High-density cities are economically beneficial but lead to greater inequality

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Densely built cities with people living and working in close proximity are economically efficient but lead to higher levels of inequality, according to new research from the London School of Economics and

Political Science (LSE).

The new study, published in the *Journal of Urban Economics*, shows that dense cities have a range of benefits, including: higher productivity, more innovation, shorter commutes, better access to private services (such as restaurants), cheaper provision of public services, the preservation of green space and a lower carbon footprint.

However, these advantages come at a cost. With space at a premium, housing is more expensive and there are increased levels of inequality. The study shows higher skilled workers benefit from higher wages but lower skilled workers, renters and first time buyers struggle with housing costs, making cities less affordable places for them to live.

The research reveals denser built cities also lead to traffic congestion, exposing residents to higher levels of pollution and, partially as a result, higher mortality rates.

The researchers pulled together a wide breadth of existing evidence (from 180 studies) and novel evidence on the economic effects of density and aggregated all the effects. They found that, despite the drawbacks, densifying a typical city in the developed world is likely to have a positive effect overall.

For cities in developing countries, the costs and benefits of density are larger and the evidence is scarcer, so the overall effect of densification policies is less clear.

With predictions from the OECD that almost 70 per cent of the world's population will be living in urban areas by 2050, the researchers note most countries are already pursuing policies which encourage the building of dense cities. However, this is the first study to consolidate the research on the effects of densification and compare the costs and

benefits.

While the researchers warn more work is needed in this area to draw strong conclusions, these findings suggest there is a trade-off between economic efficiency and equality, to which urban planners and decision makers should pay attention.

Commenting, paper co-author Dr. Gabriel Ahlfeldt, from the Department of Geography and Environment at LSE, said: "Most countries pursue policies that implicitly or explicitly aim at promoting 'compact urban form,' but so far these policies have not been well-grounded in evidence.

"With this article, we hope to contribute to transparent evidence-based policy making, by highlighting the various economics costs and benefits of density, and showing the trade-off between economic efficiency and inequality."

More information: Gabriel M. Ahlfeldt et al. The economic effects of density: A synthesis, *Journal of Urban Economics* (2019). DOI: 10.1016/j.jue.2019.04.006

Provided by London School of Economics (LSE)

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