Inquiring Minds Topic for 15 January 2016

INCOME INEQUALITY

Claudia Upper, Moderator

New York Times, December 2, 2015 - by Eduardo porter - **Could the world order survive without growing?**

It's hard to imagine now, but humanity made do with little or no economic growth for thousands of years. In Byzantium and Egypt, income per capita at the end of the first millennium was lower than at the dawn of the Christian Era. Much of Europe experienced no growth at all in the 500 years that preceded the Industrial Revolution. In India, real incomes per person shrank continuously from the early 17th through the late 19th century.

As world leaders gather in Paris to hash out an agreement to hold down and ultimately stop the emissions of heat-trapping greenhouse gases that threaten to make Earth increasingly inhospitable for humanity, there is a question that is unlikely to be openly discussed at the two-week conclave convened by the United Nations. But it is nonetheless hanging in the air: Could civilization, as we know it, survive such an experience again?

The answer, simply, is no.

Economic growth took off consistently around the world only some 200 years ago. Two things powered it: innovation and lots and lots of carbon-based energy, most of it derived from fossil fuels like coal and petroleum. Staring at climactic upheaval approaching down the decades, environmental advocates, scientists and even some political leaders have put the proposal on the table: World consumption must stop growing.

"This is a subtle and largely unacknowledged part of some folks' environmental/climate plan," said Michael Greenstone, who directs the Energy Policy Institute at the University of Chicago.

Sometimes it is not so subtle. The Stanford ecologist Paul Ehrlich has been arguing for decades that we must slow both population and consumption growth. When I talked to him on the phone a few months ago, he quoted the economist Kenneth Boulding: "Anyone who believes exponential growth can go on forever in a finite world is either a madman or an economist."

The proposal that growth must stop appears frequently along the leftward edge of the environmental movement, in publications like Dissent and the writing of the environmental advocate Bill McKibben. It also shows up in academic literature.

For instance, Peter Victor of York University in Canada published a study titled "Growth, degrowth and climate change: A scenario analysis," in which he compared Canadian carbon emissions under three economic paths to the year 2035.

Limiting growth to zero, he found, had a modest impact on carbon spewed into the air. Only the "de-growth" situation — in which Canadians' income per person shrank to its level in 1976 and the average working hours of employed Canadians declined by 75 percent — managed to slash emissions in a big way.

And it is creeping into international diplomacy, showing up forcefully in India's demand for "carbon space" from the rich world, which at its logical limit would demand that advanced nations deliver negative emissions — suck more carbon out of the atmosphere than they put in — so the world's poor countries could burn their way to development as the rich countries have done for the last two centuries.

Working for the Sustainable Development Commission, set up in 2001 to advise the Labour government in Britain, Tim Jackson of the University of Surrey produced a nifty calculation. Accept that citizens of developing nations are entitled to catch up with the living standards of Europeans by midcentury, and assume that Europe will grow, on average, by 2 percent a year between now and then.

To stay within the 2 degree Centigrade (3.6 degrees Fahrenheit) average temperature increase that scientists generally consider the upper bound to avoid catastrophic climate change would require the world economy in 2050 to emit no more than six grams of carbon dioxide for every dollar of economic output. To put that in perspective, today the United States economy emits 60 times that much. The French economy, one of the most carbon-efficient because it is powered extensively by nuclear energy, emits 150 grams per dollar of output. Emerging markets like India are demanding “carbon space” to allow their economies to grow.

Drawing what he saw as the inevitable conclusion, Professor Jackson published a book in 2009 called “Prosperity Without Growth” (Earthscan/Routledge).

Whatever the ethical merits of the case, the proposition of no growth has absolutely no chance to succeed. For all the many hundreds of years humanity survived without growth, modern civilization could not. The trade-offs that are the daily stuff of market-based economies simply could not work in a zero-sum world.

“It would be a nonstarter to have zero growth within a given country in terms of creating conflict between groups,” Professor Greenstone told me. “If one were to take this further and make it international, it feels like an even bigger stretch.”

Let’s examine what our fossil-fueled growth has provided us. It has delivered gains in living standards in even the poorest regions of the world.

But that’s only the beginning. Economic development was indispensable to end slavery. It was a critical precondition for the empowerment of women.

Indeed, democracy would not have survived without it. As Martin Wolf, the Financial Times commentator has noted, the option for everybody to become better off — where one person’s gain needn’t require another’s loss — was critical for the development and spread of the consensual politics that underpin democratic rule.

Zero growth gave us Genghis Khan and the Middle Ages, conquest and subjugation. It fostered an order in which the only mechanism to get ahead was to plunder one’s neighbor. Economic growth opened up a much better alternative: trade.

The Oxford economist Max Roser has some revealing charts that show the deadliness of war across the ages. It was a real killer in the era of no growth. Up to half of all deaths among hunter-gatherers, horticulturalists and other ancient cultures were caused by conflict.

The bloody 20th century — stage for two world wars, the Holocaust and other war-based genocides — still doesn’t even come close.

Naomi Klein, a champion of the leftward fringe newly converted to the environmental cause, gleefully proposes climate change as an opportunity to put an end to capitalism. Were she right, I doubt it would bring about the workers’ utopia she appears to yearn for. In a world economy that does not grow, the powerless and vulnerable are the most likely to lose. Imagine “Blade Runner,” “Mad Max” and “The Hunger Games” brought to real life.

The good news is that taking action against climate change need do no such thing. It will not be easy, but we can glimpse technological pathsthat will allow civilization to keep growing and afford the world economy a positive-sum future.

More than how to stop growth, the main question brought out by climate change is how to fully develop and deploy sustainable energy technologies — in a nutshell, to help the world’s poor, and everybody else, onto a path to progress that doesn’t rely on burning buried carbon.

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Economists' research takes aim at income inequality – *New York Times* - Nelson d. Schwartz. Jan 3, 2016

SAN FRANCISCO — When pundits and presidential candidates talk about inequality and the tiny sliver of the population whose fortunes have soared, they often drop names like Warren Buffett, Bill Gates, Sheldon Adelson and Mark Zuckerberg.

But those are just the most visible members of a larger but less-talked-about cadre of the big winners in today's economy. This group consists of roughly 250,000 Americans who mainly populate the executive offices and managerial suites of major companies and financial institutions, along with a smattering of top law firms, hedge funds and other elite aeries.

These people — the top one-quarter of 1 percent of the country's employed population — have enjoyed explosive gains in income and wealth in recent decades, even as salaries and wages stagnated for the typical American worker.

"You hear about C.E.O.s, entertainers, athletes and hedge funders, but that's the tip of the iceberg," said Nicholas A. Bloom, a professor of economics at Stanford who is finishing a paper examining the underlying dynamics of income inequality. "It's a much, much bigger group and they are outpacing everyone else."

Like those of many of his peers who are presenting new research at the annual meeting of the American Economic Association, which began here on Sunday and ends on Tuesday, Mr. Bloom's findings are bringing to light fresh perspectives on why income inequality is growing and how it is reshaping the national and global economy.

While the much-talked-about 1 percent is doing just fine, the supersize gains are taking place even further up the income ladder, according to what Mr. Bloom and four colleagues found by examining 35 years of data from the Social Security Administration.

The phenomenon is not limited to Wall Street or the big banks — manufacturers rewarded their top executives every bit as generously as did firms in the finance, insurance and real estate sectors. And this pattern is being repeated in countries where the political landscape is quite different from that of the United States, like Sweden, Germany and Britain.

"This is a truly global phenomenon, and I don't know any serious economist who would deny inequality has gone up," said Mr. Bloom, a native of Britain whose politics veer toward a laissez-faire approach and the Conservative Party there. "The debate is over the magnitude, not the direction."

The economic association's meeting is something of a barometer of what concerns economists most, drawing more than 13,000 attendees from the ranks of academia, as well as research groups and the private sector. And in panels, research presentations and speeches, what was once mainly a preoccupation of ivory tower Marxists and other players on the margins of the profession is taking center stage.

"In the last few years, there's been a huge change in the mainstream of the profession," said Steven Fazzari, an economics professor at Washington University in St. Louis who first came to the conference as a job-hunting graduate student in 1982. "The issue of income inequality was a backwater in the economics field, and it was largely ignored."

At the same time, there's a growing consensus among economists of all ideological stripes that inequality is growing — in the United States and abroad — even if the usual political fault lines appear when the discussion turns to the consequences of the trend and whether new public policies are needed to address it.

"It's pretty much indisputable that the percentage of income being earned by the top 1 percent, or the top quarter of 1 percent, is going up," said Richard H. Thaler, the association's president.

"It was true five years ago, but it was not as widely recognized," said Mr. Thaler, a behavioral economist who teaches at the University of Chicago. "As with climate change, scientific consensus takes a while to build."

And, to borrow language from an economic seminar, there's also a striking correlation between the emergence of income inequality as an issue here and the near-rock-star status accorded a handful of once-obscure experts on the subject inside and outside academia.

The best known of these is Thomas Piketty, whose 700-page tome, "Capital in the Twenty-First Century," became an improbable best-seller in 2014 and made the French academic a media superstar.

Emmanuel Saez, an economist at the University of California, Berkeley, who has collaborated with Mr. Piketty, won a MacArthur “genius” grant in 2010. Raj Chetty of Stanford, who has looked closely at economic mobility, also received a MacArthur grant and has presented findings to Hillary Clinton, Jeb Bush and Obama administration officials.

“There are definitely fashions in the field,” said Dean Baker, co-director of the left-leaning Center for Economic and Policy Research in Washington. “As much as most economists might hate to acknowledge it, there’s no way you can’t respond to Piketty’s success.”

Anticipated presentations at the economic association meeting include new findings from David Autor, an influential M.I.T. economist, on the links between college performance and increased financial aid as well as research by Enrico Moretti of Berkeley into how state tax increases prompt the highest earners to move to lower-tax locations.

For all the intense focus on the roots and extent of income inequality today, most academics are leery of any easy solution. At the same time, they acknowledge that their traditional tools are inadequate for the task.

“There’s no reason the free market will solve this,” Mr. Bloom said.

He believes inequality is being magnified by technological change and what’s known as skills bias, where workers with a particular expertise reap the biggest reward. Neither is amenable to quick fixes.

In Professor Bloom’s new paper, which he wrote with David J. Price, a Stanford graduate student, and three other economists — Jae Song, Fatih Guvenen and Till von Wachter — the top quarter of 1 percent of Americans appears to be pulling away from the rest.

For workers at this threshold, who earn at least $640,000 annually, their salaries rose 96 percent from 1981 to 2013, after taking account of inflation.

The trend was especially pronounced among the most successful enterprises in the American economy, creating a divergence between the highest-paid people at companies that employ more than 10,000 people and the rest of the work force. In this rarefied circle, overall pay jumped 140 percent versus a 5 percent drop for the typical employee at these corporate behemoths.

The split in compensation between executives and everyone else was much less pronounced at smaller companies, according to the research by Mr. Bloom and his colleagues. At these firms, between 1981 and 2013, top salaries rose 49 percent, while median pay rose 30 percent.

In addition, Mr. Bloom and his team also found a sharp divergence between pay at the most successful companies and also-rans in the same field — think Apple versus BlackBerry. The highest-paid workers cluster at the winners, heightening income disparities in the overall work force.

Mr. Bloom traces the outsize gains to large grants of stock and options to top workers at big companies, with their fortunes rising in line with the performance of the stock market.

“There used to be a premium for working at a big company, even in a lower-level job,” he said. “That’s not true anymore. The people who have really suffered are lower-level employees at big companies.”

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A culture glorifying victim-hood

To the Editor:

Re “Real Victims in the Victimhood” (Sunday Review, Dec. 27):

Arthur C. Brooks is looking at the wrong end of the equation.

The reason we have an epidemic of victims is that we have become a nation of abusers.

Our role models in government, sports, law and business show great glee in beating up their competitors. Our sitcom laughs are mostly put-downs. And snark rules the Internet.

When our news media and political discourse are filled with gloating and manipulation, the message is “dominate or be dominated.” Where bullies rule, victims follow. Calling them victims of their own victimhood is only heaping on more abuse.

BILL WEBER. Los Angeles

To the Editor:

When corporate moguls and hedge fund magnates lobby for tax breaks (“By Molding Tax System, Wealthiest Save Billions,” front page, Dec. 30), we do not call it the “culture of complaint” or the celebration of “victimhood.” We call it an exercise of First Amendment rights.

The playing field of democracy tilts sharply toward the affluent in Washington politics.

For those who cannot lubricate the hinges of policy makers’ doors with money spent on lobbying and campaign contributions, the options are few, and complaining is one of them.

To Arthur C. Brooks’s two useful rules about distinguishing between victimized people and victimhood culture, we would add a third: Consider the asymmetries in money, power and status, and treat with respect those for whom protest and complaint are the only political possibilities.

KAY LEHMAN SCHLOZMAN & HENRY E. BRADY, Chestnut Hill, Mass.

The writers are professors of political science at Boston College and the University of California, Berkeley, respectively, and co-authors of “The Unheavenly Chorus: Unequal Political Voice and the Broken Promise of American Democracy.”

To the Editor:

In his excellent article, Arthur C. Brooks states that “the line is fuzzy between fighting for victimized people and promoting a victimhood culture.”

It’s no accident. Fighting for victims is one of our nation’s great expectations: “Give me your tired, your poor, your huddled masses yearning to breathe free.”

Demands for reparations and compensation, however, are now overshadowing our nation’s iconic invitation. A robust commercial enterprise — and that’s exactly what the culture of victimhood is — while purporting to represent the aggrieved is actually betraying them and the rest of us, for there is no greater impediment to the pursuit of life, liberty and happiness than the mistaken belief that your life, your liberty and your happiness are in the hands of others.

RICK PARKINSON, Palm Desert, Calif.

To the Editor:

I commend Arthur C. Brooks for his thoughtful and well-argued article on the dangers of perpetuating a culture of victimhood. I found it ironic that his essay appeared at the end of your Year in Pictures — so many of which featured victims.

YOSIE LEVINE, New York

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