Inequality and Occupy

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WHAT DO WE MEAN BY “INEQUALITY”?

A measure of income inequality: The Gini coefficient

- Measures the extent to which the distribution of income (or consumption) among individuals (or households) deviates from a perfectly equal distribution
  - The percentage of area that lies between the Lorenz curve and a line of perfectly equality
  - Varies between 0 (perfect equality) and 1 (perfect inequality)

Roadmap

- What do we mean by “inequality”?
- Is inequality bad?
- How does inequality vary across countries?
- How has it changed over time?
- What causes inequality?
- How does finance fit in?
IS INEQUALITY BAD?

The Prevalence of Mental Illness is Higher in More Unequal Rich Countries


Drug Use is More Common in More Unequal Countries

Index of use of: opiates, cocaine, cannabis, ecstasy, amphetamines


Health and Social Problems are Worse in More Unequal Countries

Index of:
- Life expectancy
- Math & Literacy
- Infant mortality
- Homicides
- Imprisonment
- Teenage births
- Trust
- Obesity
- Mental illness – incl. drug & alcohol addiction
- Social mobility

Life Expectancy is Longer in More Equal Rich Countries


Infant Mortality Rates are Higher in More Unequal Countries


Homicide Rates are Higher in More Unequal Rich Countries


Rates of Imprisonment are Higher in More Unequal Countries

Is inequality just the price we pay for prosperity?

Opposite: equality generally increases with GDP per capita (and with greater democracy)

**HOW DO COUNTRIES DIFFER IN THEIR LEVELS OF INEQUALITY?**

Inequality varies among different “flavors” of capitalism

HOW HAS INEQUALITY CHANGED OVER TIME IN THE US?

Income gains in the U.S. since 1979

Figure 1: Income Gains at the Top Dwarf Those of Low- and Middle-Income Households

<table>
<thead>
<tr>
<th>Year</th>
<th>Top 1%</th>
<th>Highest fifth</th>
<th>Middle fifth</th>
<th>Bottom fifth</th>
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<td>'79</td>
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<td>'07</td>
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</table>

Source: IRS Statistics from Congressional Budget Office data

Q: Hasn’t this happened everywhere else (e.g., because of the Internet)?

A: No. There is no general trend toward greater inequality

% of the nation’s annual income going to the top 1%

Top 1% Share of Total Pre-Tax Income, 1913-2007

Year


Canada United Kingdom United States

Gini Coefficient

WHAT CAUSES INEQUALITY?

U.S. income inequality and 10-firm employment concentration, 1950 - 2008

\[ r = -0.89 \]

Is it just the decline of unions?
Inequality and Union Density, 1950 – 2006

Income inequality and employment concentration by year, 1950 – 2006

NO: union density has declined every year since 1958 (almost)
As of Jan. 2010, most union members are public employees
Around the world, big employers are associated with low inequality.

**Employment concentration: Colombia vs. Denmark**

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Industry Class</th>
<th>Employees</th>
<th>Company Name</th>
<th>Industry Class</th>
<th>Employees</th>
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<tr>
<td>BANCOLOMBIA SA</td>
<td>BANK</td>
<td>7,027</td>
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<td>INDUSTRIAL</td>
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<td>TEXTILES FABRICATO TEJICONDOR</td>
<td>INDUSTRIAL</td>
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<td>TRANSPORT</td>
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<td>CARLSBERG AS</td>
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<tr>
<td>SURAMERICANA DE INVERSIONES S.</td>
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<td>UTILITY</td>
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<tr>
<td>CIA COLOMBIANA DE TEJIDOS - CO</td>
<td>INDUSTRIAL</td>
<td>1,798</td>
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<td>INDUSTRIAL</td>
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<tr>
<td>BAVARIA SA</td>
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<td>1,272</td>
<td>DANFOSS AS</td>
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<tr>
<td>COMPANIA DE CEMENTO ARGOS S.A.</td>
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<td>5,744</td>
<td>DANISCO AS</td>
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<tr>
<td>CARTON DE COLOMBIA</td>
<td>INDUSTRIAL</td>
<td>1,464</td>
<td>TDC AS</td>
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</tr>
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</table>

**Ratio of Top 10 Employers to Total Labor Force**

**HOW DOES FINANCE FIT IN?**

1. Finance was responsible for corporate restructuring favoring “vertical dis-integration”
   - Hostile takeovers in the 1980s
   - Downsizing and outsourcing in the 1990s ff.
   - In other words: Wall Street is turning us from Denmark into Colombia

2. Financiers are disproportionately represented at the top of the 1%
   - Kaplan and Rauh: The top 25 hedge fund managers in 2004 earned more than all the CEOs of the S&P500 combined
   - “By 2007, the top five investors likely made more than the combined five hundred executives at publicly-traded companies in the U.S.”
Oops…make that 101 jobs

The PAC Pack: The Men Behind the Money Behind the Candidates

John Paulson and Edward Conard

It’s no surprise that the two biggest donors supporting Mitt Romney have a background similar to the candidate’s. The self-made, hedge-fund master John Paulson, pictured here, and the investment banking director Edward Conard have so far donated $1 million each to Restore Our Future, the super PAC supporting Romney.

Forbes lists Paulson, 55, as the 106th richest person in the country. He lost big against the housing market in 2007 and walked away with $3.5 billion. He broke a record in the hedge-fund industry in 2000 by earning $5.9 billion, although the next year he lost a lot of money by making bad bets on Bank of America and Hewlett-Packard. So far this year, he has done better, possibly because he has put his money on the chance that the economy will recover.

Although his $1 million to the Romney-backing PAC puts him at the top of the biggest givers, it’s just a particle of a fraction of his net worth, which is $23 billion.

The path to a comfortable middle-class life

To do list

- Go to college so that you can get a corporate job in a growth sector (e.g., high tech)
- Buy the biggest house you can afford
- Invest your 401(k) in a low-cost index fund
- Retire to Boca in financial comfort
Jobs in “Computer and electronic products manufacturing” in the US have declined by 750,000 since 2001

The number of jobs in the U.S. “Information” service sector has declined by 1 million since 2001

America’s most innovative companies do not employ very many people

- Apple: 60,400
- Google: 32,467
- Facebook: 3000
- Amazon.com: 33,700
- Cisco: 71,825
- Microsoft: 90,000

TOTAL: 291,392

Oops

Jobs lost in Jan. 2009: 598,000
[That’s 200 Facebooks]

Thankfully, markets always go up eventually…

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Harder for Americans to Rise From Lower Rungs

But many researchers have reached a conclusion that turns conventional wisdom on its head: Americans enjoy less economic mobility than their peers in Canada and much of Western Europe. The mobility gap has been widely discussed in academic circles, but a series of mass unemployment and street protests has moved the discussion toward center stage.

Former Senator Rick Santorum of Pennsylvania, a Republican candidate for president, warned this fall that movement “up into the middle income is actually greater, the mobility in Europe, it is in America.” National Review, a conservative think tank, wrote that “most Western European and English-speaking nations have higher rates of mobility.” Even Representative Paul D. Ryan, a Wisconsin Republican who argues that overall mobility remains high, recently wrote that “mobility from the very bottom up is where the United States lags behind.”

Liberal commentators have long emphasized class, but the attention is rightly now on the right.
WE ARE THE 99 PERCENT

4TH FEBRUARY 2012

We are the 99 percent. We are getting kicked out of our homes. We are forced to choose between food and rent. We are denied quality medical care. We are suffering from environmental pollution. We are working long hours for little pay and are often ill. We are working at all. We are getting nothing while the other 1 percent is getting everything. We are the 99 percent.

Says it all for the people who occupy wall street. Why not you? Occupy?

Occupied Space
Ocuppyyou.org
some startup...
chooseable.com

wearethe99percent occupyyourself occupypeoples occupybusiness occupyeverything