

Department of Social Research  
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# **Divided by policy**

Urban Inequality in Finland

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ACADEMIC DISSERTATION

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# Abstract

This is a study concerning land and housing policies and urban inequality in Finland. Land policy refers to the management of state and municipal land. Housing policy refers to public involvement in the supply and demand of housing. Urban inequality refers to the unwanted spatial differentiation of people in the city due to the unequal opportunities of individuals to choose where they live. An important feature of urban inequality is the stigmatization of particular areas and neighborhoods of the city, and their symbolic differentiation from the rest of the city. Previous research on spatial differentiation in Finland has focused primarily on mapping the differentiation, but explanations have been left wanting. This dissertation, which contributes to the field of critical urban studies, addresses this research gap and looks for an explanation for urban inequality from the policy perspective. It also reflects critically on the problems caused by the very lack of explanation in previous research.

This dissertation consists of four original research articles. The main body of data used in the articles are interviews with representatives of urban authorities making decisions and recommendations on land and housing policies. The first article explores the means and objectives of land policy adopted in three Finnish cities at the time when new land use legislation was introduced and municipalities and the state introduced a new type of real estate policy. The second article is a study of that new land and real estate policy, which it calls the “entrepreneurial public real estate policy”, in Helsinki. Article three dives into the history of Finland’s housing policy. It presents critical discussion about the adopting of the dubious policy term “special groups” and investigates why social rental housing is increasingly targeted at those labeled “special”. The fourth article is a critical examination of the theories and concepts used in Finnish segregation research.

Based on the findings of these research articles, the main argument of this dissertation is the following: state and municipal land and housing policies provide conditions for the spatial and symbolic division of the urban population. The land policy implemented in Finnish cities has increasingly prioritized competitiveness and attracting investments and businesses. This has left other goals of land policy, such as the prevention of urban inequality, secondary. Entrepreneurial public real estate policy is responsible for alienating municipal land and providing the conditions for spatial divisions, such as the development

of the first exclusive, fenced residential area for the wealthy in Helsinki. In Finland's housing policy, social housing is increasingly viewed and treated as a social service for the market-incapable, those deemed by policy language to be members of "special groups". The dissertation calls this the "specialization" of social housing. The specialization of social housing and the derogatory category of "special groups" used in policy jargon provide conditions for symbolic divisions between social housing tenants and others. Land and housing policies that could and should work to prevent urban inequalities are found at times to actually exacerbate those inequalities and provide the conditions for deepening urban divides. This dissertation investigates why these policies are so toothless.

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My mentor of many years, Professor Anne Haila, supervised this dissertation project. I could not have finished the project without her direction. Anne always encouraged me to explore new ideas, never failed to point out when my thinking was lazy and guided me around many obstacles on the way. Anne, I am truly grateful for all your hard work, help and patience. I look forward to our future intellectual collaboration and the search for Alternatives.

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# Contents

1 Introduction .....	1
2 Background and motivations .....	6
3 A brief history of the study of urban inequality .....	8
3.1 Urban ecology .....	8
3.2 The urban revolution .....	10
3.3 The post-industrial city .....	12
4 The loathsome underclass .....	14
5 The age of Finnish segregation research.....	20
6 Social and economic inequality.....	26
6.1 Work as a source of insecurity.....	26
6.2 The retrenching welfare state .....	28
7 Land policy.....	32
7.1 Means of land policy.....	33
7.2 Objectives of land policy .....	34
7.3 The politics of land policy .....	36
8 Housing policy .....	38
8.1 Housing production policy .....	38
8.2 Social housing policy.....	39
8.3 Housing welfare? .....	40
9 Methodology, data and methods.....	42
10 Summaries of the original publications .....	46
10.1 Article I: Neoliberal urban policy .....	46
10.2 Article II: Entrepreneurial public real estate policy.....	50
10.3 Article III: Divided by housing policy .....	52
10.4 Article IV: Poverty of theory.....	56
11 Discussion.....	60
References.....	63



## List of original publications

The studies included in this dissertation are as follows:

- I Hyötyläinen, M. (2015). Uusliberaali kaupunkipolitiikka ja kuntien maankäyttö. *Yhteiskuntapolitiikka*, 80:6, 625-634.
- II Hyötyläinen, M. & A. Haila. (2018). Entrepreneurial public real estate policy: The Case of Eiranranta, Helsinki. *Geoforum*, 89, 137-144.
- III Hyötyläinen, M. (Submitted for peer review in September 2018). “Not for normal people”: The specialization of social rental housing in Finland.
- IV Hyötyläinen, M. (2016). Poverty of Theory in Finnish Segregation Research. *Sosiologia*, 2, 105-121.

The publications are referred to in the text by their roman numerals.

For Article I, an English translation titled *Neoliberal urban policy and municipal land use*, is included with the original article published in Finnish.

Article II is a co-authored paper written with Anne Haila. Hyötyläinen contributed to the article by conducting a literature review on previous research on the topic, conducting field work, data collection by interviewing Helsinki Real Estate Committee Members and analysis and both authors contributed equally to the writing process. The data informed the development of the theoretical concept.



# 1 Introduction

This is a study concerning urban inequality in Finland. Urban inequality refers to the unwanted spatial differentiation of people in the city. An often-overlooked feature of urban inequality is the territorial stigmatization of particular areas and neighborhoods, and their symbolic differentiation from the rest of the city. The settling of different groups of people into their respective neighborhoods as such is not considered urban inequality or a social injustice. In fact, no ‘just’ distribution of people is assumed here. People often choose to live with others they perceive to be like them, which can lead to differentiation, but that does not necessarily constitute urban inequality. However, spatial differentiation does constitute urban inequality if it is the outcome of the unequal opportunities of people – such as of the poor and the wealthy – to choose where they live. Poor people being forced to live on a disinvested housing estate on the urban periphery because housing in the city center is too expensive would be an example of urban inequality. An example of the process of territorial stigmatization would be for someone to claim that the poor are poor because they live on the housing estate, thereby making the estate undesirable in the eyes of outsiders.

In Finland, studies on spatial differentiation in the last two decades have been concerned mainly with mapping and describing the differentiation of the population according to educational background and employment status in the Helsinki Metropolitan Area or the HMA (e.g. Kortteinen, Lankinen & Vaattovaara 1999; Kortteinen and Vaattovaara 1999; Kortteinen and Vaattovaara 2015). The empirical wealth of the canon of research literature on spatial differentiation – sometimes also called segregation – is undeniable. Self-professed segregation researchers have described a deepening and worrying spatial division of the urban population. The Finnish segregation researchers, however, pay little attention to explaining differentiation. They do point out in passing that differentiation is “structurally produced: the differentiation is based on how large economic cycles and the institutionally produced placement of the population and the housing policies of different municipalities resonate with each other” (Kortteinen and Vaattovaara 2015, 570). Yet, these “structural producers” of differentiation are not their concern.

Instead, segregation researchers are concerned about differentiation because of what its outcome might be. Their studies rely primarily on portraying census

data on a grid-cell map of the HMA, and then studying the differences between cells. The studies suggest that there is a tendency for the highly educated, professional class and the deskilled and unemployed to now concentrate in their respective cells. Furthermore, a new component in the differentiation is that ethnic minorities and people of immigrant background appear increasingly to live in the same cells as the deskilled and unemployed (Vilkama 2011; Vilkama, Vaattovaara & Dhalmann, 2013).

After having produced evidence of the spatial differentiation of the population, segregation researchers conclude that the differentiation has led to the formation of unwanted concentrations of the underprivileged. What researchers find unwanted about these concentrations is that they, it is claimed, in and of themselves adversely affect people's well-being. To justify this claim, they refer to recent studies exploring the negative effects of neighborhoods on learning outcomes and school choices, experiences of safety, selective migration, alcohol consumption and health. Segregation researchers argue that in the areas in which the deskilled, unemployed and people of immigrant background concentrate, this very concentration is causing social ills through socially adopted practices and behavior. Researchers even express concern that in certain neighborhoods "local cultures of poverty are being born" (Kortteinen and Vaattovaara 2015, 571). Concentrations of the underprivileged and their cultures of poverty are feared to push out the well-off and so-called "native Finns", exacerbating differentiation. It is because of this self-enforcing characteristic, researchers argue, that differentiation is unwanted and why it should be called segregation (Kortteinen and Vaattovaara 2015). The main concern of segregation researchers then is that somewhere in the city distinct groups live together. For 20 years they have directed their energy to finding out where.

As Slater (2013) has observed, to understand urban inequality we should be more concerned with investigating the question of why instead of where. In this dissertation I go beyond mapping differentiation and ruminating about the behavior of people living in underprivileged neighborhoods. I study some of the many ways urban inequality is – to borrow the language of segregation researchers – "structurally produced" and aim to contribute to understanding urban inequality. To do this, I study land and housing policies in Finland. I suggest, that both of these policies have implications for the different opportunities that individuals have to choose where they live in the city.

Land policy refers to the management of state and municipal land. The key features of public land management are the acquisition – such as buying and expropriating – and allocation – the selling and leasing – of land. Housing policy refers to public involvement in the supply of and demand for housing. The state is involved in housing supply by subsidizing housing construction via loans and grants. Municipalities are also involved in housing supply and build social housing. The state supports housing demand by paying housing benefits so that tenants can pay the market rent for their housing. Municipalities also support housing demand by their positive discrimination policies, allocating social housing to those who cannot pay the market rent. In studying land policy, I am especially interested in the allocation policies of selling and leasing land, and in studying housing policy, my focus is the role of social rental housing.

One of the many official objectives of both land and housing policies is to prevent urban inequality. The Helsinki City Strategy 2017–2021<sup>1</sup> sets the prevention of segregation as one goal of the city's land policy. The Ministry of the Environment<sup>2</sup> is in charge of setting the objectives for housing policy. Among the main objectives are to improve people's opportunities to find suitable housing and increase opportunities for social engagement among residents. Why, despite these policy goals, do researchers continue to report increasing spatial differentiation in Finnish cities? Are the instruments of policy ineffective? Are there other, contradictory policy objectives that make it difficult to prevent urban inequality? This dissertation investigates the means and objectives of land and housing policies. The dissertation asks, what are the roles of land and housing policies in urban inequality in Finland?

This dissertation comprises four original research articles and this summary. The data used in this dissertation are interviews with representatives of urban authorities such as officials, civil servants and former real estate committee members making decisions and recommendations on land policy, land use and housing in ten municipalities. In addition to these, municipal land use and housing programs, policy and legal documents and minutes from Helsinki city council and real estate committee meetings form part of the data.

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<sup>1</sup> [www.hel.fi/helsinki/fi/kaupunki-ja-hallinto/strategia-ja-talous/kaupunkistrategia/maapolitiikka/](http://www.hel.fi/helsinki/fi/kaupunki-ja-hallinto/strategia-ja-talous/kaupunkistrategia/maapolitiikka/). Accessed on 28.8.2018.

<sup>2</sup> [www.ym.fi/en-US/Housing/Housing17346](http://www.ym.fi/en-US/Housing/Housing17346). Accessed on 28.8.2018.

Article I explores the means and objectives of land policy in three Finnish cities at a time when land use legislation changed and municipalities found themselves under the pressure of increased inter-city competition and cutbacks in state funding. The article shows that under the new conditions of what it calls “neoliberal urban policy”, cities adopted new land policy objectives. In Article I, I discuss how land policy risks exacerbating urban inequality, because of these new objectives.

Article II, co-written with Anne Haila, is an investigation of a curious development project in Helsinki. The land for the project, developed by private developers, was sold by the City of Helsinki, which usually leases the land it owns. We call this new real estate policy of selling land to developers “entrepreneurial public real estate policy”. The article investigates the justifications and consequences of this policy and argues that the policy contradicts the land policy objective of preventing urban inequality in three ways. First, the City gave up its principle that an area developed on municipal land should also include social housing. Second, the City accepted that those who could not pay the market price for their housing should be excluded from the housing being developed. Third, this new entrepreneurial policy enabled a new type of division of people in Helsinki.

Article III studies the role of social housing policy in Finland. The term “specialization” is introduced to depict how the provision of social rental housing came to be intended for so-called “special groups”. “Special groups” is a dubious housing policy term used to distinguish social housing tenants from so-called “normal” people who turn out to be those who pay the market price for their housing. The role of social housing policy in urban inequality is contradictory. On the one hand, it attempts to alleviate the housing problem for those who struggle in the housing market. On the other hand, housing policy risks contributing to urban inequality, as it divides people based on tenure and, perhaps unintentionally, stigmatizes both social housing and its tenants.

Article IV is a critical examination of the theories and concepts used in Finnish segregation research. My criticism focuses on the descriptive approach of segregation research and shows some of its unintended consequences. I discuss how segregation research is connected to the territorial stigmatization (Wacquant 2007; 2008) of low-income neighborhoods and risks aggravating the process it was merely supposed to record and describe. This occurs in no small

part due to the failure to explain segregation and ignoring the importance of the uneven development of the built environment (e.g. Smith 1982).

This introductory chapter continues as follows. Next, I discuss my interest in the subject matter of this dissertation. Then, in Chapter 3 and Chapter 4, I discuss the history of the study of urban inequality and introduce several key authors who have written on the topic in the discipline of urban studies, and their approaches. In Chapter 5, I discuss Finnish studies concerning urban inequality, specifically the topic of segregation. Although I do not investigate social and economic inequalities per se but explore some of the conditions under which they become manifest in urban space, in Chapter 6, I provide a general explanation for social and economic inequality in Finland. I then introduce the key features of the policies under scrutiny in this dissertation. Chapter 7 is an introduction of Finland's land policy, defining its means and objectives and Chapter 8 delves into Finland's housing policy. Chapter 9 introduces the data, methods and methodology of this dissertation. In Chapter 10, I summarize and reflect on the four research articles. Finally, in Chapter 11, I discuss the results of the articles in light of the research question and some of their implications for land and housing policies in Finland.

## 2 Background and motivations

This dissertation continues the research I began in my master's thesis (Hyötyläinen, 2013), which explored local residents' views and experiences of the stigmatization of a housing estate in East Helsinki. In public debates and popular culture depictions, East Helsinki and its housing estates have become symbolic of urban deprivation, juvenile delinquency, crime, joblessness, drug abuse and broken families. These negative images of housing estates have been repeated and exaggerated in folk stories and the media, above all, in Finland's largest newspaper *Helsingin Sanomat* (Roivainen 1999).

Inspired by the French sociologist Loïc Wacquant's (2007; 2008) comparative studies of territorial stigmatization in Chicago's South Side neighborhood and the *banlieues* of Paris, I wanted to understand stigmatization in Helsinki from the residents' perspective. Growing up in Helsinki, the eastern neighborhoods of the city were where my friends lived and where I spent my time. If anything, I remember the stage of my formative years from its peaceful housing estates close to the sea, with endless opportunities for sports and being outdoors. While reading Wacquant and conducting background research for the master's thesis, I happened to be working on an East Helsinki housing estate. Working there and talking with the residents, I became aware of their concern over the reputation of their estate. For my thesis, I interviewed the residents of the housing estate.

Just like my experience of East Helsinki, the residents I interviewed found their housing estate to be a peaceful and quiet place and appreciated it for being close to the sea and surrounded by lush forests. People were happy to live there. Yet, they found that their neighborhood was garnering a poor reputation. Residents felt that outsiders identified the estate with other stigmatized neighborhoods in East Helsinki. Residents blamed the media for its solely negative depictions of the estate and felt that non-locals exposed to such stories associated the housing estate with bad news. On the other hand, the same residents pointed out the social housing apartments in the neighborhood as the source of problems and for creating an atmosphere of unsafety. Social housing was used as shorthand for all manner of social blight in the area – it had become a stigmatized tenure.

My master's thesis, which explored the experience of territorial stigma in a single neighborhood, obviously left many questions unanswered. For instance,

why was the city divided into “The East” and the rest of the city, a division that has come to reflect poorly even on areas where people are satisfied? And why was social housing – merely a tenure type – used to explain social problems?

This doctoral dissertation provided me the opportunity to investigate these questions. Ultimately, this dissertation forced me to look beyond the neighborhood level, criticize the studies of segregation, and look for an explanation for urban inequality. Unlike my master’s thesis, which explored residents’ experiences in one neighborhood, in this dissertation I study policies and their role in urban inequality. I begin, in the following, with a brief history of the study of urban inequality.

### 3 A brief history of the study of urban inequality

The current and next two chapters provide a transatlantic tour of the study of urban inequality. This chapter discusses the history of the studies on urban inequality, introducing some key concepts used in the tradition. Three periods and concepts are introduced: 1) urban ecology and the concept of segregation, 2) the urban revolution and the concept of uneven development and 3) the post-industrial city and the concept of polarization. These periods and concepts are features of mainly American urban scholarship. In Chapter 4 I discuss contemporary research on urban inequality in Europe and in Chapter 5, segregation research in Finland.

Even though the concept of urban inequality is well-established, scholars understand and approach it differently: some regard it as a natural state of affairs to be observed and measured, whereas others see it as a grave social injustice that needs to be redressed. In what follows, I present a brief overview of the approaches to and concepts used in the study of urban inequality within the field of urban studies. Urban studies draws its concepts and theories from disciplines such as anthropology, economics, geography, political science and sociology. Its objects of study include questions ranging from the configurations and mentalities of city life (Benjamin 1982; Simmel 1950) to the philosophical deliberations on the production of urban space (Lefebvre 1991) and the political economy of urbanization (Harvey 1985). The concern over urban inequality originally launched the whole discipline and the questions of territorial divisions and divisions of people in cities have puzzled urban scholars ever since. Some scholars (e.g. Brenner, Marcuse & Mayer 2009; Preteceille 2000) trace the “prehistory” of urban studies back to Friedrich Engels’ *Condition of The Working Class in England* published in 1845, in which Engels, frustrated by the sordid conditions of life in the working class quarters of industrial English cities, criticized industrial capitalism for urban inequality and its incapability of solving the housing question.

#### 3.1 Urban ecology

The origins of urban studies are commonly traced back to a group of scholars working some 80 years after the publication of Engels’ work. The “first true school of urban sociology” as Hall (1996, 366) puts it, was born at the Uni-

iversity of Chicago in the 1920s, where scholars brought together techniques of mass social observation (pioneered by Booth in London in the late 1800s) and theoretical sociology. Joining these two research traditions, Park, Burgess, McKenzie and Worth, scholars referred to as “the Chicago School”, wanted to “work towards a total understanding – based on theory, tested on observation – of the social structure of a great city” (Hall 1996, 366).

For the Chicago School, the object of study was the American city, a city of immigrants. Chicago school scholars adopted their approach to social life from the natural sciences, namely ecology. They were interested in finding out how various ethnic groups found their places in Chicago. The spatial outcome they observed was the segregation and settling of ethnic groups in distinct ethnic enclaves. Writes Park (1926, 9) “the Chinatowns, the Little Sicilies, and the other so-called ‘ghettos’ are special types of a more general species of natural area which the conditions and tendencies of city life inevitably produce.” Segregation was defined as the outcome of competition for space and the voluntary self-segregation of ethnic and income groups, who selected the neighborhood based on their interests and tastes. The competition for space and the concentration of people with similar preferences were seen as natural phenomena, not unlike animals and plants competing for space in the natural world. This theory, known as urban ecology, also regarded as natural the spatial concentration of social deprivation. Furthermore, vice and negligence were expected to fester in deprived neighborhoods and to spread like an infectious disease. As Robert Park wrote of deprived neighborhoods:

*Association with others of their own ilk provides... not merely a stimulus, but a moral support for the traits they have in common which they would not find in a less select society. In the great city the poor, the vicious, and the delinquent, crushed in an unhealthful and contagious intimacy, breed in and in, soul and body. (Park 1925, 45.)*

The contribution of the Chicago School to urban studies is of undeniable importance. It defined an object of study for empirical urban research and produced a series of investigations “grappling with the raw facts of social disintegration and delinquency so evident on the city’s streets” (Hall 1996, 370). In Finland, Heikki Waris, in his seminal doctoral dissertation of 1932, conducted a detailed, Chicago-style, empirical study of the social and material conditions of daily life in a working-class district in Helsinki. Today the study is a classic in social policy and urban studies in Finland.

## 3.2 The urban revolution

The ecological approach of the Chicago School was influential well into the 1960s and mainstream urban sociology was interested in empirical generalizations of the city. However, criticism and alternatives to that approach were emerging on both sides of the Atlantic. In 1970, the French Henri Lefebvre published a book entitled *La Révolution urbaine*. In the revolts against capitalism, imperialism, war, racism and patriarchy that shook cities worldwide in the 1960s, Lefebvre saw symptoms of a far more profound revolution: the changing of a world once agrarian, then industrial, to now an urban world. Lefebvre voiced an urgent task: *the urban* needed to be theorized, a task in which urban ecology had failed. (Neil Smith 2003, foreword to *The Urban Revolution*, vii-xi.)

A few years later, in 1973, David Harvey published *Social Justice and The City*, a work nothing short of revolutionary. Harvey understood that competition over space and segregation were not universal and natural characteristics of cities, as the Chicago theorists claimed, but characteristics of a very distinct kind of city, the capitalist city. Because capitalism was the condition for the urban process, Harvey introduced the approach of political economy to analyze the process. The approach focuses on the importance of analyzing capital accumulation and circulation and investment flows as the drivers of the urban process and the importance of analyzing the unequal social relation under capitalism, which is that of class conflict between capital and labor. Importantly for the question of urban inequality, Harvey criticized the Chicago School for ‘naturalizing’ urban inequality. Yes, cities are segregated, Harvey concurs, but not because of individual choices and competition for space, but because of state and municipal politics, powerful property owners and the profit-oriented actions of real estate developers. (Haila 2004, 286.) These processes contribute to the uneven development of the built environment, the outcome of which is the manifestation of social inequality as spatial inequality. Using the segregated city of Baltimore as his case study, Harvey put forth a fiery critique of the descriptive sociology of mainstream urban studies. Instead of empiricism, Harvey called for a revolutionary approach to urban theory, one that would

*not entail yet another empirical investigation of the social conditions in the ghettos... This kind of empiricism is irrelevant. There is already enough information in reports, newspapers, books, articles and so on to provide us with all the evidence*

*we need. Our task does not lie here. Nor does it lie in what can only be termed “moral masturbation” of the sort which accompanies the masochistic assemblage of some huge dossier on the daily injustices to the populace of the ghetto over which we beat our breasts and commiserate with each other before retiring to our fireside comforts... Nor is it a solution to indulge in that emotional tourism which attracts us to live and work with the poor “for a while” in the hope that we can really help them improve their lot. (Harvey 2009, 144 – 145.)*

A paradigm shift took place in urban studies; instead of accepting the status quo, scholarship was critical, and investigated the political economy of the city and uneven development. The task for urban scholars was to theorize and explain urbanization, not to describe segregation. “Henceforth”, as Friedmann (1986, 69) writes, “the city was no longer to be interpreted as a social ecology, subject to natural forces inherent in the dynamics of population and space; it came to be viewed instead as a product of specifically social forces set in motion by capitalist relations of production. Class conflict became central to the new view of how cities evolved.”

The 1970s and 1980s saw Manuel Castells (1977; 1983) develop the concept of collective consumption. The point of the concept was to highlight the social significance of the fact that certain goods and services require mass provision and are not privately consumed. For the reproduction of the labor force, advanced capitalism needs the involvement of the state to provide collectively consumed services such as education. If anything, the urban riots of the 1960s were a cry and a demand expressed by people suffering from urban inequality, excluded from the means of collective consumption. The great importance in Castells’ work was also given to political mobilization and the role of social movements in the struggle for an equal urban society. Anne Haila (1988; 1990), responsible for introducing critical urban studies in Finland, began developing her corpus of work on urban land rent theory. For Haila, it is the land rent maximizing, speculative behavior of developers that causes housing unaffordability and urban inequality. Another scholar working with the concept of rent was Neil Smith (1982; 1986), who developed the rent-gap thesis to make sense of gentrification or the middle-class takeover of working-class neighborhoods to the displacement of their original inhabitants. For Smith, it was uneven capital investments in the built environment, emerging of rent-gaps and speculation by land and real estate owners, which caused gentrification, not the whimsical

changes in the housing and lifestyle preferences of the middle class. During this period Robert Beauregard published important studies on the postwar American city, including work on gentrification (1986; 1990). Of great importance for understanding urban inequality in the U.S. are Beauregard's (2003; 2006) investigations of the relationship between the decline of the American industrial city and the suburbanization of the white middle class.

The work of these scholars (among many others) helped to redefine the 'urban' in urban studies. They saw that urbanization under the condition of capitalism was bound to produce uneven development of the built environment and led to urban inequalities such as the spatial differentiation of classes.

### **3.3 The post-industrial city**

By the late 1970s, in advanced capitalist countries the manufacturing sector was in decline and as the share of the service sector increased, occupations shifted from manual work to managerial, professional, secretarial and service work (Mollenkopf and Castells 1991). Class divisions in this so-called post-industrial society (Bell 1973) were diversifying. The big industrial middle and working classes began to disappear, while a class of low-skilled service workers and a highly skilled, highly paid professional class were emerging. More than before, alongside these new class divisions, racial, ethnic and gender divisions and inequalities were also being recognized. Scholars debated the question of how to best depict new social divisions and urban inequalities in the post-industrial city. One concept that was introduced was "social polarization". The idea was that the new division of labor in the post-industrial society – the formation of social classes of a highly-skilled, well-paid professional elite on the one hand and a low-skilled, poorly paid service class on the other with an ever-widening gap between the two – was seeing to the disappearance of the robust, homogeneous middle class of the industrial era.

The new division of labor and its spatial organization as polarization was seen as a characteristic feature of the world or global city (Friedmann and Wolff 1982; Sassen 1991). For Friedmann and Wolff (1982, 322) "the primary social fact about world city formation is the polarization of its social class divisions". A new cleavage had emerged between the dominant class of transnational elites and a permanent underclass providing services for the elites. Urban scholars

were interested in the spatial manifestation of polarization and suggested that world cities were characterized by a distinct division. On the one hand, there is a citadel of the ruling class, answering the lifestyle demands of the elite. On the other hand, there exists a city that serves the underclass, physically separated from the citadel: it is the ghetto of the poor. (Ibid.) Saskia Sassen (1991) argued that the number of highly paid professionals and those in the low paid service class were increasing, whereas the middle-income groups were declining. The appreciation of urban living by the cosmopolitan elite led to gentrification of centrally-located working class neighborhoods in global cities. In this way, social polarization resulted in spatial polarization and segregation.

Like John Friedmann, who talked about two cities, Mollenkopf and Castells (1991) talk about dual cities. The concept of the dual city refers to the division of the city between the haves and the have-nots, the rich and the poor. Mollenkopf and Castells (1991, 16) write that “the dual city metaphor has the virtue of directing our attention to the new inequalities that define the postindustrial city, just as depictions of “How the Other Half Lives”<sup>3</sup> defined the emerging industrial city a century ago”. Dickensian allusions and tales of divided cities have been common in western literature, journalism and scholarship. However, even if done with the best of intentions to depict and study urban inequality, a danger lurks in the metaphor of the dual city. Instead of raising awareness of urban inequalities, the metaphor risks reinforcing them.

Peter Marcuse (1989) has criticized the metaphor of the “dual city” for being “muddy”. If we hold the city divided into two cities, a city doing well and a city doing poorly or “a city of light” and “a city of darkness”, Marcuse suggests, we most likely make our interpretations from the point of view of the city of light. The city of darkness is reserved for the “other”; the poor, the immigrant, the destitute. For Marcuse, the dual city metaphor places too strong an emphasis on differences between the two halves. This “muddy metaphor” is put forth at the cost of investigating the causes of inequality that divide people into the haves and the have-nots, and the processes that result in urban inequalities. The dual city metaphor thus may come to reinforce the fear of the other and the experienced differences between urban areas. The metaphor of the dual city may be a muddy metaphor, but as we will see in the next chapter, there are other metaphors perhaps even more detrimental to the process they attempt to describe.

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<sup>3</sup> A photojournalistic investigation of life in New York’s working class tenements in the 1880s by Jacob Riis.

## 4 The loathsome underclass

By the late 1980s, urban scholars were changing their focus yet again. In the United States, deepening racial segregation continued to occupy urban sociologists. They employed sophisticated methods to measure and analyze segregation. Studies such as Douglas Massey and Nancy Denton's (1987) *Trends in the Residential Segregation of Blacks, Hispanics, and Asians: 1970-1980* inspired American sociologists to adopt statistical methods to describe urban inequalities. These studies showed the poor black population was being increasingly pushed into an ever-deteriorating ghetto. In their book *American Apartheid: Segregation and the Making of the Underclass*, Massey and Denton (1993) introduced the idea of "hypersegregation" to depict the multidimensionality and intensity of the segregation of the black and white Americans.

Escaping any sophisticated analysis of the multidimensionality of segregation, however, was the popularized and populist concept of "underclass" that gained momentum in its use. The term had already been used by scholars in the 1970s, but by the 1990s "urban underclass" had become a widely-used folk concept in the United States. It was used particularly to depict the populations locked in the ghetto. A volume edited by Mingione (1996) explores the concept and includes intriguing investigations of the underclass concept and critiques of its usefulness. A chapter by Gans, for example, illuminates the origin of the term introduced by Gunnar Myrdal (1963). Citing Myrdal (1963, 10) Gans (1996, 141-142) writes "Myrdal used a new term because he wanted to show that challenges to the then affluent American economy were creating 'an unprivileged class of unemployed, unemployables and underemployed who are more and more hopelessly set apart from the nation at large and do not share in its life, its ambitions and its achievements.'" To depict the "economic victims" of structural changes, claims Gans, Myrdal used a somewhat clumsy translation of *underklass*, an old Swedish word for "lower class" (Gans 1996, 141-142). The word underclass was soon adopted by American scholars and journalists who turned it into a behavioral<sup>4</sup> term.

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<sup>4</sup> Although Stewart (2002, 137) suggests that even the Swedish original is but a derogatory folk term used by the wealthy to depict "something uncouth, bad-mannered, lacking in breeding and status". According to Stewart, Myrdal himself was already using the term in a derogatory, behavioral and moralizing way.

In its new meaning, “the underclass” was used to refer to “mostly poor black people, who behaved in criminal, deviant or just non-middle class ways” (ibid. 142). The term “urban underclass” became a derogatory and stigmatizing moniker used in research literature, however mainly in the American media, to blame those locked in the ghetto, who were accused of being “disengaged from the regular labor market and engaged in unacceptable behavior ranging from producing children through consuming drugs to committing murders” (Fainstein 1996, 154). The underclass is comparable to Oscar Lewis’ (in)famous “culture of poverty” thesis, which has been used to depict poverty and destitution as outcomes of the behavior and values of the poor themselves. The term underclass had the effect of obviating an interest in searching for an explanation for urban poverty and marginality. The underclass was a way to blame the single mothers, the unemployed, the drug addicts and basically all black, ghettoized populations for being part of a dangerous group of deviants. As a populist and racial term, the underclass term became a moral accusation instead of a way to depict people as victims of systematic detachment from the labor market and mainstream white America, cast into disinvested and dilapidating neighborhoods.

In Europe, the postwar welfare-state policies – universal education, health care, unemployment benefits and pension – and income redistribution had the effect of keeping in check growing poverty and urban inequality. Welfare policies also tackled the process of segregation. Public land ownership facilitated municipal control over the development of the built environment, and the provision of public housing. European cities were less segregated than cities in the United States (LeGales 2002, Haila 2004). As van der Wusten and Musterd (1998, 239) write “welfare states formed major barriers to segregation and exclusion when they were, for one brief generation after the Second World War, the hegemonial project of state formation in the western world.”

In the 1980s and 1990s, concerns were growing over social differentiation and urban inequality in European cities. Of special concern was the concentration of marginalized populations in peripheral housing estates. Scholars compared the growing urban inequality in Europe to segregated US cities and this led to anxiety over the birth of a dangerous “underclass” in Europe. The idea of an underclass or a “class outside the class structure” was of course nothing new in European literature. Marx and Engels (1848, 20) had already written about the *lumpenproletariat* or “a dangerous class, the social scum, that passively rotting mass thrown off by the lowest layers of the old society”. What

was a new feature in the analysis of the European underclass of the late 20th century was that it took on an “ethnic” component. Because of an “increase in the settlement of immigrant populations formerly thought of as guest-workers or colonial subjects” (Wacquant 1996, 234), there was a growing number of disenfranchised ethnic minorities locating in the same postwar housing estates as the local victims of economic restructuring. The concern over the birth of an underclass of the unemployed and the poor in Europe was combined with the concern over its territorial concentration in “ethnic enclaves”, comparable to the black ghetto of the American city. In their attempt to understand the processes of growing urban inequality, some European scholars borrowed the concepts and methods from American sociologists. According to Wacquant (2008, 164) “European analysts and commentators have turned to the United States for analytic assistance in their effort to puzzle out the current deterioration of urban conditions and relations in their respective countries... European poverty was being ‘Americanized’ – that is, falling in line with a pattern of segregation, destitution and violence (mis)identified with the black ghetto.”

Segregation research, influenced by the urban ecology of the Chicago school, gained popularity in European studies concerning urban inequality. The focus of the research has been on the housing preferences and migratory patterns of residents, and particularly investigating the moving out of “native” European populations from the neighborhoods where immigrants or ethnic minorities are concentrating. European segregation researchers share what Andersson and Bråmås (2004, 520) call a “process-oriented understanding of segregation”. This means understanding that the decisions of individuals and households are important forces in the formation and transformation of urban social space. As Andersson and Bråmås (ibid.) write:

*Central to this analytical framework is the concept of selective migration, which refers to a situation in which the composition of out-migrants differs from the composition of in-migrants (and those staying in the area)... This way of addressing segregation goes far back into urban research history; the Chicago school sociologists, for instance, talked about succession and invasion and filtering processes.*

With the “process-oriented understanding” of segregation as a starting point, various forces have been investigated. For example, Aldén, Hammarstedt and Neuman (2014) investigate what they call “tipping behavior of Native Swedes”.

They are not interested in gratuities paid by Swedes, but in what is known as the tipping point, i.e. how many immigrants are needed in a neighborhood in order for so-called “native Swedes” to move out. Bråmås (2006) suggests that “immigrant concentrations” have formed because of a “Swedish avoidance”, i.e. native Swedes avoiding areas where many immigrants live. Friedrichs (1991) argues that what he calls “middle-class leakage” is now taking place after the middle class no longer finds its living conditions satisfactory.

In addition to studying processes like tipping, avoidance, and leakage, European segregation researchers have dedicated themselves to exploring what are widely known as “neighborhood effects”. According to Friedrichs, Galster and Musterd (2003, 797), studies on neighborhood effects assume that “spatial concentrations of poor households and/or ethnic minority households will have negative effects upon the opportunities to improve the social conditions of those who are living in these concentrations.” Worry about segregation is coupled with concern about the influence of poor and minority populations on other groups of people. As Morris (1996, 161) writes, “[a] vocabulary of contagion is common to much of this work; the idea that certain sections of the population can contaminate society’s more respectable members.” European researchers have been interested to find out the way neighborhood affects residents’ school success, employment and health. The rush to analyze how neighborhood affects life chances has been so overwhelming that it deserves the name that Tom Slater (2013) has introduced; a “cottage industry of neighborhood effects research”.

One proponent of the “process-oriented understanding” is Hans Skifter Andersen (2002; 2003) who argues that segregation is a “self-perpetuating” process. Skifter Andersen suggests a “cyclical model” of segregation based on the idea that segregated areas themselves, in fact, create segregation. “Deprived neighborhoods”, writes Skifter Andersen (2002, 154), “are not merely a simple result of social inequality and segregational forces; they are also by themselves creating new segregation and inequality. The areas can be seen as magnetic poles that attract poverty and social problems, and repel people and economic resources in a way that influences other parts of the urban space.” The way segregation works, according to Skifter Andersen (2002, 157) is that these “magnetic poles” attracting poverty and problems and repelling people, become inhabited by, as he writes, “marginalized ethnic and social groups, who have little in common. Some of these people have a culture or behavior that deviates from general

norms or have less regard for the comfort of their neighbors, making noise and carrying out other annoying activities.”

Subsequently, the “annoying activities” and “deviant culture and behavior”, argues Skifter Andersen, “tends to make ‘ordinary’ people flee to other parts of the cities making room for an increasing concentration of low-income and socially excluded groups and thus increasing the spatial division of social groups. This effect is even more serious when looking at the segregation of ethnic minorities where the forces at work are much stronger” (Skifter Andersen 2002, 167). Finally, Skifter Andersen claims that segregated areas come to have a devastating influence on urban space beyond the segregated areas, as “these neighborhoods display visible physical and social problems that can disfigure the perhaps otherwise attractive urban landscape. They could in severe cases even be termed sores on the face of the city.” (Skifter Andersen 2003, 1.)

Skifter Andersen sees segregation as a cycle, as a self-perpetuating process that he calls “succession and decay”. Essential to it are several detrimental changes such as the concentration of marginalized people, the decay of buildings and the dropping of middle-class demand. The starting point of the cycle is the migration of poor, low-income and immigrants to the area. With their “annoying activities, deviant behavior and culture, and little regard for the comfort of their neighbors” these new residents drive out the “ordinary people”.

In these studies, the legacy of the Chicago school’s urban ecology is alive. Skifter Andersen (2002; 2003) thinks that the self-perpetuating process of segregation initiated by the poor, the immigrants and the destitute creates “magnetic poles”, drawing in – to borrow Robert Park from nearly a century ago – “others of their own ilk”, and “the poor, the vicious, and the delinquent, crushed in an unhealthful and contagious intimacy, breed in and in, soul and body” (Park 1925, 45). However, the most heinous allegation by Skifter Andersen is not that the invading hordes of the poor drive out the “ordinary people”, but that segregation comes to contaminate the city around these polluted neighborhoods. Calling segregated, ethnic minority neighborhoods “urban sores” on the face of the affluent, white European city provokes moral indignation. It also exacerbates the territorial stigmatization of the neighborhoods of marginalized populations. Wacquant (2007; 2008) for one has voiced the urgent call on social scientists to be aware of the rhetoric and words they use to avoid exacerbating urban inequality. This call has not reached segregation researchers.

Skifter Andersen's thesis revives the fear and loathing of a deviant underclass. His circular reasoning does not make it necessary to find any explanation for segregation but simply suffices to describe it. The words used to describe segregation, "the fleeing of ordinary people", "annoying activities", "deviant behavior", "urban sores" appeal to our emotions. Segregation studies such as those carried out by Skifter Andersen influence our understanding about and interpretation of urban inequality. We begin to emphasize the behavior of the poor and beat our breasts over the misery of the destitute. These studies make it appear as if the most important things to investigate about urban inequality are the outcomes of the poor living together, instead of asking why they are poor and why they end up living in disinvested neighborhoods. The idea of a self-perpetuating cycle began by the poor and their contaminating power has the effect of stigmatizing the marginalized and their neighborhoods. Finnish segregation researchers, whose work I now turn to, have unfortunately applied this circular reasoning.

## 5 The age of Finnish segregation research

Spatial differentiation and segregation are popular research topics in Finnish urban studies. Perhaps most widely publicized have been the studies by self-titled segregation researchers Matti Kortteinen and Mari Vaattovaara concerning differentiation and segregation in the Helsinki Metropolitan Area (HMA). Their main source is census data supplied by Statistics Finland. They often present their data on grid cell maps, with each cell 250 meters by 250 meters in size. Comparing the maps of different years over two decades, segregation researchers observe a worrying trend. The cells on the grid show an increase in differences between these cells. This cell differentiation is taking place according to education, employment, income and ethnicity (e.g. Kortteinen, Lankinen & Vaattovaara 1999; Kortteinen and Vaattovaara 2000; Vaattovaara and Kortteinen 2003; Kortteinen, Vaattovaara & Alasuutari 2005). The difference is most drastic between the east and the west of the metropolitan area. High income, well-educated “native” households live in the west of the HMA. Low income, poor and ethnic minority households are scattered in the east of the HMA, living in areas the size of an apartment block. Vaattovaara (2002, 110) calls these areas “black holes of urban development”.

The segregation researchers have offered several reasons for the cell differentiation. The first is found in their studies of the late 1990s. Kortteinen, Lankinen and Vaattovaara (1999) suggested that the differentiation they found appeared to take place based on residents’ educational background and housing preferences. In a second study of the same year, Kortteinen and Vaattovaara (1999) suggested that analyses of segregation should also include the ideas of social disorder and selective migration. They drew on Gerald D. Suttles’ (1968) study called *Social Order of the Slum*, which they argue is “a good starting point for a segregation interpretation”. Their overview of Suttles’ hypothesis is as follows (translated from the Finnish original, emphasis added): “If the social networks of the *proper folk* (kunnon väki) cannot control their environment and the *troubled folk* (moniongelmainen väki) begin to behave in disturbing ways, then micro-areas the size of a staircase, house or apartment block will be formed. The proper folk will want to move away from these micro-areas. Socio-economic segregation takes place through this type of everyday selection.” (Kortteinen and Vaattovaara 1999, 347.) At the time, they left unanswered the question of whether such selection was taking place in the HMA.

Kortteinen and Vaattovaara (1999) also compare the clustering of immigrants in Finnish cities to the ethnic segregation in the cities of the United States. First, they explain how ethnic segregation happens in the United States (again, translated from the Finnish original with emphasis added): “Well-off white people and black people do not *want* to live in the same area. The in-migration of blacks *pushes out* the whites. This is how we can explain the spreading of black people’s residential areas in Chicago, for example.” (ibid. 347.) Then, they warn the reader how a comparable process is unfolding in Finland: “Immigration has increased in the 1990s. Different immigrant groups seek to organize themselves into bigger, local groups. These kinds of ethnic clusters tend to concentrate in those areas that do not attract well-off Finns [...] The largest ethnic concentrations<sup>5</sup> have emerged in the same eastern areas, where socio-economic depravity has spread the most”. (ibid. 347-348.)

Second, Kortteinen and Vaattovaara (2000) noticed the concentration of socio-economic deprivation on their map and took on the task of explaining it. In this explanation, they leaned on the ideas of a Danish scholar, of whom they write: “Hans Skifter Andersen has made an empirical study of the cycle of deprivation in Danish rental houses. His research skillfully summarizes previous Nordic experiences of such processes.” (Kortteinen and Vaattovaa 2000, 116.) Applying Skifter Andersen’s “succession and decay” theory, introduced in Chapter 4, Kortteinen and Vaattovaara (2000, 122) however find it “difficult to justify the argument” that a similar physical decay of buildings would be taking place in the eastern Helsinki housing estates<sup>6</sup>. They conclude by suggesting that the cycle in Helsinki is simply one of succession. The concentration of poor and ethnic minority households is enough to make the area unwanted and push out the middle class.

Third, Vaattovaara and Kortteinen (2003) looked back in time and wanted to explain what had caused the impoverishment of a section of the population

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<sup>5</sup> One would assume that the largest ethnic concentrations in the HMA are those of so-called “native Finns”.

<sup>6</sup> It is interesting that Finnish scholars disregard this material aspect in their circular argument. Today, many of the estates are in such a poor condition that the keyword for developers in these estates is “*purkava saneeraus*”, which loosely translates to “demolish and regenerate”. Surely, the signs of disinvestment and decay were already there at the turn of the millennium in estates that today are beyond repair.

during the 1990s. Now the reference point was Saskia Sassen's (1991) polarization thesis on the division between the professional class, working in the new information intensive economy, and the service class. Vaattovaara and Kortteinen (2003) suggest that the growth in the Finnish information and communication technology (ICT) sector in the 1990s created job opportunities for highly educated workers in the HMA. However, in Finland, those left out of the ICT economy fell into unemployment, not into service work. Instead of the emergence of the service class Sassen referred to, Vaattovaara and Kortteinen (2003) argue that a strong welfare system, tax and transfer payments and social services led the unemployed into "benefit dependency". They see the contemporary class division in Finland as happening between a professional elite and a non-working surplus population. As the unemployed benefit dependents now risk concentrating in distinct neighborhoods, the segregation researchers worried that a type of culture of poverty would spread. In 2012 (p. 64), referring to their own, co-written article from three years prior (Kauppinen, Kortteinen & Vaattovaara 2009), they wrote, "*studies show* that the neighborhood will prevent residents' employment if the unemployment rate in that neighborhood rises to 13 per cent. The negative effect of the neighborhood's unemployment rate on an individual's employment opportunities appears to function in the way that heavy drinking, smoking and other bad health behavior are more common in the neighborhoods with a high unemployment rate" (translated from Finnish original, emphasis added).

Fourth and finally, the segregation researchers investigate differentiation between the social classes in the HMA in light of what they call "structural shifts" (Vaattovaara and Kortteinen 2003). According to Kortteinen and Vaattovaara (1999, 349), throughout the 1990s, new apartment housing estates were built predominantly in East Helsinki. This led to the concentrating of newcomers in the east. However, new jobs were not created there. For example, in 1996, only ten per cent of the new jobs created in Helsinki were in East Helsinki. Vaattovaara (2002, 113-119) suggests that (emphasis added) "It seems that both the companies involved in the new economic growth and the well-educated migrants *prefer* the west, and new elite districts have begun to develop on the basis of the information economy [...] socioeconomic differences between housing areas have been slowly increasing. This has happened with *no political turn* that could account for it." And a year later, Vaattovaara and Kortteinen (2003, 2132) hint that the nature of the housing stock and institutions of higher education

have attracted well educated professionals to the west, as “Espoo, a suburban city to the west of Helsinki, has been relying more on detached housing construction than the City of Helsinki. Additionally, the University of Technology in Helsinki – the leading institution in the country – was built on the western shores in the 1950s. It seems that people with a university degree have settled in the west around the university, living in the detached housing areas, and that the educational differentiation of the city is linked to this.”

The segregation researchers noticed that apartment blocks were built east of Helsinki, while detached housing existed in the west, and that employment opportunities for the new professional class were to the west of Helsinki. However, Vaattovaara (2002) claims that there was “*no political turn that could account for differentiation*” and, in their analyses, segregation researchers disregard the uneven development of the built environment, downplaying the importance of the disinvestment of the housing estates<sup>7</sup>. Kortteinen and Vaattovaara (2005; 2015) abandon what they called the “structural explanation” and return to describing segregation as an outcome of the housing preferences of individuals, the social disorder in housing estates, the neighborhood’s negative effect on employment, the out-migration of the wealthy and the clustering of ethnic minorities. They focus on the neighborhood and its social life. Today, the work of the original Finnish segregation researchers appears to be accepted as canon by a new generation of researchers who continue to neglect the uneven development of the built environment in the analyses.

Some have studied ethnic residential segregation (Vilkama 2011). Researchers have found that since the early 2000s, ethnic residential segregation has intensified. In the eastern and northeastern neighborhoods of the metropolitan area, neighborhoods that researchers call “immigrant concentrations” have formed, whereas in western and southern neighborhoods the numbers of immigrants have stayed low. A key contributing factor is suggested to be the selective migration of both the “native Finns” and the immigrants (Vilkama

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<sup>7</sup> In recent interviews, Professor Vaattovaara has consistently belittled the role of the deterioration of the built environment in urban inequality. In 2012, she commented “It is not a problem if part of the housing stock is cheaper or not in such a good condition. But it is a problem if groups who have trouble with managing their lives concentrate in this housing stock.” ([www.is.fi/taloussanommat/art-2000001763897.html](http://www.is.fi/taloussanommat/art-2000001763897.html). Accessed on 17.10.2018.) And, in 2016 “a good city can have different types of areas, luxury ones and rough ones. I think it is the strength of cities.” ([www.helsinki.fi/fi/uutiset/kaupunkitarinoita-helsingista](http://www.helsinki.fi/fi/uutiset/kaupunkitarinoita-helsingista). Accessed on 3.10.2016.)

2011). Others (Bernelius 2013) have studied neighborhood effects and school choice. They have found that differences in children's learning outcomes between schools can be explained by the neighborhood the schools are located in. And that the schools' reputation is connected to the socio-spatial characteristic of the neighborhood and shapes the "school choices and housing choices made by educationally motivated families" (Bernelius 2013, 88). Researchers have also investigated experiences of insecurity in different residential contexts (Kemppainen et al. 2014). With the theoretical approach of social disorganization theory, their objective has been to find "the characteristics of neighborhoods that would help to understand the reasons for differences between areas" (Kemppainen et al. 2014, 166). Based on their own work and the work of a new generation of researchers, Kortteinen and Vaattovaara (2015) conclude that the development of the HMA on the "block-level", during the past quarter of a century, shows a trend towards segregation, warranting the naming of the period the "age of segregation" (Kortteinen and Vaattovaara 2015).

I suggest that the orthodoxy of this research tradition and the wealth of texts produced on the topic over the past two decades, also warrant another name for this period: "the age of segregation research". The age of segregation research has produced various empirical studies describing the process of segregation. Particular to the texts from this age is their reliance on the kind of circular argument about a self-perpetuating process of segregation proposed by Skifter Andersen. This circular argument has failed to step outside the circle and look for an explanation. Eventually, it has come to blame segregation for segregation. Without capturing or isolating what is relevant about it, they shape our understanding about and interpretation of urban inequality. In this dissertation, in Article IV, I critically engage with some of the issues I find with Finnish segregation research. Whether succession approach, causal neighborhood effects, culture of poverty or the underclass, I find these concepts and approaches often look to the neighborhood-level for reasons for segregation. As such, they far too easily support the moralizing view that blames the poor for their own poverty.

However, I argue that the social injustice in segregation is that it is the outcome of unequal opportunities to make decisions where one can live their life. That is to say, that the most vulnerable people have the least choice in their housing and are often *forced to accept* their home in the worst part of the housing stock. Slater (2013) turns around the neighborhood effects thesis – where you live affects your life chances – and argues instead, "your life chances affect where

you live”. With this turn of the thesis, as Slater points out, the problem becomes one of understanding, first, inequalities in life chances. In the following chapter, I discuss some of the dynamics behind inequalities in life chances in Finland. Second, the problem is one of understanding the uneven development of the built environment leading to an unequal urban fabric that spatially reflects social and economic inequalities in the form of urban inequalities, for instance, segregation. In the following chapters, I will argue that contrary to what the segregation researchers suggest, there is a very distinct “political turn” to use the phrase of Vaattovaara (2002) during the period Kortteinen and Vaattovaara (2015) call the “age of segregation”, which ensued in the enabling conditions for increase in urban inequality.

## 6 Social and economic inequality

Cities provide the conditions that enable social and economic inequalities to become visible, urban inequalities such as the spatial concentrations of wealth and poverty. However, cities do not create this inequality. (Beauregard 2018) Urban inequality is fundamentally about social and economic inequality – or inequalities in life chances (Slater 2013). Consider a naïve proposition: in a world without income inequality, no spatially differentiating income groups would exist. There would not be a low-income population with low to no chance of affording suitable housing. Neither would there be a high-income population closing itself off in exclusive gated communities. Despite its naivety, the strength of such a proposition is that it points out the importance of looking at the major dynamics of social and economic inequalities, even though my key concern in this dissertation is with the role of land and housing policies in urban inequality. The previous literature points to two changes over the past thirty years that have amplified disparities in people's life chances in Finland. These are the growing precariousness in the labor market and the retrenchment of the welfare state. I discuss these changes briefly in this chapter. The changes in the welfare state receive special emphasis here, as they have had a major influence on land and housing policies.

### 6.1 Work as a source of insecurity

In the 1980s, Finland had the lowest income inequality of all the OECD countries (Atkinson et al. 1995). However, there was a tragedy just around the corner. Finland, like all the Nordic countries, underwent major financial deregulation. The Bank of Finland relaxed its restrictions, and commercial banks began lending lavishly to firms and households. As a result, households ran into debt and because of the overflow of money, housing prices escalated, and the real estate market became overheated. Then in the beginning of the 1990s, economic growth turned into decline. Many people lost their jobs and were unable to repay their housing loans, causing banks and companies to drift into bankruptcy (Schientstock and Hämäläinen 2001). By 1994, unemployment was at nearly 20 per cent (Honkapohja and Koskela 1999). The early 1990s recession drove many into long-term unemployment and left deep, national scars.

From the mid-1990s, the success of the Finnish ICT sector – the rise of Nokia and its spin-offs – turned the cycle of the Finnish economy. The developing information and communication economy created job opportunities for, and was driven by, highly educated professionals and new wealth in the Helsinki Metropolitan Area, where many of the ICT businesses and much of the education were concentrated. Raw materials industry had traditionally ruled the manufacturing sector. Suddenly, growth became concentrated in high-technology products. Over the 1990s, the exports of electronics grew from 10 per cent to over 25 per cent. Electronics exports surpassed even those of the dominant paper industry. (Boschma and Sotarauta 2007.) As mentioned already, Vaattovaara and Kortteinen (2003) rightly pointed out how an increasing number of industrial workers became jobless in this new information and communication economy. Income inequality increased between the well-off professional class – who also saw capital incomes increase due to favorable tax reform in 1993 – and an industrial working class now deskilled (Atkinson et al. 2011). Between 1995 and 2005, the greatest growth in national income disparities out of all the OECD countries took place in Finland (OECD 2008). Incomes polarized dramatically, i.e. the number of lower and higher income earners went up and the number of middle-income earners went down. From 1990 to 2006, the real income for the top one per cent roughly tripled, while there was little increase in real incomes at the bottom (Riihelä 2009).

The replacement of industrial work by ICT and service jobs saw workers fall into increasing uncertainty throughout the advanced capitalist world. During the industrial period, work had created a common experience for a homogeneous working class. The trajectories of the working day and working life were predictable and work was a source of camaraderie and security. If one became unable to work, the welfare state provided social security. Contrary to this, the contemporary working class is heterogeneous and makes its living with insecure, part-time, temporary and short-term work. For the working classes of advanced capitalist countries such as Finland, the contemporary wage-labor relation has become “a source of fragmentation and precariousness” (Wacquant 2008: 265-267). The two groups especially suffering from this change are older factory workers and young uneducated people. Many Finns find it difficult to get into the work force or struggle in a precarious labor market. According to Moisio (2010), many young people reaching working age are not even able to enter the labor market. If work is a source of growing insecurity for many today, is the welfare state able to provide social security and prevent the growth of social and economic inequality?

## 6.2 The retrenching welfare state

The Nordic welfare state was built on strong principles of universalism. Universalism springs from the idea of social rights. The idea of social rights is a product of the mid-20th century post-war era. T.H. Marshall (1989) noted how civil rights – such as right to private property and freedom before the law – were won in the 18th century and political rights – the rights to association and political representation – were won in the 19th century. The 20th century was, then, the era of social rights. If the civil and political rights were about basic rights of liberal citizenship, then social rights refer to the right to a standard of living. The right of every person to a good standard of living was a much-favored political goal in the rebuilding of post-war Europe, traumatized by fascism, war and economic turmoil.

In Finland the objective of the welfare state project was equality and social justice by way of ensuring a high standard of living for all. Welfare was a universal question. The welfare state was also a certain kind of arrangement with the markets. It worked to curb inequalities created by the market. A hallmark of the Finnish welfare state, which could be defined as social democratic (Esping-Andersen 1990), is that certain services – namely education, health care and social security – are de-commodified. These public provisions do not simply provide a safety net for the poor, but are an equalizer, intended for all segments of the society to enjoy. Universal coverage is ensured through taxation. (Anttonen and Sipilä 2000.) Interestingly, for a period in the 1960s and 70s social housing was a universal tenure, catering in a partly de-commodified form to both working- and middle-class families. I will return to the curious role of social housing in the Finnish welfare state in Chapter 8.

In Finland, everyone has the constitutional right to public health care, social care and education. All children receive a child allowance and all retired people are entitled to basic old-age pensions. Anttonen and Sipilä (2000) discuss some of the things that helped in the acceptance and justification of universalism in social entitlements and public provisions. They suggest that a key factor was a homogeneous population with a low degree of division between people based on things like ethnicity, religion or territory. High taxation is politically easier to promote and justify for a population united, when individuals feel they are paying for the benefits and services for themselves and people like themselves. Of course, universal social policy was never actually “universal”. The Finnish welfare

state is restricted to Finland and Finnish nationality. Finnish nationality entitles people to similar services and benefits. The development of the welfare state was also about nation building. For individuals it meant receiving the same, free education as their contemporaries. A shared curriculum also has a nationally homogenizing, unifying tendency. Free health care for individuals also ensured a healthy and able nation. A key element of the welfare state was a strong, central state bureaucracy. The state provided funding for municipalities, earmarked for each sector, such as schools, hospitals and social services. (Anttonen and Sipilä, 2000.) The welfare state created the conditions for land policy. The state gave land for municipalities' social housing needs and municipalities allocated land free of charge for schools, health care centers and libraries (Haila 2016).

The early 1990s' recession in Finland led to mass unemployment. That meant the state's tax income shrank. There was little political support for increasing the state debt. The funding and management of public services went through major changes. The arrangement with the markets also began to change. The ideologies of entrepreneurialism and privatization had already arrived in Finland in the 1980s. What received interest in the 1990s were the tenets of what is known as "new public management" (NPM). NPM brought lessons from the business world to the public sector. The strong public sector that had been a key element for the universal welfare state was now seen as heavy, expensive, overly bureaucratic and a hindrance to economic growth. NPM sought efficiency from within the public sector and without, by looking at ways to outsource responsibilities to non-governmental organizations and private companies. NPM meant a move from central governance to market-led management of the public sector. (Anttonen and Sipilä 2000; Kuusela and Ylönen 2013.)

Now, the municipalities would receive their share of state funding as a single payment, based on the size of the municipal population. The municipalities and municipal enterprises were free to use their state funding as they wished. State funding was also cut, and municipalities were encouraged to look for other ways to fund their services. The ministry of finance calls the new model "performance management"<sup>8</sup>. The municipalities now look for the best ways to organize their services in an economically "well-performing" way – meaning in a way that saves money and brings money into the public treasury. One change this has

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<sup>8</sup> [vm.fi/en/performance-management](http://vm.fi/en/performance-management). Accessed on 17.10.2018.

brought is the diminishing role of municipalities as service providers and growth in buying services from the private sector. An example is deinstitutionalization, the closing down of municipal care homes. The disabled and elderly are assigned social housing and private companies provide care services at home.

Today, public discussion about unemployment benefits has adopted an austere tone. If the moral justification for universalism in social security was equal social rights, there is now a debate about the morals of the unemployed. The welfare state has been criticized for leading to benefit dependency. The fear is that generous social benefits lead to laziness and work avoidance at the expense of the morally-righteous taxpayer. Universal benefits and services are questioned and criticized because they are expensive. (Anttonen and Sipilä 2000.) Furthermore, the growth in global migration has seen to the diversification of the Finnish population. Social life is characterized by a new heterogeneity. Ethnic and language differences make it easy to weaken the sense of solidarity. In Finland, a nationalist party is in the coalition government and criticism about providing social benefits to people of immigrant background is growing louder. Social rights, the right of everyone to a similar standard of living via redistribution is under criticism and austerity politics are easier to justify when all are not seen as equals. The principles of universalism are giving in and providing welfare benefits and services is increasingly based on eligibility criteria to serve only those in most dire need.

The welfare state has changed drastically; it has not disappeared, but it has given room to what Jorma Sipilä (2010) calls a “competitive state”. The arrangement with markets is that the private sector has more responsibility over service provision. Policies are geared towards making money for the public treasury to pay for these services. The Finnish prime minister recently<sup>9</sup> admitted that the austerity policy practiced by his government has increased inequality and hit hardest the workers and deskilled individuals already suffering from insecurity in the labor market. The equalizing and poverty reducing effects of redistribution have been weakened due to tax reforms because the levels of basic and minimum social assistance have stayed 20 to 30 per cent behind the development of average earnings (Moisio 2010). The retrenchment of the universal welfare state has led to increasing inequality.

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<sup>9</sup> yle.fi/uutiset/3-9831659. Accessed on 12.3.2018.

This dissertation presents an investigation of why economic and social inequalities materialize as urban inequalities, and more specifically, what the role of land and housing policies in urban inequality has been. Finnish segregation researchers argued that there is no political turn that could account for uneven urban development. In this dissertation, I suggest that land and housing policies have been practiced under new conditions since the political turn towards a neoliberal market economy, NPM, decentralization and privatization. Part of this political upheaval has been the corporatization of state and municipal land management. These corporations now practice land policy, the objectives of which jeopardize the welfare objective of equality that used to guide land policy. Meanwhile, housing policy is increasingly social policy catering only to the underprivileged, contributing to divisions in its own ways. However, before discussing these changes in more detail in Chapter 10, let me introduce the land and housing policies.

## 7 Land policy

In Finland, the state and municipalities<sup>10</sup> own land, and the policy to manage this land is called land policy. In the following, I answer two questions. First, what are the means of municipal land policy, and second, what are the objectives of municipal land policy. I also discuss the politics of making land policy. The conditions for practicing land policy vary from one city to the next. Some Finnish cities received landed areas as donations, and have great land banks, making possible the consequential land policy. For example, the City of Helsinki received land as a donation from the king upon its founding and this “was a long-term endowment that later made possible an urban policy immune from speculation by private developers” (Haila 2016, 30). However, public land ownership is only one enabling condition of land policy and cities can use their land for different objectives, for instance, to increase their revenue or for the public good.

As policies are the outcome of negotiation, they are often internally inconsistent and their objectives contradictory. The same goes for land policy, as the land question is a moral, social, political and economic question (Haila 2016). In this dissertation I suggest, that land policy can be used and have as its objective the active prevention of urban inequalities, such as the differentiation of income groups. At the same time, it may have other contradictory objectives that create the conditions under which urban inequalities flourish. The important questions then are, which goal predominates and under what conditions. I address such questions in Articles I and II, but before doing so, I must define land policy by answering the above-mentioned questions. I do this by drawing from eminent scholar of land policy, Pekka V. Virtanen (2000) and the land policy guidelines provided by The Association of Finnish Local and Regional Authorities<sup>11</sup>.

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<sup>10</sup> In Finland, municipalities have the right call themselves cities. I use the words municipality and city interchangeably.

<sup>11</sup> [www.kuntaliitto.fi/tilastot-ja-julkaisut/verkko-opaat/maapolitiikan-opas/kunta-ja-maapolitiikka/maapolitiikka](http://www.kuntaliitto.fi/tilastot-ja-julkaisut/verkko-opaat/maapolitiikan-opas/kunta-ja-maapolitiikka/maapolitiikka). Accessed on 17.10.2018.

## 7.1 Means of land policy

The means of land policy denote the various ways a city can acquire and allocate land. The means of acquiring land include voluntary purchase, land-use contract, pre-emption and expropriation. The means of allocating land are selling and leasing. Next, I briefly introduce these different means of land policy.

### *Acquisition of land*

The most common way to acquire land is by voluntary purchase of raw land. Raw land is land that is yet to be included in the detailed plan, such as forest-land. The city will build its land bank by purchasing raw land from private land owners. The price in a voluntary purchase is the market price of raw land.

Another means for a city to acquire land for its needs is by a so-called land use contract. Land use contracts became legal when the new Land Use and Building Act<sup>12</sup> (from here on referred to as the MRL) was ratified in 2000. A city can use a land-use contract when the land has not been purchased prior to planning, but the city plans on private land. A land use contract is an agreement between a city and a private land owner about the rights and responsibilities of each party over the planning and the implementation of the plan. The building of utilities – streets, parks, water supply and power lines – are usually the responsibility of the city. However, with a land use contract it is possible to have the private land owner accept responsibility for the building of utilities. Usually, the land owner's contribution to the building of utilities would be based on what that land owner gains in land value increase from the city planning on the land it owns.

The third means for acquiring land is by pre-emption. Pre-emption stands for the right of the municipality to acquire land with a price and terms already agreed upon by a land owner and a prospective buyer. Here, the municipality in a way overtakes the original buyer, and purchases the land with the price and terms set in the deed of sale. A city may use pre-emption to acquire land that it needs for utilities and recreational and conservation areas.

Finally, a fourth means of acquiring land is by expropriation. Expropriation means the legal obligation of a property owner to sell the land or property they

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<sup>12</sup> Fin. *Maankäyttö- ja rakennuslaki (MRL)*

own to the city if the city needs it. Private land may be expropriated by the city for public use, such as for the use of a public road or street. The city also has the legal right to expropriate land that is designated in the city plan for the use of a public building, say, a municipal care home for the elderly. Expropriation is generally seen as the last resort for acquiring land, as it often leads to conflict with the land owners. When expropriating land, the land owner should be paid the market price. Furthermore, if the property owner loses their home or livelihood in the process, the city must compensate them for their costs of acquiring a new property.

### *Allocation of land*

Municipalities have two ways to allocate land. The first is by selling it. The pricing of municipal land may vary. For example, when selling land for owner-occupiers who build detached housing, municipalities tend to sell the land at some 10 to 30 per cent below the market price. When the city sells land for social housing, the price is between 50 and 80 per cent of the market price. Sometimes municipalities sell the land at auction, selling to the highest bidder. If no auction is organized, the price is based on market price estimates provided by an external real estate evaluator. Different land prices are based on the objectives of land policy, which I will introduce in more detail below.

The second way of land allocation is through leasing. When leasing land, an annual rent of between four and six per cent of the estimated market price of the plot is common. The rent is tied to the cost-of-living index. Municipalities tend to use both selling and leasing of land. The means chosen are based on the objectives of land policy.

## **7.2 Objectives of land policy**

The objectives of land policy are many, but the common ones are city planning and managing the development of the built environment, housing affordability, attracting residents and businesses, and finally, money.

### *Planning and the built environment*

In Finland, municipalities have a so-called planning monopoly. Planning monopoly refers to the legal right of the municipality to decide over the city plan

and its timing. However, despite the planning monopoly, it is an important question whether the planning is done on municipal land or private land. Planning on private land may cause conflicts with the land owner. Despite the planning monopoly, if planning on private land, the municipality will need to negotiate the plan and its implementation with the land owner. Also, the private land owner may benefit from the value increase of their land due to the plan and later due to public investment, without any effort of their own. This is known as the 'unearned increment'. The unearned increment can be taxed.

Then again, by practicing active land policy and purchasing the land first, the municipality can capture the value increase itself. For these reasons, cities tend first to acquire land for their land bank, instead of planning on private land. With an active land policy, cities can prevent the concentration of landed properties which provides an opportunity for monopoly pricing. This has the effect of curbing land speculation and controlling increases in the price of land. As noted above, voluntary purchase of raw land in good time has usually been the preferred way to acquire land. However, land-use contracts were legalized in 2000. In this dissertation, in Article I, I ask whether the use of land-use contracts has increased and how this affects the control over planning.

To ensure the land policy objective of a smooth planning process, municipalities tend to allocate land by leasing it. Leasing the land enables municipalities to retain the control over land use decisions in their own hands. The planning monopoly is about control over the development of the built environment. By the terms set for the allocation of land, the municipality can practice this control. With the terms of allocation, the city can set requirements such as the time in which construction should be completed, the types of housing to be built, and requiring that the land not be resold before building is completed. In addition, sanctions for not following the terms of allocation can be put in place.

#### *Housing affordability, residents and businesses*

With land policy, a city can attract residents and businesses. By allocating more land for housing, a city caters to a growing population. By selling land cheaply, a dying city may attempt to attract developers. As noted above, when allocating land for housing, cities have traditionally sold it under the market price. The objective has been to ensure housing affordability and not have a high land price push up the price and rent of housing. Land policy can curb land speculation and hoarding of land, which Haila (2016) regards as the main reasons for un-

affordable housing. Ensuring housing affordability throughout the city is a way to promote urban equality. Then again, by allocating land for specific forms of housing tenure, the city can also affect who it attracts and who it pushes away. Some cities have allocated large amounts of land to social housing in order to provide affordable housing for a heterogeneous population. Others have set the objective of attracting the well-off who pay high taxes by allocating land to detached, single-family housing. Another land policy objective is to attract businesses. By allocating attractive plots at attractive prices to businesses, the city can draw in employment and tax paying companies.

### *Money*

The final objective of land policy is to make money for the public treasury. Money from the selling and leasing of municipal land can be used to pay for public goods and services and to buy more land for the municipal land bank. Selling land is a quick way to gain money. However, the drawback is it will be a single payment. Leasing land brings smaller sums but is a reliable and continuous source of income for the municipality and enables long term budgetary planning. The means and objectives of land policy are subject to politics.

## **7.3 The politics of land policy**

The means and objectives of land policy are the outcome of political deliberations and they vary according to decisions made by municipal councils. In this dissertation, I have not investigated the particular political traditions of municipalities and how these traditions have affected the means and objectives of land policy. Neither have I explored the opinions of representatives of land use authorities *in light of their political party background*. I find that an investigation of the politics of land policy would warrant a study of its own. Let a brief discussion of how land policy is made suffice here.

Municipalities have land policy programs. In the land policy program, the city council defines the means and objectives of land policy. The city boards and councils, the members of which are elected representatives of different political parties, vote and decide on the contents of the land policy program. According to Virtanen, there is wide agreement that left-wing majority cities and cities that received large amounts of donated land use the means of land policy more

actively by purchasing and expropriating land and building on municipal land with objectives such as affordable housing. Conservative cities and cities where public land ownership has been limited are seen as more inclined to allocate land by selling it, to favor the interests of private land owners and to refrain from expropriating land. Their land policy objectives would center on attracting private investments and businesses and reaching land sales goals. According to Virtanen, the differences in land policy between cities are usually explained by these two things: the political orientations of the cities and the tradition of their councils and real estate departments, and the amount of land the municipality owns and received as donations.

For Virtanen, however, both these reasons are inadequate. For example, Helsinki received a mere 24 km<sup>2</sup> of donated land. Today the conservative-led city owns 134 km<sup>2</sup> of land within its borders and another 59 km<sup>2</sup> outside its borders. The large land ownership in Helsinki's case is based on buying land and planning and building on its own land, which means practicing active land policy (Virtanen 2000; Helsinki City Urban Facts 2013.) If, as Virtanen suggests, the role of party politics is not so significant for the assumed means and objectives of municipal land policy, then what is? I suggest that of utmost importance are the conditions under which municipalities practice land policy.

The legislation that guides land policy and land use changed in 2000 when the MRL legalized land use contracts and increased citizens' opportunities to participate in planning. Meanwhile, during the same time, state real estate management was moved to Senate Properties, a newly-founded state real estate corporation. Furthermore, the management of municipal land and real estate was moved to so-called Premises Centers, which are revenue-seeking public utility companies. Articles I and II in this dissertation investigate land policy in light of these changes in the conditions under which municipalities practice their land policy. These changes in conditions were due to large national transformations and a political turn that has driven most municipalities to reorient their land policy objectives, regardless of their political tradition.

## 8 Housing policy

Housing policy refers to government actions involved in the supply of and demand for housing. I distinguish between two sets of such actions and call them housing production policy (supply) and social housing policy (demand). I introduce these policies below. I also discuss whether Finnish housing policy is welfare policy.

### 8.1 Housing production policy

In 1949, the state established The Housing Development Committee or *Arava*. The task of Arava was to subsidize housing production. Originally, Arava was supposed to be a temporary measure to help alleviate the post-war housing shortage. However, state support provided to the construction sector in the form of interest subsidies for loans and investment grants became a permanent feature of Finland's housing policy. Arava subsidies were used during the urbanization period of the 1960s and 1970s, as thousands of people moved from the countryside to cities. Developers lacked the funds to build enough housing for the growing urban population, so the state subsidized construction. During the 1990s depression, nearly 80 per cent of housing development was state subsidized. During the late 2000s financial crisis when private development slowed down, state subsidized social housing development created job opportunities for construction workers.

A primary task of housing production policy has been to balance the cycles of the economy. The expectation is that the private sector has the main responsibility for housing supply. When business is good, the state's role in housing production is subdued. When the economy stagnates and private investment withers, state subsidies are increased. In cities, there are always people in need of affordable housing, and as Juntto (2001, 53) writes, "the poor have been the life insurance for developers". However, instead of a state housing production policy ensuring consistency in housing affordability, Finland's housing production policy is erratic and mainly used to correct market failures.

Today Arava is known as The State Housing Finance and Development Centre or the ARA. The ARA operates under the Ministry of the Environment and is the main

body responsible for housing policy in Finland. On its website<sup>13</sup>, the ARA informs us, that it “has major responsibility for the implementation of Finnish housing policy. ARA grants subsidies, grants and guarantees for housing and construction, and controls and supervises the use of the ARA housing stock. In addition, ARA participates in projects related to the development of housing and expertise in the housing market, and produces information services for the industry.”

## 8.2 Social housing policy

Although tax-deductible interest on mortgages subsidize owner occupation, the support for housing demand is directed mainly at people who cannot afford housing in the market. This support takes the form of housing benefits. According to *Kela*<sup>14</sup> (the Social Insurance Institution of Finland) in 2017 over €2 billion was paid in housing benefits so that people could pay market rent for housing. In addition, social rental housing is allocated to answer the housing demand of those meeting strict eligibility criteria, primarily inability to pay market rent. In today’s housing policy language, many social housing tenants are said to belong to “special groups”. The majority of new social rental housing development has been housing for special groups.

Finland’s housing policy is social policy (Haila 2015). The ideology is that for most people, housing demand is satisfied in the private housing market. Social housing is a form of social assistance only for the market incapable. To introduce an alternative to Finnish housing policy, Haila (2015; 2016) looks to Singapore. In Singapore, social housing, or public housing as it is called, is a universal good and over 80 per cent of Singaporeans live in public housing. This does not mean that there is no housing market in Singapore. The robust housing policy of Singapore provides the conditions under which the housing market operates. In Singapore, people are not divided by housing policy into special and normal, nor is housing policy a social service. Even though Singapore is not a welfare state, its housing policy is more like a universal welfare policy than Finland’s housing policy.

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<sup>13</sup> [www.ara.fi/en-US/About\\_ARA/ARA\\_implements\\_Finlands\\_housing\\_policy\(843\)](http://www.ara.fi/en-US/About_ARA/ARA_implements_Finlands_housing_policy(843)). Accessed on 17.10.2018.

<sup>14</sup> [www.kela.fi/tilastot-aiheittain\\_tilasto-yleisesta-asumistuesta](http://www.kela.fi/tilastot-aiheittain_tilasto-yleisesta-asumistuesta). Accessed on 17.10.2018.

### 8.3 Housing welfare?

The idea of universalism was important in the development of the Finnish welfare state. In Finland, all people may go to the same schools, use the same healthcare and the same social services. Interestingly, housing has seldom been a part of this list of universal, public provisions. Housing provision in Finland has relied heavily on the private sector, unlike, for example, education. Finland's education policy has provided state funded free education for everyone. Except for the above-mentioned brief period in the 1960s and 1970s, Finland's housing policy has never aimed to provide universal, state funded housing for everyone. The curious role of housing as a social right can be found in the Finnish constitution.

The Finnish constitution<sup>15</sup> guarantees the right to education and social security. Section 16 states "Everyone has the right to basic education free of charge. Provisions on the duty to receive education are laid down by an Act." Not only is education a right, it is also a duty. Section 19 on social security declares "Those who cannot obtain the means necessary for a life of dignity have the right to receive indispensable subsistence and care." And "Everyone shall be guaranteed by an Act the right to basic subsistence in the event of unemployment, illness, and disability and during old age as well as at the birth of a child or the loss of a provider." However, when it comes to housing the wording is more ambiguous. Section 19 continues "The public authorities shall promote the right of everyone to housing and the opportunity to arrange their own housing." Housing is not a right guaranteed in the constitution by an Act. Housing is acknowledged as a right, but one that authorities should promote by promoting the opportunities for individuals to arrange their own housing. No obligation has been set for the authorities nor guarantee for the citizen.

Housing policy in Finland is an economic policy and a social service, but it is not welfare policy. In Article III, I investigate why Finland's housing policy is toothless in answering the housing question and its role in urban inequality. I discuss some of the problems with Finland's social housing policy targeted at so-called "special groups" only. Despite the noble intentions of catering for the

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<sup>15</sup> [www.finlex.fi/fi/laki/ajantasa/1999/19990731](http://www.finlex.fi/fi/laki/ajantasa/1999/19990731). Accessed on 17.10.2018.

underprivileged, social housing policy that divides people into “normal” and “special” may contribute to urban inequality. However, before summarizing the research articles that make up this dissertation, I will next discuss the methodology, data and methods.

## 9 Methodology, data and methods

With this dissertation, I hope to contribute to our understanding of urban inequality. Of course, I am unable to offer anything close to a full explanation. Instead, I put forth what is merely one of the many pieces that constitute the explanation. My understanding of what it means to explain something is inspired by the tradition of critical realism in the philosophy of science (Bhaskar 2007; Sayer 2000; 2010). Although I do not explicitly discuss it in the individual articles, a critical realist approach to the social sciences has implicitly guided my approach throughout the dissertation. I now introduce three of the basic principles of critical realism in order to explain my methodology.

The first principle of critical realism is that the world exists independently of our knowledge of it and regardless of what you and I think about it. Reality comes to us in the form of different observable events. However, these observable events do not come to us with their own, ready interpretations. Instead, we must interpret the events and produce knowledge about them. Knowledge production is a social practice. What proves the independence of reality from our knowledge of it, is that our knowledge is fallible. We continuously correct and update our knowledge, based on recent observations and novel interpretations.

The second principle is that in addition to observable events there are structures which are pregnant with causal powers and mechanisms that under certain conditions may activate those causal powers, leading to the observable event. In the tradition of critical realism, to understand and explain an event is to identify the generative mechanisms and the conditions under which they contribute to the occurrence of the event. Let me put the concepts of *structure*, *mechanism*, *condition* and *event* in the context of my own study. One of the familiar *structures* in the social sciences is class structure. Class structure has the causal powers to materialize as the *observable event* of spatial differentiation and urban inequality. We have known this ever since Engels' study of the horrid conditions of the working-class areas in industrial English cities in the 1800s. Segregation research has described the differentiation of various groups taking place in Finnish cities over the past quarter of a century. The mechanisms through which this happens, research suggests, are housing choices and selective migration realized in the housing market. The housing market is the mechanism that, under certain conditions, will activate the causal powers of the class structure, leading to the

observable event of spatial differentiation. In this dissertation, I investigate the role of land and housing policies as the *conditions*.

The particular conditions I eventually identified became evident to me only when I began to work on the main body of data used in this dissertation. The data consist of interviews with officials, council members and civil servants who make decisions on land and housing policies in ten Finnish municipalities. The interviews were designed by Anne Haila and carried out by Jussi Laukkanen for a research project titled Land Policy and Property Rights. The project was conducted at the University of Helsinki, chaired by Anne Haila and funded by the Academy of Finland. I had the great opportunity to work on the project between 2013 and 2015, right after finishing my master's thesis. I was granted access to the interviews and was asked to transcribe them, doing so over the period of several months in 2013. Twenty-five, in-depth interviews were carried out in total, 22 with civil servants, officials and council members and three with land policy professionals. Interviewees were chosen as representatives of several types of cities in Finland, cities that varied from those with a lot of donated land to those with no donated land, old cities and new cities, growing cities and dying industrial cities. I later supplemented this data by interviewing five previous members of the Helsinki Real Estate Committee.

I began working for the project with a preliminary idea about what the object of my own research would be. However, I did not see at first that the data would help to reveal this important piece of the explanation of urban inequality. When transcribing hours and hours of interview tapes, the material began talking to me, pointing to a worthwhile path of investigation. Transcribing and analyzing various accounts, the defenses and excuses of policy makers, I began to realize that studying land and housing policies could help me better understand urban inequality. I also became aware that the role of policies has been understudied. This prompted me to define the object of my study to explore the role of land and housing policies in urban inequality.

The third principle of critical realism is that a social sciences explanation is critical. Criticism in my study means two things. First, on a more general level, I have always found the practice of the social sciences meaningful as a practice in social critique. It is as practice of social critique that I find that the social sciences can realize its emancipatory potential (Sayer 2000). Second, criticizing the object of study means not taking the world as inevitable. As Beauregard (2015, 54) writes, that would be “to embrace a conservatism that refuses to question what

has happened.” Instead, we should question and attempt to understand what is happening, that is to “go behind’ the reality we experience and discover the logics that lie below the surface” (Beauregard 2015, 54).

I find a critical approach of utmost importance when studying policy. One should not be satisfied with simple descriptions of what policies are implemented and how. One should ask for the justifications of policies; why was a certain policy instrument used or why did the objective of a policy change? These are questions that the policy authorities have first-hand information and also personal, professional opinions on. By critically investigating the justifications for policies given by authorities we can decipher the role of policies and hope to find explanations, in the case of this study, for urban inequality. Adopting such a critical approach, this dissertation investigates *what the roles of land and housing policies are in urban inequality in Finland*. This question is examined in four research articles.

Article I is a study of land policy in three cities. The data consist of interviews with representatives of land policy authorities in three large Finnish cities. Interviews with individual policy authorities were supplemented with municipal land-policy and land management strategy documents. In the interviews land policy authorities expressed their arguments in favor of chosen land use objectives and land management strategies, while a critical reading of policy documents helped shed light on the general strategies of the respective cities. I wanted to find out how the means and objectives of land policy have changed under two new conditions: the corporatization of public real estate management and the new land use and building legislation. Have policies changed under these new conditions? What are the possible effects and outcomes of adopted policies, especially for urban inequality?

Article II is a case study of the City of Helsinki deviating from its policy of leasing land and instead selling land to private developers. I analyzed policy documents, mainly the agendas and minutes of Helsinki City Council and Real Estate Committee (REC) meetings, to find out arguments for the decision to sell, and whether there were disagreements or conflicts about the selling of the land. I interviewed five members of the REC to gain insight into how the selling was legitimated. Helsinki’s real estate policy resembled that of entrepreneurs to the extent that we call it “entrepreneurial public real estate policy”. Policy documents and interviews were supplemented with observations and photographs during several field visits to find out what kind of urban environment was created.

In Article III, I trace the origin and the strange travels of the term of “special groups” found today in the vocabulary of Finland’s housing policy by reviewing the previous literature and documents on social and housing policies in Finland. I ask why social housing tenants are divided into categories of “special” and “normal” tenants and following the principles of critical realism, I criticize these categories. I study the justifications for limiting the provision of social housing to “special groups”, including students, seniors, immigrants, the disabled and substance abusers. Interviews with authorities reveal how Finland’s housing policy authorities interpret housing need as being caused by individuals’ shortcomings. This interpretation and the social housing policy guided by it are contributing to the stigmatization of social housing and risk adding to urban inequality.

Finally, Article IV is a critique of Finnish segregation research. It is a critical reading of Finnish segregation studies, challenging their concepts and assumptions. The article is also a critique of the positivist method of segregation research, satisfied with mapping and describing the divisions in the city without explaining them.

In the next chapter, I summarize the key arguments and findings of each article before bringing together and discussing the relevance of the findings in light of the research question.

## 10 Summaries of the original publications

This dissertation consists of four original research articles. In this chapter, I discuss the articles and their findings in light of this introductory essay regarding the previous literature on urban inequality, the dynamics of social and economic inequality and land and housing policies in Finland. Article I is an analysis of changes in the conditions for municipal land policy. It investigates the means and objectives of land policy in three cities after the changes. Article II is a case study of a new type of public real estate policy in action. Article III critically examines the role of social housing policy. Finally, Article IV is a critical reflection of the concepts used and assumptions made in Finnish segregation research.

### 10.1 Article I: Neoliberal urban policy

The conditions under which municipalities practice their land policy changed in the 1990s and 2000s. Previously, the state had funded public services which the municipalities themselves produced. Municipalities allocated the land needed for those services free of charge. After Finland experienced a severe recession in the early 1990s, the state began to withdraw funding to municipalities. The doctrine of new public management (NPM) was formulated in the United States, Britain and France in the 1970s. Two of its key elements are the dismantling of central public management and the introduction of entrepreneurial practices to the public sector (Kuusela & Ylönen 2013). The doctrine of NPM influenced the reorganization of the state's funding of municipalities that took place in 1993. Municipalities were now required to draw up urban development programs, based on which the state would distribute funding to successful cities. Cities were forced to compete with each other for state funds and also encouraged to seek private funding.

Municipalities established revenue-seeking public utility companies called Premises Centers<sup>16</sup> to manage their land and real estate. It was thought that Premises Centers would manage land and real estate in a more business-like

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<sup>16</sup> Fin. *Tilakeskus*

and cost-efficient manner. Meanwhile, state real estate was corporatized under state real estate corporations such as Senate Properties. In 2000, the Land Use and Building Act (MRL) was ratified. The MRL guides land use in Finland. One crucial change to the legislation with the MRL was that it legalized land use contracts. Land use contracts are a type of public-private-partnership between a municipality and a private land owner. (Haila 2016.) In this dissertation (Article I), I study land policy in three Finnish cities – Helsinki, Tampere and Turku – and ask whether changes in land use legislation and public real estate management have affected the means and objectives of land policy.

The introduction of Premises Centers brought a change from the traditional leasing policy. Today, municipal land is increasingly being sold at auction to get funds for the needs of municipalities. Since the establishment of Premises Centers<sup>17</sup>, the selling of municipal land has increased in all three of the cities. The purposes of selling land in Helsinki, Tampere and Turku are to boost the cities' attractiveness and invigorate business life and to meet land sale goals set by the Premises Centers. For example, land is sold for shopping malls, which enable cities to demand that developers build public utilities. But selling land also gives the city a large sum of money. Indeed, the money made from land sales, which could then be used for municipal needs, was reported as a major reason for auctioning public land. Public services such as health care centers and libraries, are no longer given premises for free, but are rent-paying tenants of Premises Centers. Simultaneously cities have been working hard to invite the development of innovation parks to boost growth in the creative sector. Land use is being increasingly tied to getting money to the public treasury and promoting the needs of private companies.

Before ratification of the MRL, land use contracts were not mentioned in the law. However, according to Virtanen (2000) contracts with private land owners have always been a part of municipal land policy. Contracts have been used especially in situations in which a municipality does not acquire the land but plans on private land. Haila agrees (2016) and explains how in practice, cities

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<sup>17</sup> As of 1<sup>st</sup> of January 2018, the public utility company Tampere Premises Center is no more. Its operations are now carried out by a private corporation called Tampereen Tilapalvelut Oy. Whether the corporatization of municipal real estate management is becoming a wider trend in Finland and what its effects will be, are questions for further research on this important topic.

have always made contracts with land-owning construction firms. In the 1980s, the four largest development companies operating in Helsinki shared 63 per cent of all housing construction. These developers had also managed to buy large amounts of fringe land. Owning the land meant that the companies did not have to compete over price or quality of construction. It also enabled them to negotiate with the authorities, whose powers over development were thus weakened. As the land they owned was on the urban fringe, the development contracts resulted in urban sprawl. (Haila 2016.) This sprawl took place predominantly in eastern and northern Helsinki. Mäkinen (2000) has proposed that housing estates developed with the use of contracts on private land in fact became dilapidated and socially differentiated for this very reason.

Finnish municipalities, however, have what is known as the planning monopoly, which is a strong instrument for preventing urban inequality. The planning monopoly means that the municipality has the development rights and basically dictates what gets built and where. It is thus a cornerstone of an active and systematic land policy. It ensures that there is even development of the built environment and enables the city to prevent the formation of exclusive enclaves of wealth and concentrations of poverty. Despite the contracts made in the 1960s and 1970s, due to active land policy in later development, by 1990 Helsinki was the most equal it has ever been (Lankinen 1997).

Since the introduction of the MRL and the legalization of land use contracts, the use of contracts was reported to have only grown in all three cities. The interviewees found contracts to have positive effects. With a land use contract, the municipality can ensure that the developer agrees to build and pay for public infrastructure, saving public expenditure. Contracts, however, are the outcome of negotiations and coming to an agreement means that the developers also gets what they want. With a land use contract, previously inalienable development rights are now surrendered to negotiation and private companies now have a stronger say in urban development. Interviewees in all three cities agreed that the increasing use of land use contracts since the new legislation has now jeopardized municipal planning monopoly and the control over urban development. As one interviewee stated, “development contracts mean that cities are now sitting in the backseat of urban development”.

Despite political tradition, local-level decisions are often forced to adapt to national and international economic circumstances, leading to increasing competition between cities to attract investment and jobs (Brenner & Theodore

2002). Neoliberal ideology has been important in legitimating the new competitive, or “entrepreneurial city” (Peck & Tickell 2002, 393–394). This competition often leads to growing concern over a city’s image and to city branding initiatives, to the development of business parks and innovation hubs, and to increasing use of urban development corporations and public-private-partnerships. By competing with one another and marketing themselves, cities are encouraging businesses and workforces to move. Swyngedouw et al. (2002) call this process neoliberal urbanization.

In Article I, I describe as a *neoliberal urban policy* the kind of urban policy that borrows its modes of operation from the business world, intensifies inter-city competition, is used to market cities to attract investments, is practiced through the use of public-private-partnerships and contracts, and replaces the traditional production of services through a redistribution-driven approach with growth goals. Urban policies dictated by the neoliberal market economy were first explored in the United States and Britain (e.g. Molotch 1976; Harvey 1989). Neoliberal urban policy drives cities to adopt practices that subject them to the risks of market competition. One of these risks is the growth in urban inequality.

As I point out in Chapter 5, Vaattovaara (2002) argues that there was no “political turn” that could account for the increasing urban inequality of the HMA. In Article I, I define the changes in the conditions for land policy and land use in the cities compared in the study as informed by a neoliberal urban policy. Based on the findings from Article I, I suggest that there was in fact a political turn, beginning in the 1990s, that affected urban policy and that could account for growing urban inequality. That is, the rise of neoliberal ideas of privatization and deregulation. Because of this political turn, interest in public land ownership and intervention has vanished (Haila 2016). Neoliberal urban policy affects how municipalities use their land. Traditional welfare objectives of land policy – preventing and alleviating urban inequality, ensuring public space and housing affordability – have become challenged as the conditions for practicing active and systematic land policy have been challenged.

Policies are the outcome of negotiation. Because of this, as was discussed in Chapter 7, policies are often contradictory and have inconsistencies in their objectives. However, new land policy goals that contradict original goals – such as attracting wealthy, high tax-paying residents and making big sales revenues by selling public land – have become ever more important. The condition for this change was the political turn to a neoliberal urban policy – the corpora-

tization of public real estate and the new legislation. This dissertation, Article II, investigates the justifications and outcomes of the new type of land and real estate policy. Article II exemplifies how land policy increasingly provides the conditions for urban inequality to flourish, because of the new goals and objectives set for it.

## **10.2 Article II: Entrepreneurial public real estate policy**

Article II is a study of the City of Helsinki in 2005 selling land in a prestigious residential area called Eiranranta to private developers for a record price. We study the justifications for selling the land, the deal-making process and the outcomes of the development, what type of built environment was created and what the whole process means for equality in the city. Based on interviews with Helsinki Real Estate Committee (REC) members and analyzing the minutes from city council meetings, Article II is a study of what we call “entrepreneurial public real estate policy”.

Interviews with REC members made clear that the decision to auction the land was made with three specific goals. The first goal was money. In the 1990s, the state began a new redistribution policy, undoing the earlier system of state support for municipal activities. The state reduced its public spending, shifting the burden of funding public services to municipalities. Increased responsibility to fund public services created a pressure for cities to find alternative sources of money. Selling public land and real estate is one such alternative.

By the beginning of the 2000s, decision makers in Helsinki had grown concerned that the neighboring cities of Espoo and Kauniainen, which had developed detached and owner-occupied houses to meet the preferences of high-income groups, were now attracting all the high-taxpaying individuals. Helsinki did not want to be left out as the only one developing housing for the low-income population. The second goal of entrepreneurial public real estate policy in Eiranranta was to develop the area as an expensive, private residential enclave that would test the top end of the housing market to attract more so-called “good taxpayers”. The inter-city competition was then a key reason for selling land in Eiranranta. However, the Eiranranta deal was not just a way to compete against neighboring cities, but also a way to make the city more attractive to a foreign workforce and to compete with European cities. The third goal of selling the land was that a

luxury housing development was thought of as attractive to foreign professional workers otherwise reluctant to migrate to Helsinki.

What is interesting is the minimal public opposition to entrepreneurial public real estate policy. Conducting the research for Article II, we wondered why the auctioning of public lands caused no public protest. Our interviews showed no concern over or opposition to alienating public property. The City Council minutes show that only one councilor opposed the deal and brought a motion to overrule it. The motion received no support and was discarded. This suggests that the new entrepreneurial public real estate policy had already been accepted and viewed as natural. The idea that the city should always sell its land to the highest bidder was agreed on by interviewees.

It appears that there is now a strong public discourse (Bourdieu 1998) that represents the market rule policy as natural and self-evident (see Peck and Tickell 2002, 382). The press, especially Helsinki's biggest newspaper *Helsingin Sanomat* has been consistent in its calls for the City to sell public lands at the maximum price, as this is argued to be in the taxpayers' best interest. The government called for state land and real estate assets to be assessed according to their market value, and economists can be found to support the selling off of public lands. We even found urban scholars making public statements that justify entrepreneurial public real estate policy. The selling of public land with the highest offer has become a new "common sense" (Bourdieu 1991).

The only cause of debate and protest was the arrival of a little-known investment company on the Helsinki development scene. The Eiranranta site consisted of four plots of land to be sold to, and developed in collaboration by, four companies. Out of the companies making the highest offers at the land auction, three were household developers in Helsinki. All of them made a strikingly similar offer. The fourth bidder, the investment company, perhaps oblivious to the agreed prices, offered €3 million more than the developers did. The Real Estate Department, which has long-term relationships with household developers who were used to sharing the development market, wanted to exclude the newcomer. Their excuse was that the investment company was inexperienced and would not be able to build according to the expected high standards. In the end, the City Council and the Deputy Mayor proposed selling to the newcomer. The interesting and little-discussed event is how a small-time player came to challenge the large development companies with vested interests and a monopoly position in the Helsinki development scene.

Finally, Article II investigates the outcome of Eiranranta development. Eiranranta was developed exclusively with one social class in mind – the high net-worth individuals. It was developed for those who can afford to pay a high price for housing, excluding those who cannot pay. Helsinki’s housing policy of social mixing and the fight against segregation, agreed upon jointly by the cities in the Helsinki metropolitan area, was blissfully forgotten. The area itself has little public space and the buildings and private front-yards are surrounded by walls with gates for private entry only. The interviewees saw no harm in developing a site only for high-income individuals and were not able to see the link between exclusive development and urban inequality.

Article II shows the consequences of entrepreneurial public real estate policy on the built environment. Eiranranta was developed as a neighborhood for those who can pay the market price for their housing and excluded those who cannot. What explains the acceptance of such uneven development and the inability by Helsinki’s civil servants and elected REC members to see such an unequal development as a warning sign of differentiation?

We suggest that their focus on real estate business and seeing the Eiranranta project as a success displaced their worries over the dangers of urban inequality. They did not question the selling of public land, nor the development of exclusive neighborhoods for the sole use of the wealthy homeowners, nor did they see that the lack of social housing in Eiranranta contradicts the city’s policy of social mixing by building housing of various forms of tenure in all neighborhoods. Entrepreneurial public real estate policy made decision makers blind to the traditional objectives of land policy, such as even development of the built environment, affordable housing and preventing urban inequality. The role of this new land and real estate policy was that it contributed to the division of the wealthy from the rest of the city into their own exclusive enclave and exacerbated the spatial differentiation in the city.

### **10.3 Article III: Divided by housing policy**

A question that puzzled me and, as I wrote in Chapter 2, partly motivated writing this dissertation, was why social housing, which is simply a tenure type, is so often referred to in order to explain social problems or the concentration of underprivileged households. It has become common sense in public debates, po-

litical discussion and even in the research literature, to claim that social housing brings in people suffering from social and economic hardship. Why would social housing, simply one form of housing tenure among several, explain segregation?

I came to notice a curious tendency for some of the officials and civil servants interviewed for the project Land Policy and Property Rights to refer to social housing as not intended for “normal people”. There was a striking division of residents into those who respondents called “normal people” or “normal tenants” and those they called “special groups”<sup>18</sup>. Might this division of people into “normal” and “special” be related to the stigma that social housing appeared to carry? In this dissertation, in Article III, I explore the division of residents in housing policy jargon and the role of social housing in Finland.

I begin by asking how the term “special groups” arrived in housing policy? We know from Juntto (1990), that after the Second World War, thousands of Finns were left homeless. The state established Arava – today known as The Housing Finance and Development Centre or the ARA – and a housing loan program to subsidize housing development. The program eradicated homelessness for families. However, homelessness continued for single men, war veterans often suffering from physical and psychological disabilities and alcoholism and other addictions. They were treated in care institutions, where patients were classified as “special groups”. Outside care facilities their housing conditions were precarious, spending their nights on the street or in night shelters.

In the 1960s, the housing question of these men, living in and out of institutions and on the streets, was reformulated by the Ministry of Social Affairs and Health, which now began using the term “special groups” more widely. During the 1970s, officials became increasingly concerned over the homelessness of single individuals, but also the expense of providing institutional care. Social housing was developed to tackle homelessness and to house people previously in institutional care, or the so-called “special groups”. (Taipale 1982, and personal communication 2017.) Today, housing policy divides social tenants into “special groups” and “normal tenants”. Next, I ask, who are the “special groups” and “normal tenants”?

The housing legislation defines special groups according to what it calls “special needs”. And the housing administration lists and names several groups. In 2004, the term was extended to include diverse groups such the homeless,

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<sup>18</sup> Fin. *Erytisyryhmät*

refugees, students, people with substance abuse and mental health problems, the disabled and elderly people. To understand what “special needs” are, I draw a parallel from disability studies and what is known as the social model of disability (Oliver 1984; 1986). The social model is a criticism of the tendency to individualize disability as “special needs”, brought on by a body’s impairment, disregarding the social organization of society in ways that, in fact, disable the said body. The social model helps to scrutinize the official housing policy definitions of the term “special groups”. The antonym for normal is not special, but abnormal (Clapham and Smith 1990), and this is how housing policy jargon is in fact using it. Special needs are defined by needs that a non-disabled person does not have. Hence, disability is not understood in housing policy as produced by the development of housing exclusively for the non-disabled, but as an individual frailty.

Two types of social rental housing are also distinguished, “housing for special groups” and “normal rental housing”. The majority of new social rental housing is of the first kind, while the overall amount of social housing is declining. The third question in Article III is why more social rental housing is developed for “special groups” than normal rental housing? I investigate the contemporary process of targeting social rental housing particularly to “special groups”, a process I call “specialization”. Interviews with housing officials were analyzed to explore how they justify the targeting of social housing to specific groups only and why more social housing for “special groups” is built than normal rental housing. The primary reason is to save municipal expenses. Cutbacks to institutional care continue and social housing is used to promote the ideal of independent living. Municipalities have reduced the production of normal rental housing, while people previously in care homes and institutions are now housed in social housing.

Another reason that the interviews suggest for the increase in amount of special social housing is that it has become a lucrative opportunity for rent-seeking<sup>19</sup> speculative developers. It appears that developing special social housing has become a way to milk government subsidies for private housing development. Social housing intended for “special groups” can be sold off if it is proven to be no longer needed. How commonplace this is and whether developers are in fact

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<sup>19</sup> Rent-seeking means manipulating the law in order to get profit (Haila 2016, 58).

lobbying the social and health officials about special housing needs, however, will require further investigation.

Finally, in Article III, the effects of the term “special groups” and the targeting of social housing are critically discussed. I suggest, that what Gans (1996, 151) writes about the underclass term, also pertains to the term “special groups”; it is an umbrella term and “the umbrella is open to anyone who wishes to place new meanings, or a variety of stereotypes, accusations and stigmas under it.” Because of the policy of positive discrimination, i.e. income-based eligibility criteria, the common denominator for social housing tenants is that they cannot afford market rent. The term “special groups” is then used to point out people who are perceived to have failed in the housing market. The term singles out individuals who have failed their responsibility and blames them for it. The purpose of social housing is consciously reduced to that of alleviating the symptoms of people suffering from housing unaffordability, not to solve housing unaffordability. The contradiction in housing policy is that while social rental housing is an attempt to alleviate urban inequality by providing for those worse off, it comes to concentrate only the most vulnerable populations in social rental housing. This form of tenure has then become seen as inferior and unwanted and even used to explain social problems and spatial differentiation.

The term “special groups” ultimately diverts our attention from demanding an explanation for housing inequality and high housing costs, to the individual who cannot cover those costs. Instead of seeing the myriad ways in which the housing market fails the individual, we only see individuals failing in the housing market. The term “special groups” pathologizes housing need, making seem like an individual “special need”, what is in fact the structural problem of unbearably high housing cost, caused by the commodification of housing (Madden & Marcuse 2016), the land rent maximizing behavior of speculative developers (Haila 2016) and entrepreneurial public real estate policies (Hyötyläinen & Haila 2017). Such an approach releases housing authorities of responsibility. I argue that the term “special groups” is a form of symbolic power (Bourdieu 1991). The term is part of a harmful discourse that structures people’s interpretation of the world, in this instance, naturalizing persistent housing inequalities and pathologizing housing need.

## 10.4 Article IV: Poverty of theory

In Chapter 5, I discussed research on segregation in Finland. It has produced a wealth of empirical evidence describing segregation during recent decades. However, the theories and concepts it has applied have been left wanting. In the final part of this dissertation, Article IV, I critically explore some of the theoretical and conceptual shortcomings of Finnish segregation research.

In Article IV, I argue that segregation research in Finland has relied on certain unwarranted assumptions. I identify and critically assess three such assumptions. The first assumption is that segregation is caused by consumer choices in housing. The second assumption is that less well-off groups are to blame for their own predicament. The third assumption is that the U.S. based “white flight” thesis can be uncritically transferred to the Finnish context.

The first unwarranted assumption is that segregation is *caused* by individual consumers choosing from different housing options and eventually locating in same areas as their “own ilk”. Housing preferences and consumer choices matter, as housing market is the mechanism that brings about spatial inequality. However, the causality assumption disregards the conditions that enable inequality in housing provision. Take the social housing estates of the 1960s and 1970s built in the northern and eastern parts of Helsinki. During their construction, social housing provision was universal and housing estates, with their spacious apartments and natural surroundings were in fact seen as a much-favored move up from crowded living conditions in the city center. People from both the middle and working classes lived in housing estates. We know that they were built in partnership between the City and land-owning developers (Hankonen 1994). We also know that due to developers being land owners, there was a lack of competition in building materials (Haila 2016).

Eventually, opportunities for investment arose elsewhere. Due to the poor quality of building materials, some houses began to deteriorate<sup>20</sup>. Over the years, the better-off started moving out. Meanwhile, social housing policy saw to the “specialization” of social housing. For the poor and marginalized, the housing options were reduced to social housing in peripheral estates. Disinvestment

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<sup>20</sup> Today some of the 1960s and 70s housing estates are being razed to the ground, as it is cheaper to demolish the houses, temporarily evict the tenants and build new housing. Whether there will be new social housing for the original tenants should be carefully followed.

took place before the low-income populations settled in, not after. The first unwarranted assumption too readily neglects political-economic reasons for segregation, such as uneven development of the built environment. Eventually, it comes to blame the process for itself. In blaming the process for itself, the circular reasoning comes to blame the vulnerable populations for their own predicament. This leads to the second unwarranted assumption about segregation.

The second assumption is that the concentration of poor and marginalized populations produces nefarious socio-spatial outcomes, which higher income and better off people – who Finnish housing policy might call “normal people” – tend to avoid by moving away. They are then replaced by more poor and marginalized people whose segregation now comes to enforce itself. Even in their latest work, among Kortteinen and Vaattovaara’s (2015, 571) key concerns is the question of whether “localized cultures of poverty are being formed and what their connection is to the local social order and livability of the areas”. There is a tendency for researchers to concentrate on investigating how neighborhood background affects the life chances of individuals or the so-called neighborhood effect.

Neighborhood effects research often rests on the assumption that a socio-economically segregated low-income neighborhood itself *causes* not just the moving out of the better off, but also the deepening social deprivation and the decreasing life chances, such as the bad employment prospects of its inhabitants. Neighborhood effects research too readily dismisses social and economic inequality and instead focuses all efforts on investigating the neighborhoods and habits of the poor and underprivileged in order to understand their predicament. (Slater 2013.)

The third unwarranted assumption is to transfer uncritically the theory of white flight to Finland. Segregation researchers are worried that the presence of minorities in some neighborhoods will begin to push out the “natives”. Studies concerning white people’s avoidance of black people developed what is known as the white-flight theory. Finnish segregation researchers have been interested in whether a white-flight phenomenon might be happening in the HMA. The white flight theory was formulated to explain a historically specific process in the mid-20th Century U.S. inner cities, when white people moved from the city to the suburbs, apparently to flee inferior, black neighborhoods. White flight scholars wanted to understand what they saw as race-induced migration and asked how many black people it takes to live in an area until white people begin to move out?

However, the racist category of black neighborhoods as inferior was not borne out of thin air. Neighborhood associations and property owners propagated the idea that black peoples' presence would drive down the exchange value of real estate (Gotham 2000). The suburbanization of America was not the outcome of a sudden collective decision for all middle-class white Americans to flee the city and its black population. The demand was created. Beauregard (2006, 33-34) reminds us that the suburbs were built for the whites, as "racial discrimination in suburban housing markets was widespread and virtually unimpeded. Minorities, mainly African Americans, were also discriminated against in the cities, but they were not wholly excluded, as was the case in new suburban developments." The white-flight theory can be criticized even in its original context. Its transatlantic transfer to a context with a fundamentally different "racial" history should be scrutinized.

The second problem is about the production of a stigmatizing language in the name of theory testing. In an article entitled *White flight? Why do people move out of immigrant concentrations?* (Vilkama, Vaattovaara & Dhalmann 2013) the authors investigate whether there is an ongoing process of "native flight" from neighborhoods they call "immigrant concentrations"<sup>21</sup>. They define "immigrant concentration" as a neighborhood in which 11 to 24 per cent of the population was born outside the Nordic countries (ibid. 488). The authors find that, in fact, the presence of "immigrants" is not the reason why "people" move out of these areas, but that "reasons associated with ethnic and social composition of the neighborhood are closely interwoven in the respondents' experiences" (Vilkama, Vaattovaara & Dhalmann 2013, 297).

The first source of stigma is in the haphazard categorization of people. The title of the white-flight article discloses a certain prejudice and begs the question, are immigrants not people? The second source of stigma is in the definition of "immigrant concentration" – being born outside the Nordic countries does not render one an immigrant, non-native, nor non-white. Furthermore, the article found that immigrants are not the reason "people" are moving away, but because of a plethora of social problems in the neighborhoods. Yet the authors insisted on using the term "immigrant concentration" as if it could capture and

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<sup>21</sup> The authors use the Finnish term *maahanmuuttajakeskittymä*, which directly translates to "immigrant concentration", but which they translate as "immigrant dense neighborhood". I use the direct translation.

isolate anything relevant about the neighborhood. Bad abstractions, fabricated by scholars, can have real-world consequences (Sayer 1992). Chapter 4 included discussion about the reprehensible fate of the term “underclass”, especially after it was adopted by journalists. It is a term that came to shape the public interpretation of the predicament involved in urban inequality. Haphazard terms like “immigrant concentration” run a similar risk; they too easily exaggerate the issue or emphasize what is not there. They fail to capture what is relevant about the problem of urban inequality but succeed in reproducing a blemish of place and stigmatizing neighborhoods of the vulnerable.

## 11 Discussion

From 1960 to 1990 the stark concentrations of wealth and poverty of a once-differentiated Helsinki dispersed (Lankinen 1997; 2007). However, by the late 1990s, the tide had turned. Finnish segregation researchers have now provided evidence of a consistent growth in the differentiation of the urban population over the last two decades. This has been so much so, that they suggest calling the contemporary period “the age of segregation” (Kortteinen and Vaattovaara 2015). One of their greatest concerns has been to map where concentrations of low-income families, ethnic minorities and the unemployed have been forming. The social problems said to be caused by the underprivileged who call these concentrations home, are feared to encourage the better-off and “native” individuals to choose housing elsewhere. Segregation researchers suggest that the social problems in the neighborhoods of the underprivileged are then deepening as more poor, unemployed and minorities are sucked into these “black holes of urban development” replacing the out migrating wealthier people and so intensifying segregation.

There is an interesting gap in the research, however, in that the question *why* the concentration of underprivileged has been taking place has not been studied. First, researchers have been satisfied with the argument that there was no political turn that could account for the shift from a period of evenness to the age of segregation. Second, segregation has been viewed as a cyclical process, taking place to the extent that it even suggests causality; segregation breeding more segregation. The descriptive investigations of the questions “how” (circular description) and “where” (mapping neighborhoods) of segregation have then become the orthodox approach in Finnish research on spatial differentiation. In this dissertation I have identified some of the many problems with this orthodox approach. One severe problem is that it argues segregation to start with the presence of underprivileged people in an area. It accuses the worst-off among us for their predicament.

In this dissertation, I addressed the above-mentioned gap in research, and attempted to provide a small break in the circular descriptions and, by exploring the question “why”, provided an alternative to the orthodox approaches to the study of urban inequality. I did this by investigating the role of land and housing policies in urban inequality. Contrary to the claim of segregation researchers,

the findings of this dissertation point to a political turn beginning in the 1990s that could help explain the increasing urban inequality in Finnish cities over the past quarter of a century. That political turn was one in favor of decentralization, privatization, deregulation and inter-city competition for state funding. In the aftermath of the early 1990s recession, the state began to withdraw its funding to municipalities. Municipalities were now required to draw up urban development programs, based on which the state would distribute funding to successful cities. Cities were forced to compete against each other for state funds and encouraged to look for private funding.

I describe as a *neoliberal urban policy* the kind of urban policy that borrows its approach from the business world, intensifies inter-city competition, is used to market cities to attract investments, is practiced using public-private-partnerships and contracts, and replaces the traditional, redistribution-driven approach to production of services with growth goals. Under this neoliberal urban policy municipalities established revenue-seeking public utility companies called Premises Centers to manage their land and real estate. Premises Centers are thought to manage land and real estate in a more businesslike and cost-efficient manner. Public land and real estate are increasingly used to attract investment and businesses to cities. Land has become a means to compete, promote urban growth and collect money for public treasuries. This means, that municipalities are today inclined to sell their landed properties and charge the market rent for the use of their land.

I explored the policy of selling public land and its effects more closely in Helsinki. In 2005, the City sold land to private developers who developed a residential area for homeowners only. The city gave up its requirement that an area developed on municipal land should include social housing. By selling the land to developers who managed to sell the apartments they built for record high prices, the City also facilitated the trend of excluding from the city those who cannot pay the market price for their housing. A private fenced residential area exclusively for high net-worth individuals was developed on the privatized land, introducing a new type of physical division between people in Helsinki. To put these findings in a critical-realist framework, the role of what I call *entrepreneurial public real estate policy* was that it contributed to urban inequality by providing the conditions under which the housing market could work as a mechanism that activated the causal powers of class inequality to materialize in space as urban inequality.

The study concerning the selling of municipal land and its effects provided here presents an extreme case. The outcome was the first exclusive elite area in

Helsinki. The municipal land policies practiced after the political turn towards neoliberal urban policy have contributed to urban inequality by creating the conditions under which it flourishes more easily. To put this more frankly, because cities sell land and because they allow the speculative, land rent maximizing behavior of developers, land and housing are increasingly expensive in those cities and underprivileged people's chances to choose housing other than in disinvested peripheral neighborhoods are diminished.

A key housing policy objective has been to prevent urban inequality by alleviating the struggle over housing costs. However, Finland's housing policy has not been able to intervene enough to curb increases in the cost of housing. Instead, it has allowed the housing market to work as a sorting mechanism of the urban population. Homeownership and individual responsibility over housing are the norm. Social housing is allocated to those who struggle to acquire a home in the private housing market. In housing policy, many social housing tenants are called "special groups". The findings of this dissertation show that municipalities prefer building social housing for "special groups". Institutional care facilities are being closed and social housing is a cheaper alternative. I introduce the term *specialization* to describe the intensifying role of social housing as a social service for "special groups". After a brief period in the 1960s and 1970s when social housing was a universal form of tenure, social housing provision has specialized – it has become a targeted form of tenure and a form of social service. Housing policy not only allows for the unwanted division of people in the housing market, it now concentrates underprivileged people into social housing. Specialization and the rhetorical division of residents in housing policy contradict the policy's goal of tackling urban inequality. Social housing policy encourages a tenure-based division of people and the stigmatization of social housing and its tenants. Anneli Juntto wrote in 1990 (p. 381) that "equality has not found place even in the rhetoric of housing policy". This rings true three decades later and Finland's housing policy is evermore toothless in addressing the housing question.

The roles of land policy and housing policy in urban inequality in Finland are that they often enable the physical and symbolic divisions of people in the city. An important policy implication for cities should then be that *if* preventing urban inequality is a serious policy goal, the means and objectives of land and housing policies should be weighed carefully and their contradictions acknowledged.

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