser housing that is now proclaimed “sustainable” tends to be very cramped indeed. Already, Britain has the smallest size new homes of any advanced country in the world today, and climate change logic seems to suggest that these will become smaller, not larger, over time.

In this new approach, notes Alastair Donald, “communities exist only as carbon creators. The future of life for many Londoners could be far more crowded, cold and dingy than would have been thought possible just a decade ago”.<sup>68</sup> The progress made in the last century of returning the garden to British life has been largely sacrificed by what Lord

Rogers, an architect who served in the Labour Party government, has described as a policy of “cramming”, that is, forcing ever denser housing on both suburban and urban dwellers. And planning orthodoxy promoting ever greater density in suburban areas threatens the very identity of these areas, and, in a sense, their social and economic attractiveness.

The policy has been characterized by its critics as a direct assault on the quality of life for millions of working and middle class families. One recent government study, for example, notes that gardens and green space have been concreted-over in some 180,000 new homes. The policy’s most pernicious effects can be seen in such London neighborhoods as Croydon and Richmond-on-Thames.<sup>69</sup>

Such moves on the private space and decent housing of the British working and middle classes is largely framed in the context of sustainability, that is, reducing the dreaded “human footprint”, and the preservation of agricultural lands and open space. But the impacts on the lives of people and the character of middle-income neighborhoods are often ignored.

## A Sustainable Future for London?

Sustainability, notes architect and author Austin Williams, “is an insidiously dangerous concept, masquerading as progress”. It poses an agenda that often seems the polar opposite of the aspirational city, with its restrictions on industry, housing and incomes. It has within it a kind of martial agenda that seeks to impose what Williams calls “a poverty of ambition”, which limits the economic growth and progress that has been the unique province of the city – and particularly London – throughout history. In this sense, he notes, “the ideology of sustainability is unsustainable”.<sup>70</sup>

Predictions about the next few decades suggest that this bifurcation will continue, with most job growth taking place either in posh Central and West London, or in the Canary Wharf area. Economic growth in other parts of London – with the exception of areas outside of the periphery – is expected to be minimal.

Economic growth in the South London boroughs is slated to fall in the coming years, and may not pick up until 2016. In other words, we can expect wealth to continue to concentrate geographically precisely where it exists today, near the ultra-expensive central core as well as parts of the bucolic periphery. London’s manufacturing jobs, already in secular decline, are expected to fall by another 80,000 by 2016.

The financial services industry, concentrated in the center, is expected to drive most future growth, although that prospect may be tempered by the possible weakness of that sector for at least the next few years. A strong argument can be made that the over-reliance on financial services in London (or in competitors such as New York) may stunt growth as the share of GDP controlled by that sector shrinks, as many believe is likely.<sup>71</sup>

At the same time, dynamic growth in other promising fields such as technology and high value-added and design-led manufacturing seems to be heading outside the region to the outer reaches of the Thames Valley and around Cambridge. New home-work opportunities and attractive housing concentrates workers in

We can expect wealth to continue to concentrate geographically precisely where it exists today, near the ultra-expensive central core as well as parts of the bucolic periphery.



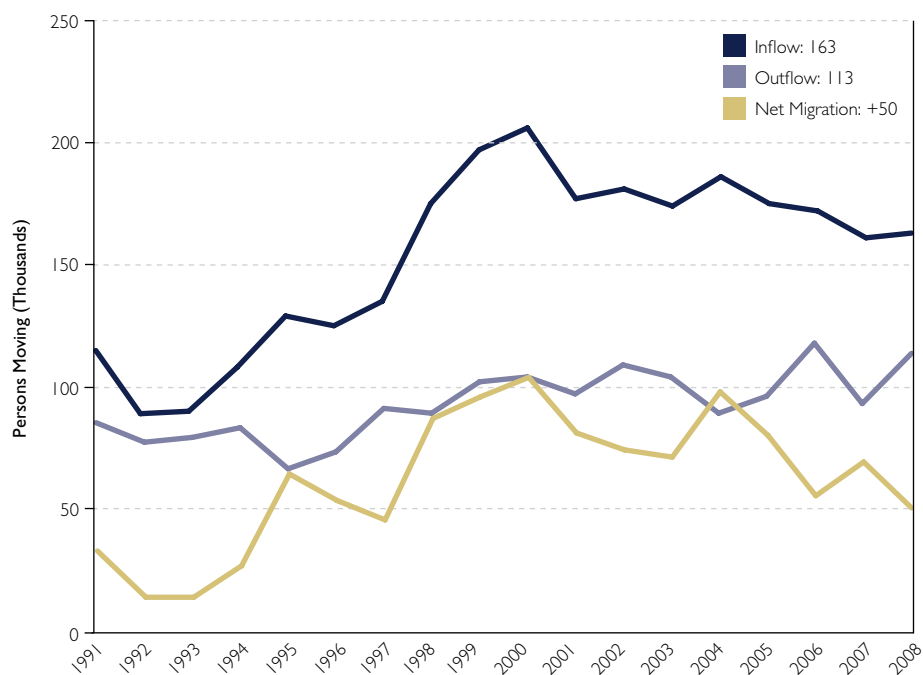
such places, as well as in cities such as Bath and Taunton. “Cities”, concluded one recent report, speaking largely of London, “are no longer the main source of new enterprises”.<sup>72</sup>

With the erosion of manufacturing and other blue-collar industries, London, notes the LSE’s Tony Travers, will become increasingly a novelty – “a First World core surrounded by what seems to be going from a Second to a Third World population”. The hopes put forward by the political class, such as green jobs, Travers argues, cannot make up for what has been lost, not only economically but in basic morale:

I despair about Britain becoming a leader in green technology. We are seeing the wiping out of the last stands of manufacturing capacity in this country. I wonder if we can base the rest of the economy on tourism and the export of Scotch whiskey.<sup>73</sup>

The manufacturing decline has led to a migration of adults in the key working age category between 25 and 44. By 2007, roughly 150,000 native Brits were leaving London every year, even as a growing population of foreigners was moving in.

### London Immigration and Emigration, 1991–2008



Source: U.K. Office for National Statistics (ONS), Annual, Online edition, Long-Term International Migration (LTIM) tables.

### The Future Trajectory

What does this trajectory bode for London in the future? It’s not likely that we will see a repeat of the Dickensian horrors. Yet we may well witness a resurgence of class – and in some cases

ethnic – conflicts, as benefits continue to accrue to a relatively few people and geographical areas.<sup>74</sup> Many of the poorest areas in the East End and in Dagenham, notes Travers, retained high unemployment during the boom; their prospects now appear to be dreadful.

Some, such as scholar Dick Hobbs, believe we are already seeing disturbing outlines in a growing sense of alienation and hopelessness, not only among some immigrants, but perhaps even more so among London's white working class. In social housing across Britain, nearly a fifth feel unsafe even in daytime. Social dissatisfaction also expresses itself in anti-social behavior such as rampant "jobism" and random crime.<sup>75</sup> "It's the working class that's been abandoned", he notes, pointing to both political parties.

Hobbs, who grew up in what is now the Docklands but was then a working class area, notes that the current economy of the area came about with the demise of the port in the early 1970s. Tens of thousands of jobs, as well as a whole system of apprenticeships and technical schools, evaporated. "The social capital that was there went", he recalls. "And so did the power of the labor force. People lost their confidence and never got it back".<sup>76</sup>

This loss was in many ways more profound for the old-time Londoners than it was for the immigrants. Overall, white working class children now seem to do worse in school than immigrants. A 2003 Home Office study found white men more likely to admit breaking the law than racial minorities did; they are also more likely to take dangerous drugs. The Department for Communities and Local Government has found that many, not unsurprisingly, "feel betrayed" by government policies, particularly regarding immigration.<sup>77</sup>

Hobbs describes a "violent potential and instrumental physicality" driving the British underground culture that increasingly includes both men and women. According to some estimates, by 2000 the pub and club industry was the largest source of private sector employment growth. The notion of identifying urban progress with a vibrant night scene has become an exemplar of the new post-industrial urban consciousness. "There are parts of London where the pubs are the only economy", he notes.

Yet the long-term trajectory here has to be troubling for London, where the working class and poor greatly outnumber the highly affluent population. For these lower classes, the promise of the post-industrial city is limited. "The regeneration of the dilapidated bastion of industrial society cannot replicate the common unities that fueled the industrial era, or the cultures so essential to its continuity". Hobbs notes. For all its problems, the industrial ethos centered first on production; the current "pub and club" culture celebrates consumption often to the point of excess.<sup>78</sup>

Also left out is much of the private sector middle class, who have suffered most in the recession, while the public sector has continued to expand rapidly.<sup>79</sup> Aspirational London – the entrepreneurial city – seems under siege, in danger of becoming dominated by a neo-feudal structure of civil servants and the entitled and inherited wealthy...with a shrinking private sector middle class.

Unless steps are made to address this trajectory, a remarkable long history of urban social progress could come to an end.

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## CHAPTER 4

# MEXICO CITY AND THE LIMITS OF LA CAPITAL

Like London, Mexico City possesses a storied past, one that is perhaps more instructive for the vast majority of mega-cities in the developing world than any other. No other city in a major non-Western country reached the scale and importance of Mexico prior to the 1970s, unless one includes Tokyo and Osaka, which, after all, were already modern cities by the early 1900s. Manhattan, notes author David Lira, may have served as “the Rosetta Stone” for the 20th Century city, but “Mexico City will play a similar role in the twenty-first”.<sup>80</sup>

Mexico's prominence is natural. It has long ranked among the world's great cities. A great city, Teotihuacán, arose in the Valley of Mexico over 1500 years ago, twenty five miles from the current city center. The contemporary city was built on the ruins of an Aztec capital, Tenochtitlan. Destroyed and conquered by Cortes in 1521, it was rebuilt by the Spanish *conquistadores*.

### The Irrepressible Center

Contemporary Mexico City, like many cities in the developing world, struggles with both headlong growth and the consequences of a colonial past. At the time of the Spanish conquest in the early 16th Century, the city known as Tenochtitlan, at between 80,000 and 300,000 people, surpassed any city in Spain<sup>81</sup> and almost any in Europe.<sup>82</sup> The capital of the Aztecs also exceeded ill-planned, often pestilential European cities in cleanliness, public hygiene, and general orderliness.<sup>83</sup> According to soldiers who traveled with Cortes, the marketplace near Mexico City, in both size and variety excelled beyond contemporary Constantinople, Rome or anyplace in Spain.<sup>84</sup>

The conquest of Mexico demolished this old urban culture's religion, and its political and economic way of life. Yet the great conquistador Cortes understood the political significance of the city he destroyed. He invited its former residents to return, and purposely located his main administrative buildings on the site of the central palace, now known as the *Zocalo*.<sup>85</sup>

Cortes had pledged to his emperor, Charles I, that he would create a great city, but Mexico's resurgence proved slow in coming. More than two centuries after the conquest the Spanish city of Mexico remained essentially an economic backwater, housing less than half the population of the former Tenochtitlan.<sup>86</sup>

Surrounded by mountains and located on a high plateau, Mexico City has been the beneficiary of enormous engineering feats – first under the native Mexicans, then by the 17th Century Spanish – that first connected a series of islands, and then eventually drained them to create an enormous basin surrounded by volcanic peaks. At the time of the American Revolution it was by far the largest city in the Americas. For many Spaniards who yearned to escape the rigid class system of their native country, the city was a magnet that allowed the fulfillment of great ambitions.

Mexico City's capitalism, however, was closer to the "crony" model than to the entrepreneurial one. It was a place where fortunes were made... and spent. Enterprising provincials, often successful in mining or ranching, gravitated to the city not only to be close to power, but to lift their social status. As one author put it, they "recreated a European aristocracy in the New World". At the same time an estimated 85 percent of the city's population – much of it segregated into districts on the periphery, designed for this *indio* majority – was destitute, marginalized both physically and economically.<sup>87</sup>

Overall the chances for the middle class were sharply limited. School teachers earned no more than unskilled laborers, and opposition from both the poor and the aspirational classes expanded. In many ways, the Mexican Revolution was also a revolt against Mexico City, with its corruption and its control over the economy. The Revolution's leadership came largely from the periphery, most importantly the north.<sup>88</sup> Yet despite the aspirations of the *nortenos*, *La Capital* reasserted its appeal. In the 1920s the city enjoyed a period of rapid growth and the population, soared to over one million.<sup>89</sup>

By then Mexico City had long surrendered its role as leading urban center of the New World to relative newcomers such as New York, Philadelphia, and Chicago. But it retained its primacy internally. Within Mexico, though, *La Capital's* power was unchallenged; when Porfirio Diaz's dictatorship constructed the national rail network and the first electrical lines, it centralized everything in Mexico City, where the nation's financial and political power was concentrated. After the Revolution, this pattern was reinforced as *La Capital* connected to the broader world economy through trains, roads, and air. Massive waterworks such as the Lerma aqueduct, completed in 1951, fueled its evolution into one of the globe's largest urban centers.<sup>90</sup>

"Manhattan may have served as 'the Rosetta Stone' for the 20th Century city, but 'Mexico City will play a similar role in the twenty-first'".

## After the Economic Miracle

Mexico became widely seen as having experienced "an economic miracle" that was a role model for developing countries,<sup>91</sup> and Mexico City reflected Third World urban aspirations, much as Singapore and Hong Kong do today.

In the 1940s and 1950s, Mexico City emerged as the center of Latin America's business, engineering and cultural life. Mexico City held half of the country's industrial production;

through 1946 to 1970 the city's domestic product increased by 12 percent annually, twice the healthy 6 percent growth experienced by the country.<sup>92</sup>

Yet the city's reign as a model began to wane by the 1970s. As millions poured in from tiny *ejidos* and small towns, the center of the city became more crowded and less elegant. The affluent were fleeing to the periphery, adapting the highly mobile, car-oriented lifestyle

In almost 25 percent of households with the highest incomes, the head of the household is employed in the public sector.

associated with U.S. cities. Many of the poor and working class were crowded into illegal settlements that sprouted even in places like Ciudad Netzahualcoyotl, located on a saline former lake bed. This desolate expanse was home to 65,000 people by 1960, and ten times that number a decade later.<sup>93</sup>

Mexico City's economy suffered greatly under systemic problems of cronyism, a gulf between entrepreneurs and politicians, and deepening social divides. High prices, particularly for housing, ate deeply into the incomes of middle and working class residents. By 1960 the top 3 percent of the population possessed over 20 percent of the income. A dysfunctional legal system meant that justice often lacked conventional democratic procedures and standards. The egalitarian promises of the Revolution appeared to many little more than archaic slogans.<sup>94</sup>

Despite these substantial issues, economic growth continued. The city's enormous expansion was partly fueled by the rapid growth of the country's oil industry; by 1925, Mexico already accounted for one fourth of the world's oil. According to the GINI index, the level of inequality dropped substantially during the period of fast economic growth. From the 1960s to the beginning of 1980s, it moved from 0.52 to 0.42, a reduction of almost 20 percent. In the late 1980s, the tendency reverted, but it didn't reach the high levels of earlier periods.

Significantly, poverty indicators were at their lowest in 2006, but the same was not true for the inequality level. In other words, later, during the period of lesser economic growth, poverty decreased but inequality remained the same.

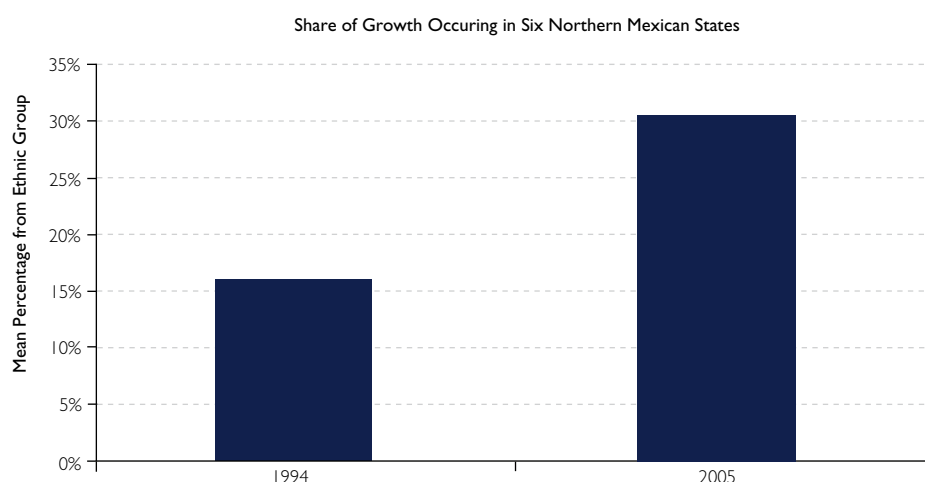
Government bureaucrats constituted a large swath of the middle class. In almost 25 percent of households with the highest incomes, the head of the household is employed in the public sector. More than 35 percent of those surveyed are self-employed, and a similar percentage works in the private sector. Higher social status is concentrated on those who are employers, independent workers or employed by the public sector. This occupational structure seems to be linked to the schooling and socio-economic level of the family of the survey respondent's birth.<sup>95</sup>

By 1970 Mexico City's population was over eight million, and it was seen as the center of Latin America's business, engineering and cultural life. And yet, in what may well become the case for other mega-cities, growth itself had become a problem. As the country's oil wealth dissipated, Mexico began to run into deepening fiscal problems that prevented the kind of infrastructure investment necessary to sustain the city's growth. Predictions that Mexico City would continue to dominate and out-perform the rest of the nation proved overly sanguine. By the end of the 1970s, Mexico City's share of the national GDP had slipped from 45 percent to 37 percent. Long a net contributor to the national budget, it now had become a drain.<sup>96</sup>

An increasingly amount of the country's wealth was shifting to other cities, particularly those in the north. The liberalization of Mexico's economy in 1985, notes the World Bank, shifted the basis of growth from a producer's distance to *La Capital*, to its relationship to the U.S. border.<sup>97</sup>

These northern cities – at least until the current drug war – are often perceived as better-run and more cost effective than Mexico City. Mexican cities that border the U.S. have become the most attractive for projects with direct foreign investment. Baja California, Chihuahua, Nuevo Leon, Sonora, and Tamaulipas are the states that increased their currency receipts between 1994 and 2005; in fact, these states increased their share of direct foreign investment from 19 percent to 33 percent, a third of the national total. Most of the border states became attractive because the final destination for the exports was the United States.<sup>98</sup>

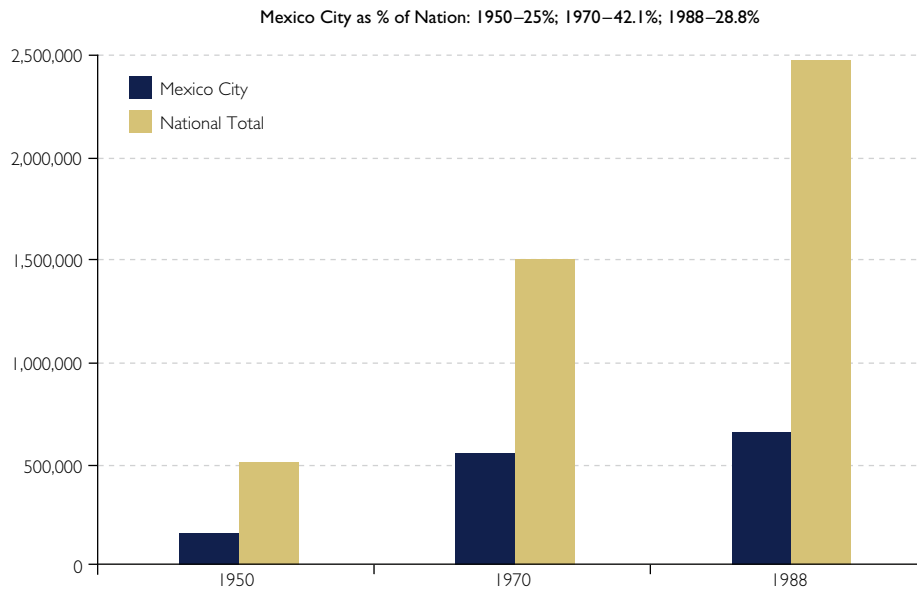
### Both Baja Californias, Chihuahua, Nuevo Leon, Sonora, and Tamaulipas are the northern states that have received an increased share of foreign investment



Source: Saldaña, Ivette, Estados del norte, los mas atractivos para la IED, El Financiero, April 7, 2008.

At the same time, Mexico City has undergone a shift away from production towards service. This is reflected by comparatively far greater investments in Jalisco and northern cities in manufacturing, while a service sector concentration is now forefront in the Distrito Federal, the region that encompasses Mexico City. Most of the investment in the Mexico City area from abroad that took place from 1994 to 2005 went to banks, the telephone industry, supermarkets and drive-thru stores. Mexico City, once the industrial powerhouse of Mexico, no longer plays that role and has settled into a more service-based economy.

## Manufacturing Employment (Numbers of Employees)



Source: Derived from Garza, 1987, and Gordon et al., 1993.<sup>99</sup>

## Upward Mobility in Contemporary Mexico City

Extending beyond the limits imagined by Aztec founders or Spanish conquerors, Mexico City has spread out across over a thousand square kilometers. In Mexico's most populous city, people are swallowed in chaotic traffic, choked by smog, overcome by stenches, and threatened by crime.<sup>100</sup>

In the process, it is possible that Mexico City has reached its own “limits to growth”. A combination of problematic environmental challenges – high altitude, volcanic soil, lack of adequate water – worsen social factors. Growth has slowed considerably. Even as poor people continue to come in from the countryside, many *capitalinos* have moved to other cities or emigrated to the United States.

Certainly the predictions made in the late 1980s that Mexico's population would be upwards of thirty million by the new millennium have fallen several million short. Although some population growth can be expected, the demographic trend has been for the population to move further out, particularly middle class families seeking a less congested, quieter and safer environment. Once first among the developing world's cities, Mexico may be among the first to have reached its potential for expansion. The question now is whether the city can work for the majority of its existing citizens.

Mexico City's middle class accounts for only about 15 percent of its population. Mexicans, whether inside or outside *La Capital*, tend to be negative towards their prospects for upward mobility. These concerns are particularly important in Latin America which has long been one of the most unequal regions in the world.

One theme was repeated in both interviews and economic statistics: a perceived slowdown in upward mobility from previous periods of more rapid economic growth. There is some evidence, for example, that in the current generation, there may be a growing tendency for children from high-income and more-educated parents to be more likely to do better in life, and have superior opportunities for schooling. On this measurement, Mexico does far worse than either the U.K. or the U.S..

Wage inequality has also increased.<sup>101</sup> Radical gains, such as moves from the poorest quintile to the richest and vice versa, are very rare in Mexico. Only 4 percent of people whose parents in the lowest quintile of the population have joined the richest quintile. Close to 50 percent of those born in the poorest quintile have never ascended to the middle class, and close to 60 percent of people in the richest quintile remain there.<sup>102</sup>

Education is a key factor in economic mobility. Throughout Mexico, the parents' level of education determines in great measure the level of education of the children. While 7 out of 10 persons whose parents have higher education also reached this mark, only 2 percent of children among the uneducated achieve such a level.<sup>103</sup>

In Mexico City, the shift to services has hollowed out the upwardly mobile working class. In the 1960s, the structural change in the labor market associated with industrialization was identified as the main engine for upward social mobility. According to studies done in the 1970s, the rapid industrialization provided similarly high rates of upward mobility to city natives and to rural immigrants. "Social origins" had only a marginal direct influence on occupational attainment".<sup>104</sup>

More recently, education was widely seen as critical to upward mobility among *Capitalinos*. Uranio Adolfo Arrendondo's family runs a small grammar school, *Liceo Reforma Educativa*, located in the largely lower-middle class Iztacalco, one of Mexico City's sixteen diverse *delegaciones*, or boroughs.<sup>105</sup> The school has served as an incubator for Mexico City's aspiring middle class. Modest and reasonably priced, it has offered small-business owners, professionals, and mid-level managers a way to propel their children up the economic ladder:

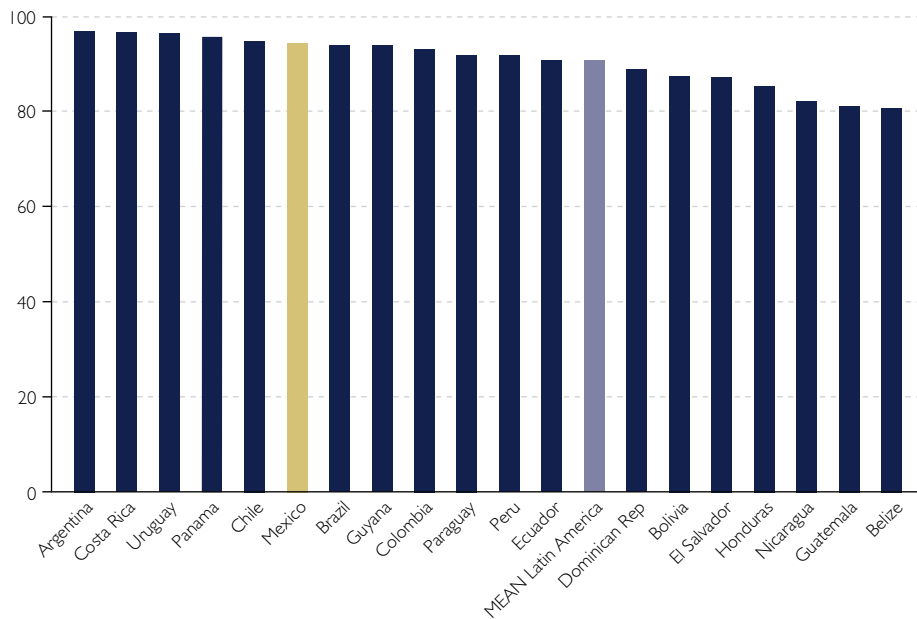
Yet today, Arrendondo finds many parents lacking the resources for even a modest alternative to Mexico's troubled state-run schools. From his office in the brightly painted school he told me, "the middle class in Mexico is going down", trumped by "both the super-rich and the criminal poor. We are squeezed in the middle of the sandwich.... The poor justify themselves because of their condition; the rich have impunity because of their position, arrogance and predatory behavior; while the middle class suffers from both. We support the high class and pull the lower one".<sup>106</sup>

This predicament is not unique to *Liceo*, which has some 245 students. Data from the *Asociación Nacional de Escuelas Particulares* estimates that as many as 400,000 children have been pulled out of small private schools over the last few years (including 2009–2010), placing them instead in the generally much inferior public ones. By mid-2009, one hundred private schools in the country had initiated the process to close their doors.<sup>107</sup>

Close to 50 percent of those born in the poorest quintile have never ascended to the middle class, and close to 60 percent of people in the richest quintile remain there.



Quality of Life Index in Latin America



Source: Rojas, Mariano, The Measurement of Quality of Life: Conceptualization Comes First; A Four-Qualities-of-life Conceptual Framework and an Illustration to Latin America, Table 7.

This is just one sign of a worrisome trend towards downward mobility, greatly exacerbated by the economic crisis. To be sure, Mexico City's sprawling expanse still exhibits its older legacy of upward mobility. A good number of the capital's 20 million people can be seen crowding elegant shopping centers, driving the latest model cars, and eating in crowded restaurants. With the elegant Polanco not far from the central district, lovely Lomas de Chapultepec, and sprawling, ultra-modern Santa Fe, Mexico City can seem very much a First World city.

Even before the economic crash in 2008, large percentages of educated Mexican workers were finding it difficult to get placed in high-skilled jobs.<sup>108</sup> Miguel Angel Juarez Noguez, a junior-high mathematics instructor, graduated with a degree in computer science

in 2006, but says few of his friends have found employment inside the information sector:

He believes his parents, both mathematics instructors, enjoyed far better prospects than he and his family (including two children) now face due to a weak job market and rising cost of living. "Today", he suggests, "you need more education to get less".<sup>109</sup>

These problems have been exacerbated by the deep recession in the U.S.; the American market created many relatively high-paying industrial and technical jobs for Mexicans. At the same time, remittances from Mexicans working in the U.S., the second-largest source of income for Mexico after oil, have begun to dry up. And also because of the United States' economic downturn, many Mexican immigrants – the discouraged poor as well as the upwardly mobile – have returned home, but they find few employment opportunities, suggests Alfonso Celestino, a social scientist who works for the government of the sprawling *Distrito*

“People come back from schools, or from the United States, with all sorts of skills and money, but there’s no system here to create an economy they can contribute to.”

*Federal*.<sup>110</sup> The result has been a huge drop in the Mexican economy, one that is deeper and more severe than the drop suffered in the United States and the United Kingdom.<sup>111</sup>

Many trace the problem to the fundamental corruption of the Mexican system, where bribery is commonplace and connections are necessary to build even a small business. This has been exacerbated in Mexico City by the union-dominated *Luz y Fuerza Centro*, which provides power to the city and is widely cited as inefficient and corrupt.<sup>112</sup> Such institutions stymie growth by undermining innovation in a region that has been losing its industrial base for decades. “People come back from schools, or from the United States, with all sorts of skills and money”, notes high tech entrepreneur Victor Manuel, “but there’s no system here to create an economy they can contribute to”.<sup>113</sup>

Such frustrations are heightened by a sense that other countries – notably the BRIC nations of Brazil, Russia, India and China – are rushing ahead while once-promising Mexico falls behind. There is widespread agreement that these countries are tapping their human and material resources more efficiently and more strategically than Mexico.<sup>114</sup>

Edgar Moreno, a 37 year-old MBA who works for Hewlett Packard in the ultra-modern Santa Fe district southeast of the city, agrees that political dysfunction is the main impediment to progress. Although Santa Fe, with its gleaming high-rises, looks more like an Asian capital – one blogger referred to it as “Mexico’s Dubai” – the on-the-ground realities may block further economic progress.

Moreno believes corruption and inefficiency hamper the development of the nation’s potentially huge energy resource, and as a result, Mexico lacks the capital to develop new enterprises. Real interest rates for entrepreneurial ventures start at 12 percent.<sup>115</sup>

The sluggish economy has had its most dramatic impact on the poor, who constitute upwards of 25 percent of the population.

## The Persistence of Poverty

The sluggish economy has had its most dramatic impact on the poor, who constitute upwards of 25 percent of the population. In contrast to earlier decades, their ranks may now be growing, “Mexico City is a First World city, but large parts are like Third World African cities”, Celestino asserts.<sup>116</sup>

Particularly notable has been the growth of the so-called “misery suburbs” or *Pueblos Nuevos* that have sprouted on the outer periphery of the city. In these areas, as well as in poor, inner city neighborhoods, unemployed young people are being “absorbed”, as Celestino puts it, into the illicit economy. This burgeoning criminal infrastructure preys directly on the super-rich through kidnappings and bloody feuds that discourage both investors and tourists.

Residents of these areas are not too dissimilar, noted one sociologist, “to primitive hunters and gatherers of pre-agriculture societies”, ever on the lookout for odd jobs and whatever else is “leftover” from the affluent members of society.<sup>117</sup> By 2000, the capital suffered a crime rate two and half times higher than Mexico’s second-largest city, Guadalajara, and eight times that of Monterrey, the capital of the rapidly growing north.<sup>118</sup>

## Is Mexico City at the Brink?

Perceptions of social mobility and meritocracy are enormously important for the future of societies and economies. People respond to incentives. If they are not optimistic about opportunities to advance, there is little incentive for hard work and investment in human and physical capital. Without optimism about the future, individuals have fewer disincentives to avoid dysfunctional behavior that causes additional problems for society.

Our interviews in Mexico City included many encounters with those who are pessimistic about improving their socio-economic status as well and as fast as their parents did. This, combined with a large impoverished population and slow economic growth, could make for

The surge in drug violence – over 7,000 died just last year – adds to the perception that Mexico may be on the verge of becoming a “failed state”.

a very dangerous cocktail. The surge in drug violence – over 7,000 died just last year – adds to the perception that Mexico may be on the verge of becoming a “failed state”. Mexican author Enrique Krauze believes the crime wave constitutes Mexico’s “most serious crisis” since the bloody 1910 Revolution, an upheaval that cost more than two million deaths.<sup>19</sup>

Yet, however terrible the violence, the decline of the middle class and upward mobility may prove a more lethal threat. Schoolmaster Arrendondo, looking out on the school courtyard, suggested that the parents of the *Liceo*’s students may not “take up a pistol” like their forebears did a century ago, but they might embrace a return to the anti-American authoritarianism and protectionism of the past.

“These parents are struggling with opportunities lost and destroyed”, he told us. “We have to change that. Mexico has to become a place where opportunities are created for kids like these. That’s the most important thing to determine the future”.

## CHAPTER 5

# MUMBAI: THE LIMITS OF THE MEGA-CITY

In the last decades of the 20th Century, India has reemerged as a major center of global urban life. In contradiction to Mahatma Gandhi's vision of an ideal village-centered nation, the nation's economy has shifted from a predominately rural and agricultural to an increasingly industrialized, even post-industrial, urban system. Spurred by a state-led investment in manufacturing and modern infrastructure, cities in India more than doubled their share of the national GDP between 1950 and 1995.<sup>120</sup>

Much of the new urban growth was concentrated not in the old colonial hub, Calcutta, but in the capital city of New Delhi and the other great outpost of imperialism, Bombay (now Mumbai). By far the poorest city in our study, Mumbai also has the strongest sense of positive aspiration. Economic growth in India has sparked an expansion of commercial opportunities throughout the country, and much of that expansion is in Mumbai, India's historic financial capital. With a population of upwards of 16 million, it is the world's fifth most populous city and is expected to become the third largest by 2050.<sup>121</sup>

Cities in India more than doubled their share of the national GDP between 1950 and 1995.

## The European City

Unlike its great rival Delhi, Mumbai's origins are largely tied to its interface with Europe. Similar to its long-time rival, Calcutta,<sup>122</sup> Bombay was little more than an obscure village until the early 18th Century. As western traders and then European nation-states began imposing themselves on the country, many traditional cities – Dacca, Patna, Murshidabad – declined, while new, trade-oriented centers such as Calcutta and Bombay grew rapidly.<sup>123</sup>

Raided by the Portuguese in the early 16th Century, the local Muslim ruler was persuaded to cede control of the islands that would later become Mumbai to the British in 1665, who rapidly developed the port. In the years before the conquest, India was more populous than Europe and, by revenue statistics, boasted a far larger an economy than

Britain's. But the British arrived during an era of economic decline and constant civil war in India, and they took full advantage to consolidate their position.<sup>124</sup>

The early British rulers were often less than ethical, but displayed the same kind of burning ambition one found in London. From its beginnings, Mumbai has been a multi-cultural city. Originally dominated by Muslims, it retains a large Islamic population. The prominent Tata family were Parsis, originally from Iran, while Sindhis, Gujaratis, Jews, Europeans and others have played key roles in the city's development.

Mumbai's entrepreneurs were not content with merely developing just another trading entrepôt. By the 19th century, Parsis were growing the ship-building industry, and the

Bombay Spinning and Weaving company had ten cotton mills. The industrial base expanded into steel-making and other industrial enterprises which laid the foundation for Mumbai's emergence as India's financial capital. By the turn of the 20th Century, Mumbai had surpassed its long-time rival, Calcutta to become the largest city in India and the second most populous in Asia (after Tokyo).

In the two decades after independence India's industrial production quadrupled, and while Dehli remained the seat of government, the city on the Arabian Sea remained India's largest metropolis and the heart of its capitalism; the largest city in the British Empire after London.

By 1980 Mumbai had emerged as the world's largest cloth market and controlled 40 percent of India's trade. Growth came largely from migration from other regions, and from the natural increase of the swelling population.

Yet growth posed many problems. By 1982, noted author Gillian Tindall, the city of eight million was four times as dense as New York and "in need of urgent first aid".<sup>125</sup> At the turn of this century, author Suketu Mehta, visiting his home town, which by then had swelled to over 14 million people, described Mumbai as "an urban catastrophe", an exemplar of the mounting woes of fast-growing cities in the developing world. "Bombay is the future of urban civilization on the planet", he wrote. "God help us".<sup>126</sup>

These descriptions are not overwrought, as we will show below. There is a dearth of clean drinking water, and travel within the city on its infracted highways can take hours. It is certainly a very difficult place to live and do business, something that threatens its future prosperity and sustainability.

## The Rising Middle Class

Despite these enormous challenges, Mumbai in many ways remains an aspirational city for its large and growing middle class. Like other Indian cities, it has become ever more important to the country's economy. In 1950 the villages accounted for 71 percent of the country's net domestic product. Now, cities, and particularly Mumbai, are preeminent; the city alone provides 38 percent of the country's taxes.<sup>127</sup>

Mumbai's economy, like that of much of urban India, depends increasingly on services and technology. Yet in Mumbai's case there is also Bollywood, a 3.5 billion dollar industry,

Mumbai is going through a difficult but exciting phase. It's extremely open and very tolerant. What keeps it going – despite the corruption, the poverty, the abysmal gaps – is that in some ways it's a small city with millions of people.

which reaches the largest audience in the world. The industry is clustered in the city's near-northern suburbs, and has nurtured a sophisticated middle class populace around it.<sup>128</sup> "The suburbs are what's happening here", notes Vatsala Pant, a researcher at the Mumbai office of The Nielsen Company. "That's where Bollywood is".

Perhaps the most conspicuous optimists in Mumbai are the young, educated workers like Shruti Bhadekhar, a single 22 year old marketer who has written television dialogue for Bollywood productions. To her, Mumbai is the epitome of a dynamic, cosmopolitan city with all its allure, despite the obvious downsides:

Mumbai is going through a difficult but exciting phase. It's extremely open and very tolerant. What keeps it going – despite the corruption, the poverty, the abysmal gaps – is that in some ways it's a small city with millions of people. It creates space for people, and gives them a chance to move up.<sup>129</sup>

This optimism has been fed by the doubling over the past decade of India's pre-reform growth rate, a huge factor in raising the level of wealth in the country and, according to Nielsen's Pant, the public's perception of it. "People across the lines seem more optimistic", she observes. "It's a sense you get all over the place. You can see visible signs of affluence – there's a sense of aspiration you see in the rise of specialty shops and restaurants".<sup>130</sup>

Naresh Govind Worlia, who comes from a lower caste tribal family in neighboring Gujarat state, is 32 years old and lives with his wife and three children. His job in a large pharmaceutical plant has allowed him to purchase a small flat. He owns a television and a mobile phone, but hopes for better in the future:

After ten years I want a bigger home and for my daughter to get a good education. I would like to see her as a professional and secure. But I have to admit things are better than I could have expected.<sup>131</sup>

There has also been a welcome shift in middle class employment from public sector to private. This process has been further enhanced by the end of the "license raj" and the opening of the Indian economy to global forces. "Liberalization" notes economist Subir Gokarn, "has opened the doors for anyone to start a business, which has been taken advantage of most visibly in the service sector: This seems to work both ways: entrepreneurship as entry into the middle class, and the middle class as a source of entrepreneurship".<sup>132</sup>

A common dream among factory workers we interviewed was to educate their children and save enough to open a small shop. The streets of Mumbai are crowded with small sellers, some of them operated part-time by people with jobs in the formal economy. As one told us:

If I can save a little money, maybe I can start a store. I like my job, but I want my own business. I want to own a business, maybe selling vegetables. This is my dream.<sup>133</sup>

It is certainly a very difficult place to live and do business, something that threatens its future prosperity and sustainability.

The composition and trajectory of Mumbai's middle class remains uncertain. One scholar, Jan Nijman, suggests that most gains in recent years have accrued to the upper echelons of the middle class while "the ranks of the lower middle income classes have shrunk, and the ranks of the poor have expanded rapidly". Much of the growth in a perceived middle class, he argues, is based not on income but on consumption driven by credit.<sup>134</sup>

Still, the transformation of Mumbai has brought prosperity to the tech-savvy few in the software industry, as well as too many newcomers are entering the service economy. New supermarkets and increasingly ubiquitous shopping malls have become major new employers of the city's recent high school graduates.<sup>135</sup> Observes Mumbai author and blogger Amit Varma:

If you want to see how the middle class is growing, you need to visit one of our malls on the weekend. People for whom consumer goods would have been a remote fantasy a few years ago mingle with Indians returned from abroad who like malls because they're relatively clean and sanitized... You get to see a massive cross-section of people, there for different reasons, all breathing the same air-conditioned air. And really, these people only come together in the malls.<sup>136</sup>

## The Persistence of Poverty

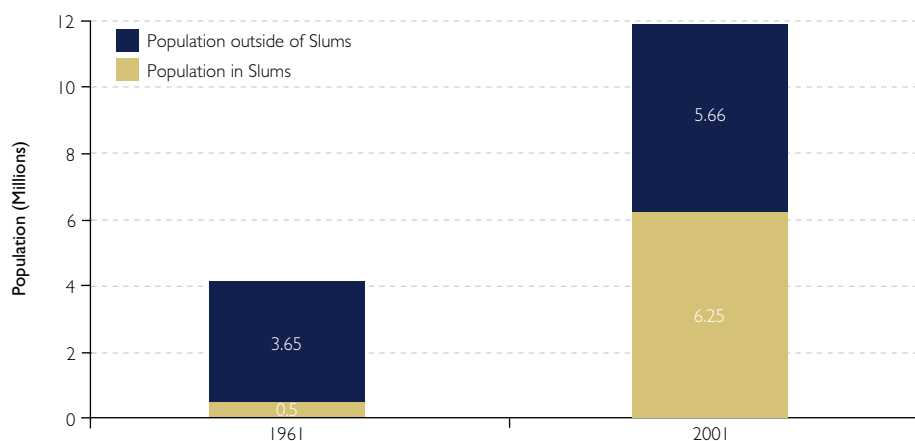
In some sense this is a sign of Mumbai's appeal – the same appeal that great cities have had throughout history – to those who aspire to break down the barriers of class, and in the case of India, caste. As in Mexico, much of the new employment is in the "informal sector", that is, jobs that frequently lack any real social benefits. The informal sector – drivers, stall-owners, repair-people, household industries – account for much of the employment growth in both Mumbai and Mexico City.<sup>137</sup>

As long as there is continued deprivation, and even starvation in India's villages, home to roughly three-quarters of its 1.1 billion people, there will be people to replenish the supply of low-wage workers in Mumbai.

Vatsala Pant at Nielsen estimates a monthly total household "middle class income" at 40–50,000 Rupees; equivalent to less than \$1000 U.S. dollars. Yet monthly salaries for teachers, police officers and other mid-level jobs are often half that amount. Not surprisingly, even these kinds of workers often find themselves – given the city's high housing prices – living in slum neighborhoods, which are also known as *jhopad-patti*, *jhuggi-jhopadi* or *busties*. "It's the dream of an immigrant for a place in Mumbai... and ends up with a slum", she notes.<sup>138</sup>

Indeed, even as India's economy grows smartly, Mumbai's slums are also expanding, both in absolute numbers and in percentage of population. Although overall nationwide poverty has been reduced substantially, falling from one in three Indians to one in five just since 1990, both inequality and overall squalor in the great cities has grown. In 1971, slum dwellers accounted for one in six Mumbaikers. Today, they constitute an absolute majority.<sup>139</sup>

### Mumbai Population Growth and Share in Slums



Source: (i) Sharma and Narender 1996, (ii) Census 2001, Maharashtra (Provisional Figures, (iii) MW & YUMA: Slum Sanitation Project (Report prepared for BMC), 2001.

The presence of a large and growing middle class also should not obscure the fact that India's per capita income lags that of countries such as Korea by a factor of ten; in 1950 the countries were roughly even. Its per capita income is just slightly higher than that of sub-Saharan Africa. 47 percent of children are considered malnourished by UN standards. As long as there is continued deprivation, and even starvation in India's villages, home to roughly three-quarters of its 1.1 billion people, there will be people to replenish the supply of low-wage workers in Mumbai.

Since Independence, the migration into the city has come increasingly from the countryside, whereas in the past a greater percentage of newcomers came from other urban areas. The supply of new poor people seems endless; major sending states Bihar and Uttar Pradesh, notes analyst Ram Sharma, have more people than all of Europe.<sup>140</sup> "What makes Mumbai overpopulated," writes Suketu Mehta, "is the impoverishment of the countryside". As a growing class moves up the social strata, the bulge at the bottom is replenished. This includes many from outside the formal "organized" sector of the economy, which accounts for barely 10 percent of the workforce nationwide.

One problem Mumbai shares with both London and Mexico City is an emerging threat of greater de-industrialization. Mumbai's textile mills, long major employers, have now been shut down for decades. Workers have little hope of finding employment, while much of the land is redeveloped into luxury high-rises, which of course does little to relieve their poverty. The post-industrial transition that is improving the lives of the middle class has narrowed the road to opportunity for many others, particularly those without basic skills.<sup>141</sup> As R.N. Sharma of the Mumbai based *Tata* Institute of Social Sciences notes:

"The boom that is happening is giving more to the wealthy. This is the 'Shining India' people talk about. But the other part of it is very shocking, all the families where there

In 1971, slum dwellers accounted for one in six Mumbai-ers. Today, they constitute an absolute majority.



is not even food security. The history of Bombay is that this was a city of wealth, and the poor shared in the growth of manufacturing. They built the cities and the wealth, but are increasingly left behind. We must ask: The 'Shining India' is for whom?<sup>142</sup>

Despite these problems, the slums should not be dismissed as unproductive. In Dharavi, the huge slum of roughly 600,000 just north of the central core, is home to highly sophisticated leather and recycling industries. The area, built on marshy land, appears to be a traditional poor neighborhood filled with children and beggars, but it opens into a warren of narrow streets, filled with workers in dark, cellar-like structures.

Many of these slum-dwellers, notes architect and planner Mukesh Mehta, already earn middle class incomes, but stay in places like Dharavi because it is where they have property – informal, of course – and a means of feeding their families.: “There are lots of middle income, intelligent people who stay for practical reasons”, Mehta observes. “They stay largely because the price of real estate outside is too expensive”.<sup>143</sup>

## The Limits of Size

For the future, there is also widespread concern that Mumbai may not be well-positioned to benefit from new wealth-creating industries such as automobiles and software. These industries were critical to the upward mobility of the middle class in East Asia, Europe and North America. But although there may be an additional 25 million jobs added to the Indian auto industry by 2016, according to recent estimates, it appears most will go to other states, such as Gujarat, West Bengal and Tamil Nadu, enriching cities such as Chennai and Ahmedabad, and not Mumbai.<sup>144</sup>

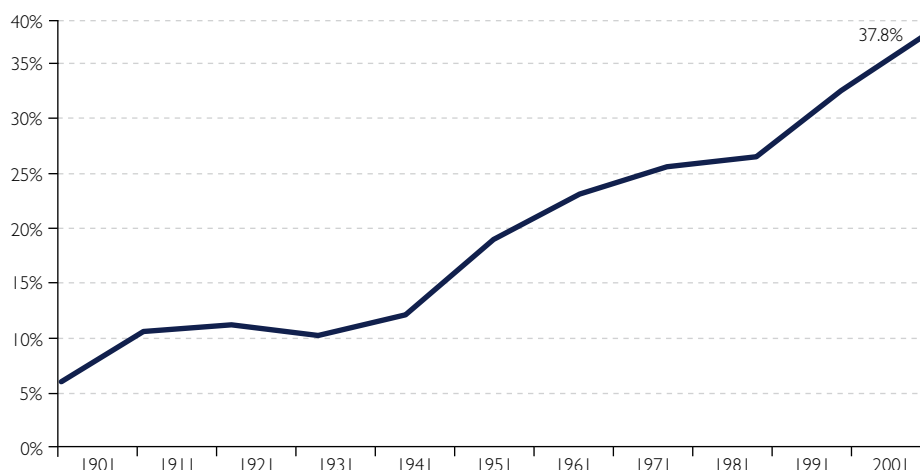
In a city where roughly half the entire population live in “degraded slums and shanties”, the cost of real estate continues to escalate. The price of housing is out of reach for as much as 90 percent of the population. The crowding of the city, and its generally miserable conditions, have been exacerbated by what can only be seen as a predatory real estate environment.

Space for Mumbaiers comes at a premium. A two bedroom apartment in a nice neighborhood can run around 3000 dollars a month, making the city’s real estate market as expensive as a First World city like London or New York. The cost for a one bedroom apartment in the Mumbai suburbs, notes Tata’s Sharma, averages around 10,000 rupees a month, double the average worker’s monthly income. Remarkably, despite the huge shortfall, as much as 15 percent of newly constructed housing is unused, in large part because of speculative purposes.<sup>145</sup>

Mumbai’s problems, and those of India’s other major metropolitan centers, are made worse by the over-concentration of people in a handful of cities. R.N. Sharma and A. Shaban, scholars at the Tata Institute of Social Studies in Mumbai, point out that the lack of a strong policy of economic decentralization has led to persistent strains on the infrastructure of Mumbai and other mega-cities. Since Independence, the concentration of population in cities of over a million people has doubled to almost 38 percent, which accounts for roughly 10 percent of the country’s total population.

For decades, governments have pledged to make Mumbai “slum-free”, but so far there has been little progress on the ground.

### India: Share of Urban Population in Million-plus Cities



Source: R.N. Sharma and A. Shaban, "Metropolisation of Indian Economy: Lessons in Urban Development," ICFAI University Press, 2006.

The rapid growth and high density places enormous burdens on families, particularly migrants from distant villages. Dez Bhapur, a worker from a village in Uttar Pradesh, says that migrants like himself are often attacked by political forces identified with local Marathis. The battle over space, he explains, can become intense:

I don't like it here because there's no space. I feel very insecure because I am not from Maharashtra. If you are from UP or Bihar, you feel you don't have a right to your space.<sup>146</sup>

Nor do these conditions seem about to change. For decades, governments have pledged to make Mumbai "slum-free", but so far there has been little progress on the ground.<sup>147</sup> Ram Maheshwary at the city's Bhavan Campus for Inter-Disciplinary Studies has examined public opinion over the years in the city. "Much has improved materially", he says. "But people were happier before. Today in Mumbai the stress levels are very much higher".<sup>148</sup>

The price of housing is out of reach for as much as 90 percent of the population.

The key problem for Mumbai is not so much its total population, but rather its extraordinary concentration. Two thirds of the city's population lives on a bare 5 percent of the land. Some parts of the city have densities of one million people per square mile, by some calculations the highest such concentration on the planet.

Problems with housing and congestion are further worsened by an over-concentration of employment in the island city core. Home to roughly one in three Mumbai residents, it still accounts for 72 percent of the jobs. This makes the road congestion almost unbearable for much of the day.<sup>149</sup>

Nearly half of Mumbaiers commute, according to one recent survey, and spend at least one or two hours commuting to work, far more than workers in New Delhi, Chennai, or Hyderabad. Fifty percent of formal sector workers expressed the desire to move elsewhere,

largely to escape brutal train or car commutes; only a third of workers in other cities expressed this sentiment.<sup>150</sup> One telling indication of the difficulties the newcomers face is the relatively low level of life expectancy in the city – roughly 57 years – which is nearly ten years below the national average.<sup>151</sup>

Such problems have long-term economic consequences. “Bombay is a fast-paced, even hectic city”, notes Mehta, “but it is not a competitive city”. The dysfunction of Mumbai drives business to other regions, and out of India altogether. Both legitimate business families and parts of the underworld, for example, have established themselves in Dubai, which has become an “aspirational ideal” for many middle class residents.<sup>152</sup>

One option for Mumbai – economically, socially and especially environmentally – may well be to slow down its demographic expansion. This will require a shift to smaller cities where costs are lower and workers wages go further. “We are inevitably getting more competition from elsewhere”, notes R. Suresh Kumar, human resource manager at Mumbai based Associated Capsules. “2000 rupees a month means nothing in Mumbai, but in Uttar Pradesh it really is meaningful”.

In the years ahead, companies like Associated Capsules are likely to relocate most operations to these cheaper areas.<sup>153</sup> Yet this process will also create a situation, as has occurred both in London and Mexico City, where de-industrialization will leave many newcomers without decent prospects for upward mobility. There still will be a future for new urbanites, but the options may be severely limited. (Note: In Mexico and Mumbai these are mainly from countryside, not other countries.)

Mumbai’s challenges appear great, even in comparison with other urban centers. States such as Gujarat, in the north, have become more thoroughly globalized and industrialized. Similarly, Mumbai’s long-time rival, New Delhi, is considered more efficiently organized, and has surpassed it as a destination for foreign investment, a field once dominated by Mumbai.<sup>154</sup>

These trends alarm many at the upper reaches of Mumbai’s political and economic leadership. There are extensive calls for new infrastructure to allow the city to emerge as a “world city” on a par with such leaders as London, New York, Hong Kong and Shanghai. Yet some observers wonder if these steps will simply serve the well-heeled, while stepping upon the city’s meager store of protected natural areas. In addition, there are questions about diverting more funds from the already impoverished hinterland to foster “international centres for business and trade”.<sup>155</sup>

Yet for all its challenges, the outlook for upward mobility in Mumbai, in relative terms, appears better than in either London or Mexico City. The city remains a prime beneficiary of a surge of new foreign investment into the country. It also benefits from India’s emergence from the recent deep recession in good financial condition, propelled in part by soaring demand for the very financial and business services associated with city.<sup>156</sup>

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## CHAPTER 6

# THE FADING ADVANTAGE OF SIZE

All three world cities we studied shared a growing concern about the impact of what Lewis Mumford defined as “megalopolitan elephantitis”, a total loss of human scale.<sup>157,158</sup> This is most obvious in the poorer, developing cities, Mexico City and Mumbai, where the environmental effects of overcrowding are not compensated for by adequate diffusion of industries and communities.

In Mumbai, long-time natives recall a city where just thirty years ago there were swallows, tropical birds, squirrels, and the sound of hyenas in the night. One sees now the ubiquitous crows and nodding pigeons. This shift has occurred even in places like Kandivilli: Just twenty years ago it was a tropical rural area; it's now a teeming industrial suburb.

One possible course of action would be for countries to encourage decentralization within urban regions as well as a shift to smaller cities and towns. Decentralization of industries, both service and industrial, might also be pursued.

Ashok R. Datar, Chairman of the Mumbai Environmental Social Network and a long-time advisor to the Ambani corporate group, suggests that the cause of Mumbai's unbearable crowdedness is the rural village economy which is emptying out, he says, rather than sustaining itself.

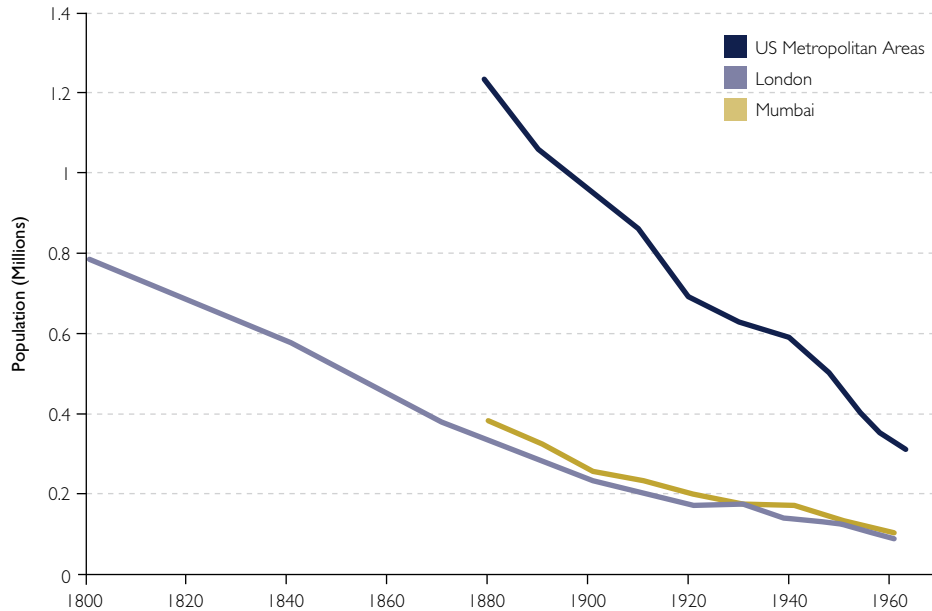
“We are copying the western experience in our own stupid and silly way”, Datar says. “The poor gain on the rich. For every tech geek, we have two to three servants. The villages pour out and the city gets more crowded”.<sup>159</sup> The situation in the villages remains desperate, with as many as 100,000 farmers committing suicide between 1993 and 2003.<sup>160</sup>

Such problems are often ignored or minimized by those who inhabit what commentator Rajiv Desai has described as “the VIP zone of cities”, where there is “reliable electric power; adequate water supply and any sanitation at all”. Outside the zone, he notes, even much of the middle class have to “endure inhuman conditions” of congested, cratered roads, unreliable energy and undrinkable water.<sup>161</sup>

There is an impression that intense centralization, particularly in the developing world, is inexorable, but it may be far less so than is widely believed. Shlomo Angel, a lecturer at the

Woodrow Wilson School at Princeton, has shown that as the world's urban population has grown, the percentage living in the largest 100 mega-cities has actually declined. Between 1960 and 2000, the share of the largest cities declined from nearly 30 per cent to closer to 25 percent.<sup>162</sup>

### Decline of Density Gradients in U.S. Metropolitan Areas, London, and Mumbai, 1800–1963



Source: Shlomo Angel, "On the Declining Population of the Center: A Research Note", Draft, August 15, 2006, p.5. Drawn from data provided in Mills, Edwin S. and Jee Peng Tan, 1980, "Comparison of Urban Population Density Functions in Developed and Developing Countries", *Urban Studies* 17, tables 2, 4 and 8, 315–8.

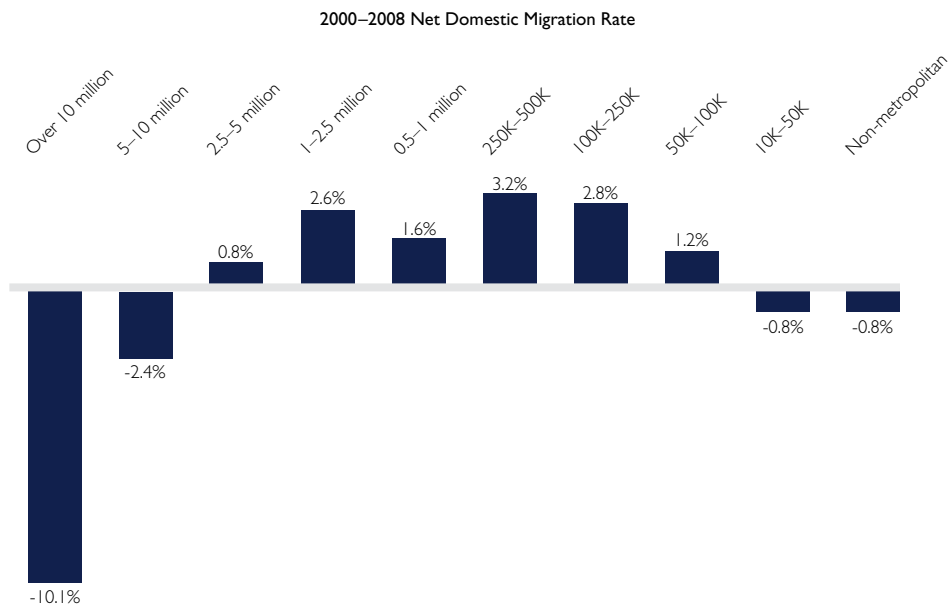
Urban patterns that have been documented in the United States can be observed throughout the world. For example, there has been a strong movement out of the largest U.S. metropolitan areas, particularly among domestic migrants. The decades-long trend of ever-greater concentration in a handful of large metropolitan areas appears to be over. Urban patterns that have been documented globally can also be observed in the United

States. For example, there has been a strong movement out of the largest U.S. metropolitan areas, particularly among domestic migrants. Over the past decade, the largest beneficiaries have been regions with smaller populations – particularly in the 100,000 to 2.5 million range – rather than the traditional mega-cities.

One notable aspect of the trend towards decentralization has been a growing dispersion within the large metropolitan areas. Since the 19th Century, notes Angel, urban population densities have declined, as people have sought out less dense, more appealing, and usually less costly locations on the periphery. This is true, he points out, in London and even to some extent Mumbai, as well as in the U.S.<sup>163</sup>

The situation in the villages remains desperate, with as many as 100,000 farmers committing suicide between 1993 and 2003.

## Americans Moving to Small and Mid-Sized Metropolitan Regions



Source: Praxis Strategy Group Analysis of U.S. Census Population Estimates.

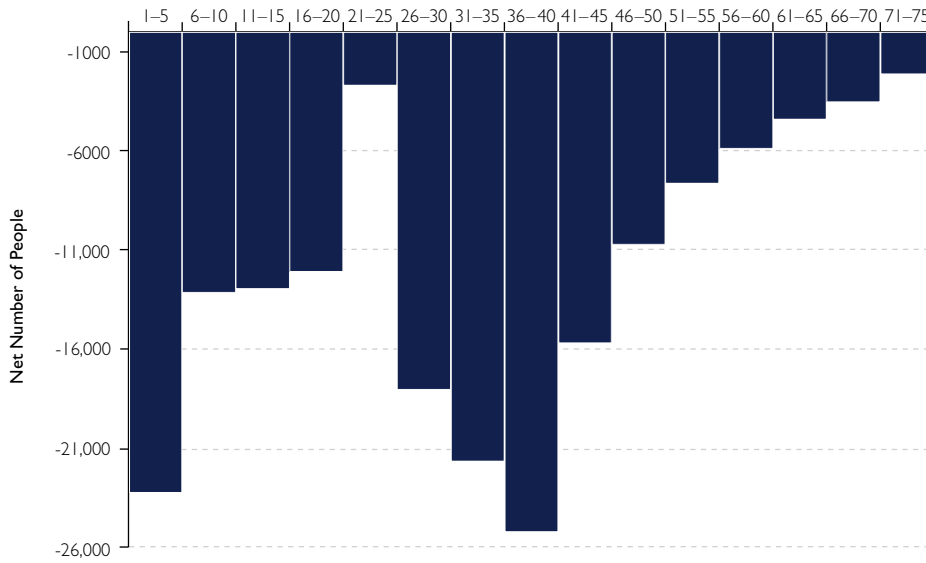
This deep-seated trend is in large part a reaction to the extraordinary property prices found in the heart of many major cities. Residences in safe, middle class neighborhoods near the city core in most world cities have reached a level few outside the super-affluent can afford. This has in turn propelled a shift of many businesses – from high-tech and entertainment to manufacturing – to the periphery. Even as densities in city centers has grown, so has the movement towards the periphery. As the World Bank has noted: “Cities became more packed and more sprawling at the same time”.<sup>164</sup>

## Dispersion and the Urban Future

Our examination of three key cities also revealed trends for the future development of their peripheries, and how this will affect the urban cores. It is likely that dispersion of higher-order economic functions could increase with the development of new telecommunications technologies and urban transportation connections to the broader world. Already the greatest concentrations of technology industries are in predominately suburban areas, such as those on the periphery of London, Paris, Ottawa, Montreal and Toronto, as well as California’s Silicon Valley, Route 128 around Boston, and the hill country around Austin Texas.<sup>165</sup>

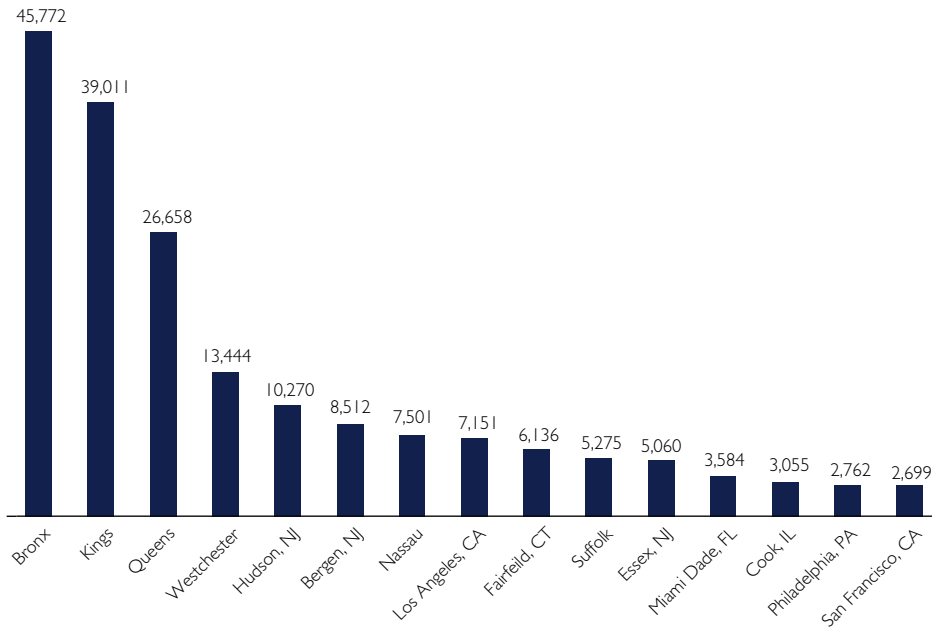
It is true that over the past few decades there has been a tendency for college graduates to cluster in major cities. But as they age, they have tended, at least in North America, to head to suburban communities. When we looked closely, for example, at migration patterns of people over 30 in the greater New York area, we found a strong pattern of outmigration to the suburban fringe and, more notably, out of the region altogether.<sup>166</sup>

New York City Net Migration by Age Group, Annual Average 2004–2006



Source: U.S. Census, 2005 and 2006 American Community Survey Public Use Microdata.

Top Destinations for those Leaving Manhattan, 2003–2006

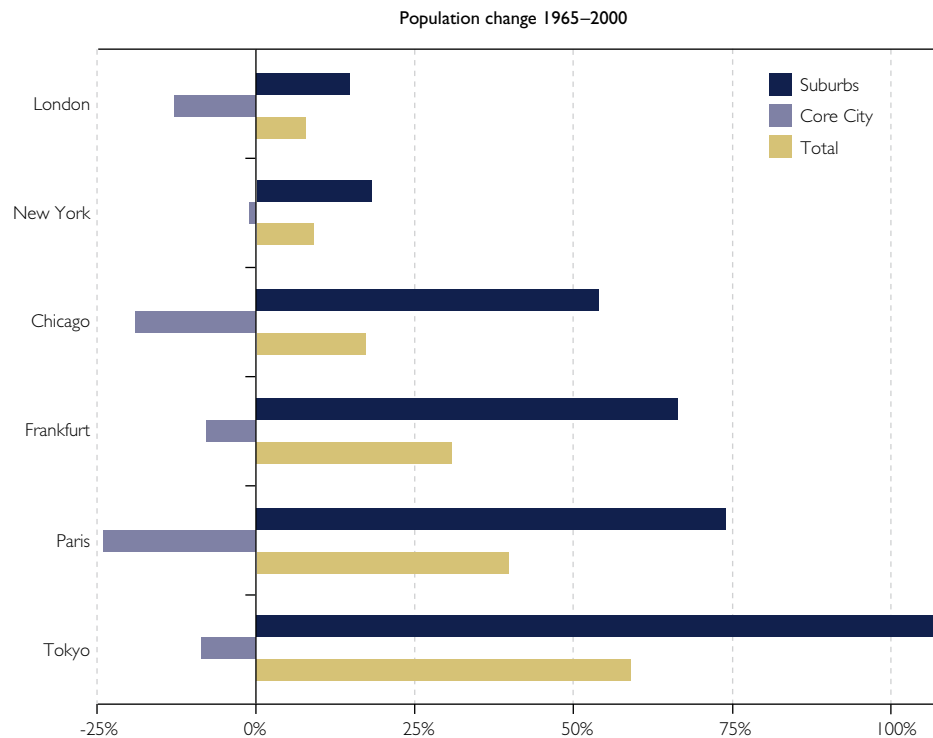


Source: IRS Migration Data. Number of Exemptions leaving county used as surrogate for population.

In interviews for this study, we explored this trend. In a focus group with seven graduating architecture students at the University of Westminster, we found that, although all enjoyed London, not one expected to be living there in ten years. The primary reason for the out-migration centered not on their affection for London – all the students loved the city and its amenities – but on the issues of affordable housing and the best environments in which to raise children.<sup>167</sup>

At the same time we have to understand the overall appeal of homeownership and suburbs. This trend can be found in virtually all developed countries, as well as in countries such as India, that are in earlier stages of industrial and urban development. Suburbanization is not simply an American or British ideal; it reflects what one urbanist called “the universal aspiration”. The home in suburbia was not so much a rejection of the metropolis, noted one German scholar, but a “forward to a happy life”.<sup>168</sup>

### The Universal Aspiration: A Global Perspective



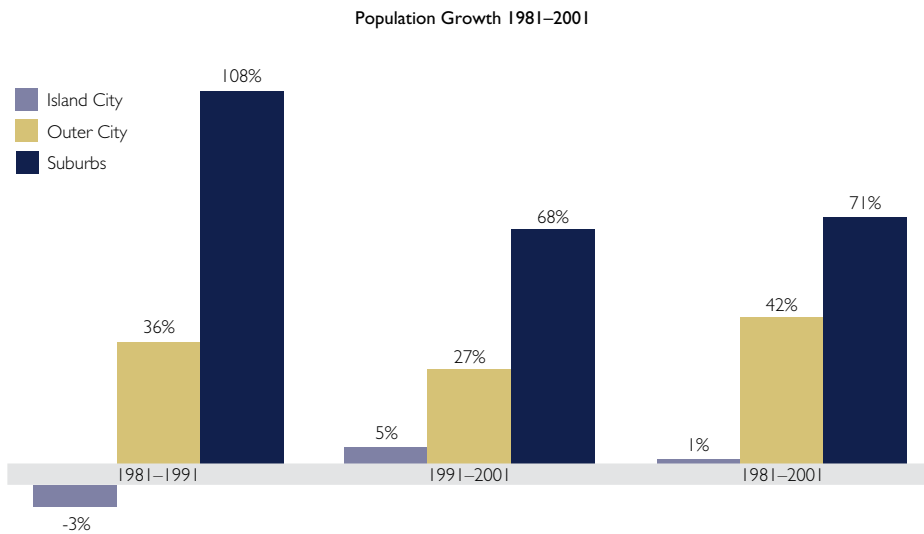
Source: Demographia.com.

We also considered dispersion in India, which may seem most difficult of the locations we explored. But the country actually has a considerable amount of land, and densities well below that of European countries such as the Netherlands or Belgium. The most logical way to relieve the migration pressure that makes Mumbai, and other developing world cities, increasingly unlivable is to improve the infrastructure of smaller cities, the suburbs of megacities and, most importantly, the productivity of villages.<sup>169</sup>

Ultimately, a shift towards dispersion – both within regions and between them – could have a many positive effects. It would allow people more living space, and if employment also was also dispersed, a less rigorous commute, with related benefits gained in time and energy conservation. The potential benefits of a spread of economic activity can be seen, for example, in the Netherlands, where a network of smaller cities across the country allows for a dispersion of economic activities.<sup>170</sup>



## The Universal Aspiration: Mumbai Contingent



Source: Wendell Cox, Demographia.com.

Such a shift might allow the great mega-cities to concentrate on improving their residents' quality of life, and on creating decent economic opportunities, rather than simply reinforcing the current trends of congestion, class bifurcation and infrastructural stress. A focus on qualitative change might be more productive and humane than pushing towards a larger scale for many mega-cities.

## The Economic Imperative of Wealth Creation

The greatest issue facing megacities in the 21st Century relates largely to wealth creation. Under current trends many societies – notably in the Third World – face an emptying of the countryside and mushrooming poverty in urban cores. This pattern appears in countries as diverse as India, China and Vietnam. The ability to overcome obstacles to wealth creation is also increasingly significant, as discussed above, for many developed countries in North America, the European Union and East Asia.<sup>171</sup>

This discussion is particularly critical at a time when the very basis for income and wealth – economic growth – is under a sustained attack from a powerful and well-funded 'green' movement. Much of the green agenda is at odds with the fundamental premises of this report. Particularly under fire are the need for dispersion to improve people's lives, and more generally, the absolute requirement in a rapidly urbanizing world for greater and more broadly based wealth creation in megacities. By its very logic the green movement favors slower growth in population, in industry, and even in food production. In a world that is slated to add three billion more people, their orientation could freeze the ability of citizens of both developing and developed countries to improve their prospects.

British urban planner Alastair Donald notes an obsession among green activists with 'eco-guilt' and a belief in the strict regulation of personal behaviors in favor of "sustainability" and "collective responsibility". The result is a world view that is in a sense profoundly anti-

modern. As architect Karl Sharro has observed, the tendency is to draw models not from the great period of upward mobility, but from the medieval period with its more static model of growth and class relations.

This could have dire implications for mega-cities. Rather than the notion of cities as engines of personal self-improvement, the green movement is in danger of becoming hostile to the very notion of upward mobility itself. "...Mass affluence", notes Sharro, "is today under attack in the name of reform".<sup>172</sup> Yet as these cities grow in population but not wealth, particularly in the developing world, it seems certain that class conflicts and mass impoverishment, will increase rather than ameliorate.

In the already developed countries, the implications of slower growth may be less devastating, but also could prove dangerous. Much of the appeal of National Socialism in inter-war Germany, notes historian Klaus Fischer, had its origins in the social dislocation of the middle class during the inflation crisis of 1923 and again after the 1929 Depression.<sup>173</sup>

Persistently high unemployment in, for example, London, seems likely to spur nativist sentiments and spur intolerance towards immigrants. This was very much the case in America during the 1990s; views towards immigrants generally have softened as the economy improved. Prosperity seems to be a good antidote for intolerance. Prosperity and advancing living standards, observes Harvard economist Benjamin Friedman, are critical to the maintenance of "an open, tolerant and democratic society".<sup>174</sup>

To achieve this result, we need to redefine sustainability, and view it not merely as an environmental concern, but as one imbued with social and economic values. It is one thing to consider how, in an era dominated by dispersed work, core cities might still attract those who need direct "face-to-face contact". It is at least equally critical to develop strategies so that the vast majority will be able to find work doing anything other than servicing the needs of the upper echelons.<sup>175</sup>

The ultimate verdict on the mega-city will be based on its ability to deliver a better life, not so much to the established affluent, but to those who come seeking opportunities for improvement. It is in the rough neighborhoods of London's East End, not its gentrified sections, that the true efficacy of the mega-city will be proved or disproved. Great cities, whether in the Valley of Mexico, in Mumbai or in the West, can only be judged by how they allow their citizens to achieve their aspirations.

The greatest issue facing megacities in the 21st Century relates largely to wealth creation.

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