

Forum:	Economic and Social Council
Issue:	Addressing the cost-of-living crisis in metropolitan cities
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Introduction

The cost of living means the economic cost to maintain a certain standard of living for an individual or a family, which could differ across time periods and places. This includes the prices of food, drink, house rents, energy, medical care, utilities, furnishings, services, recreational activities, etc.

A cost-of-living crisis happens when people's expected lifestyle is no longer affordable for them, often due to a sharp rise of prices of their necessities while their incomes does not correspondingly increase. While negatively affecting almost everyone, the crisis is most disastrous for lower-income individuals and families.

The crisis has a range of huge negative effects on people's physical and mental wellbeing, such as choosing less healthy food (leading to obesity, undernutrition, and even starvation), anxiety, and depression. With an insufficient amount of money, people would also invest and consume less, which could further worsen the economy and start a vicious cycle.

In metropolitan cities, or urban areas with extremely dense populations, such as New York City, London, Shanghai, or Tokyo, this problem is the most severe, as inflation tends to be especially there due to the extremely high demand for housing, rent, and transportation.

Definition of Key Terms

Cost of living

The economic cost to maintain a certain standard of living for an individual or a family.

Cost of Living Crisis

A general social-economic situation where the cost of necessities for people to maintain their life, such as food, housing, and energy, significantly exceeds the income of the people.

Cost of Living Index

A theoretical index that measures the overall relative cost of living over time or regions.

Consumer Price Index

A theoretical index of the variation in prices paid by typical consumers for a specific set of goods and services.

Income

The wealth received in the form of money, especially on a regular basis, for work or through investments, by an individual or family.

Inflation

A general increase in prices and fall in the purchasing value of money, which could lead to a cost-of-living crisis for lower-class people whose incomes are fixed.

Metropolis / Metropolitan City

An extremely large and densely populated industrial and commercial city.

Poverty

The state of lacking sufficient material wealth to live at a standard considered comfortable or normal in a society.

Purchasing Power Parity (PPP)

A measurement of how much value of goods an amount of money will buy in different places.

Public Health

The health of a population as a whole, especially as the subject of government regulation and support, both physically and mentally in the broad sense.

Wealth Gap

The disparity in material wealth among different groups or between social hierarchies.

History & Developments

The Problem Historically

Unlike many other global issues, cost-of-living crisis in major urban areas has accompanied us for centuries, along with our efforts to alleviate it. In that sense, the problem today is simply a continuity of that in history.

Initial Urban Cost-of-Living Problem

The problem of cost-of-living in cities emerged almost simultaneously with the emergence of modern cities themselves. Along with the first industrial revolution starting in the 1760s, the first wave of modern urbanization occurred. Huge amounts of the population, mainly composed of former farmers, rushed into newly constructed urban areas. Most of them became factory workers, and their living expenses became a major challenge.

In first industrialized nations, such as England and France, while industrial production generated an unprecedented amount of wealth for the business owners; members of the worker class making up most of the population-along with other disadvantaged groups-lived in extremely impoverished conditions.

Over the two following centuries, the impoverished groups struggled for more rights and better living conditions through various forms; social welfare programs were conducted; laws that protected disadvantaged groups were made by governments; and overall economic conditions were largely improved. The life of these groups was largely improved over the two following centuries.

The Problem Recently

Around the 1980s, led by figures such as former US president Ronald Reagan and former UK Prime Minister Margaret Thatcher, western capitalist countries turned abruptly towards neo-liberalism, or in common language, turned “right” in their economic policies. Welfare programs were cut, laws that restricted large cooperations were loosened, and taxes exclusively on the wealthy were removed. Therefore, the wealth gap began to rapidly grow again, leading to the common saying, “the rich became richer, and the poor became poorer.” That made it more difficult for people of lower classes to afford their cost of living again. The effect of this development largely lasted until today.

The Problem Today

Currently, a lot of people around the world are undergoing a cost-of-living crisis, primarily due to a rapidly increasing inequality in wealth, along with a soaring inflation making basic necessities less affordable for most people, both on the worldwide scale.

On wealth gap, Former American Secretary of Treasury Larry Summer estimated that in 2007, the more impoverished 80% families received approximately \$7000 less income than they would under a 1979 income distribution. This trend is most significant in metropolitan cities, or the largest and most densely populated cities.

For example, in most part of New York City, between 2011 and 2021, a significantly growing portion of families were spending more than 50% of their total income on housing alone. The growth was most obvious for low-income families.

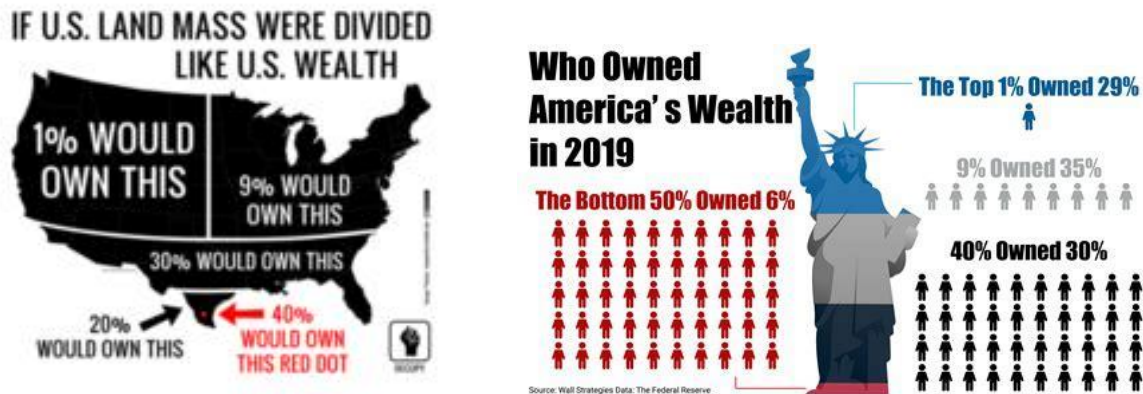


Figure #1: Representation of Wealth Gap in the US

Furthermore, the soaring cost of necessities such as food and energy is affecting people across the globe, which the economic impacts of some recent events such as COVID-19 and Russia's invasion of Ukraine has largely contributed to. Due to that, the United Nations Development Programme (UNDP) warns in 2022 that an additional 71 million people could be pushed into poverty. According to UNDP Administrator, Achim Steiner, "Unprecedented price surges mean that for many people across the world, the food that they could afford yesterday is no longer attainable today." This trend is also effecting major urban areas, where it generally costs the most to live at a decent standard, the most.

This trend struck developing countries the hardest. Florence Kageha, a Kenyan single-mother-of-three, tells Reuters in 2022, "The price of vegetables at the wholesale market has doubled, so I have to sell at double the price, but the customers can't afford it and I end up making a loss." In Bangedash, 3.6 million unemployed people are struggling to find work as inflation hits an eight-year high. Four years of hyperinflation in Venezuela caused most Venezuelans to not even be able to afford a funeral to bury a family member.

Major Parties Involved

United Nations Development Programme (UNDP)

The UNDP has been warning about the cost-of-living crisis. It also provides an effective platform for countries and specialists to come up with solutions to the problem. They could also provide useful information through ways such as estimating the effects of food and energy inflation on global poverty and vulnerability

The World Bank

The World Bank is addressing and could do more to further help with the cost-of-living problem through means such as supporting production and producers, facilitating increased trade in food and production inputs, supporting vulnerable households, and investing in sustainable food security. Additionally, as part of its core goal, the World Bank works on fighting poverty in all dimensions by developing sound policies and improving access to social and infrastructure services and good jobs.

The International Monetary Fund (IMF)

The IMF could help with the problem by providing information about inflation pressures, supporting policies to assist vulnerable households and individuals, phasing out protectionist trade measures which contributes to the problem, and foster agriculture in many ways such as making it more climate-resilient. The IMF could also promote and help implement financial policies on the governmental side to restore price stability, and even directly lessen the impact of the cost-of-living crisis on people. For now, the IMF already identifies widespread debt distress in vulnerable emerging markets as a threat to global growth.

USA

One primary direct factor of the current global inflation is the American excessive issuance of currency in the recent years. Meanwhile, the impoverished people in the US itself are also stuck in a cost-of-living crisis.

UK

The British exit from the European Union contributed to the regional inflation and cost-of-living crisis, as it broke some commercial links between Britain and other European countries, which made both sides less able to obtain needed supplies through trade.

Russia

After Russia invaded Ukraine, it cut off energy supplies for European countries, which supported Ukraine. Meanwhile, it caused sanctions that hardened the lives of their own peoples.

Timeline of Events

Date	Event Name	Description

1760s	Start of First Industrial Revolution	Rapid urbanization, cost of living in cities became major problem
1980s	Western sharp turn towards neo-liberalism	Wealth gap significantly increased, cost of living for lower class became major problem again
Dec. 2019	Start of COVID-19	Made earning money harder for most people and negatively impacted economy as a whole
Feb. 2022	Russian Invasion of Ukraine	Cut of supplies of energy for many countries, especially in Europe

Previous Attempts to Solve the Issue

Global governments designed and implemented means, including tax cuts, free train travel, energy subsidies, and cash transfers, to ease the problem, despite some of them may disproportionately benefit wealthier people and increase inequality as warned by UNDP. For example, In Spain, train travel over distances up to 300km will be free for the three months from September to December, for those buying a multi-trip ticket. In addition, the UK is giving 8 million low-income households a direct payment of \$780 split into two instalments, while every household will get a \$480 energy grant.

Relevant UN Treaties and Events

- In 2022, the UN has called for a moratorium on debt repayments to enable governments to subsidize food and energy for their people. It also urged governments to ensure that necessities get to those stricken by the cost-of-living crisis by protecting supply lines.
- Meanwhile, A report by the UNDP noted alarmed about the recent surge in poverty due to inflation and stated that efforts of global humanitarian assistance is needed to alleviate this problem.

Possible Solutions

One solution could be governmental regulations and control of economies. Specifically, this could include lowering the prices of necessities such as food, health care, and houses (including house rent). However, this could be hard in countries where governmental systems are heavily influenced by businessmen, as these policies could go against their interests. According to some economic theories, too much governmental intervention in the market could also harm the economy.

Another solution could be direct economic assistance towards people undergoing severe cost-of-living problems. This could be done through social welfare programs implemented by either governments or non-governmental organizations. Specifically, necessities that people are short and in urgent need of, such as food, shelter, or medical care, could be directly distributed or provided to them. Nevertheless, this could only alleviate the problem in short-term.

An international joint effort to control inflation or ease the problem in other ways could also help, as the problem is happening on a global scale. For example, treaties could be signed, and periodic meetings could be held between governments of different countries to coordinate the issuing of currency. Some developed countries might be unhappy about certain measures, though, as they are disproportionately benefitted by the current situation, at the cost of developing countries.

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