

The Wealth Gap in the U.S. Is Worse Than In Russia or Iran

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According to *New York Times* columnist David Brooks, socioeconomic segregation [is ruining America](#).

"Housing and construction rules that keep the poor and less educated away from places with good schools and good job opportunities...have a devastating effect on economic growth nationwide," Brooks wrote in a much-derided July 11 column. (Derided not for the sentiment outlined above so much as the evidence, which involved Italian cold cuts as a restrictive cultural signifier for the American upper middle class.)

Salami aside, Brooks has a point. There's an widening gulf in the United States between the haves and the have-nots. The columnist points to education and metropolitan zoning restrictions as reinforcement for this unequal system, with statistics to support the argument.

But how true is it? We asked urbanist, author, and University of Toronto professor Richard Florida to weigh in. (Florida is best-known for his concept of the "creative class.") Here's what he said, edited and condensed for clarity.

When did this wealth gap problem start?

Basically, [this wealth gap](#) that we see today is something that has really skyrocketed since about the 1980s and certainly in the past decade, decade and a half.

How bad is the wealth inequality we're seeing in the United States?

The income inequality in the United States, according to the Gini coefficient (a measure of inequality where 0 is perfectly equal and 1 is perfectly unequal) is about 0.45, which is awful—[worse than Iran](#).

How about in cities specifically?

In cities that inequality is even greater. There's a table in my book (*The New Urban Crisis*, Basic Books, \$28) showing this. Inequality in New York City is like Swaziland. Miami's is like Zimbabwe. Los Angeles is equivalent to Sri Lanka. I actually look at the difference

between the 95th percentile of income earners in big cities and the lower 20%. In the New York metro area, the 95th percentile makes \$282,000 and the 20th percentile makes \$23,000. These gaps between the rich and the poor in income and wealth are vast across the country and even worse in our cities.

What is this idea of a “knowledge-based economy”?

First introduced in the 1950s and 1960s by Fritz Malchup and Peter Drucker, the idea is that the economy is powered by knowledge, ideas and talent as opposed to resources and industry.

Shouldn't having access to the same schools and being in close proximity to different socioeconomic classes make it easier to move out of your financial situation?

The research of other economists do show that in terms of upward mobility, living in cities like New York or San Francisco or Boston tends to be better for upward mobility than living in sprawling, more suburban areas. That said, what makes it harder —and this is the core theme of *The New Urban Crisis*—is that middle class neighborhoods are disappearing. In the past, most Americans lived in middle class neighborhoods, whether that was in the city or the suburbs. In the 1970s about 70% Americans lived in middle class neighborhoods. Now less than 40% of us do. And guess where middle class neighborhoods declined the most? In our largest, the most densest, knowledge-based metropolitan areas.

Why have these middle class neighborhoods disappeared?

Not only has income inequality and wealth inequality grown, the segregation of people not necessarily by race or by ethnicity—that's a separate question—but by socioeconomic class has grown. The wealthy have moved to much more concentrated areas of wealth. And those areas are surrounded by areas with much more concentrated disadvantage. The wealthy and the well educated and the more affluent have walled themselves off in separate neighborhoods. The growth in economic segregation really occurred in the last decade. In our biggest cities we see the biggest loss of the middle class. We see the biggest gaps not only between wealth in general, but where rich people and more educated knowledge workers live and where less advantaged people live.

Is the economic segregation perpetuated by zoning laws or individuals?

I think it's both. In the past, exclusionary zoning in the suburbs really functioned to keep poor people, less affluent people out. Today, I think the key factor is simply that wealthy,

affluent people wanted to move back to cities. That's what happens not only when wealthy people but creative people, affluent people, interesting people live in cities—they become more productive and more innovative. Cities become more attractive to high tech firms, innovative companies and creative organizations. So you have more competition for limited space. When you have more competition for limited space, the land value goes up. Then increasingly, you've got to be rich to afford space in a city. I think the zoning laws have contributed to it, but one thing I found interesting was that the biggest inequality, segregation and housing unaffordability occurred in New York, Los Angeles, and San Francisco—but Houston, a place that mostly doesn't have zoning laws and building restrictions, is high on the list as well.

David Brooks wrote a column for *The New York Times* a few weeks ago touching on the culture of urbanites and how that relates to the wealth gap and segregated neighborhoods. Are Brooks' assertions about how the elites have created cultural barriers to socioeconomic mobility valid?

I think it is a mistake to blame people who work hard, put work into selecting their partners and making sure their marriages work, and invest in their kids. Isn't that what the American Dream is supposed to be about? I think the barriers are much more formal and institutional than informal.

Is the geographic divide of the American people based on socioeconomic status a result of the wealth gap or is it an underlying cause perpetuating the widening wealth gap?

They reinforce one another.

Doesn't the clustering of innovation in a select few cities and states put places that depend less on knowledge-based economies at a disadvantage?

Well those states are going to get left behind and they're going to grow angrier and angrier. This is what I like to call the political contradiction of American capitalism, where the things we need to grow in our economy, increasingly larger portions of the country don't want to invest in.

How has the wealth gap affected the American people?

This gap between the rich and poor, the haves and the have-nots, is what produced the backlash that brought Donald Trump to power. Our country isn't just divided by politics or class, it's divided by where you live. The advantaged urban parts of the country by the coast—New York, Boston, the San Francisco Bay Area, and Los Angeles—they're the blue areas,

but the rest of America is increasingly red. The wealth gap that's occurring in places is behind the political backlash we're seeing in our country.

Can we reverse this divide that's happening between large cities and rural areas?

I think this, what I call spatial geographic inequality, is a deep fundamental characteristic of knowledge-based economies because what drives economic growth is a clustering of diverse, talented people in small areas. That's where the basic force of economic growth comes from, so the more we cluster in New York or San Francisco or wherever, the more we drive economic growth. The more innovation we create, the more we compete for space and those housing values. The finance industry, the media industry, the music industry all cluster in certain places. I think it's going to be very hard to counter this geographic inequality.

How do we fix this?

We're going to have to recognize that as Americans, we live in different places. Some want to live in dense, knowledge-based areas. Others will want to live in more suburban or rural parts of the country and pay less in taxes and spend less on schools. Across the country, people are going to want different things. We're going to have to move from a highly centralized federal system to a system where our cities, suburbs and metropolitan areas can use their tax dollars to build the kinds of communities they want. By localizing governments, you can allow places to make the most of what they have. That way, we can begin to heal the divide in our country.

Any last words?

I think this inequality, not just between classes and wealth, but between locations is going to be the big issue of our time.