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My last few essays have focused on the 10% upper tail of the wealth or income distribution. People generally acknowledge that the top ten percent are doing great. Perhaps this is true by definition. If they were doing poorly, they would not be in the top 10%! What about the other 90%? Let's start with the overall picture. Academic psychologist Steven Pinker's latest book¹ documents the enormous material progress that has been achieved and enjoyed not just by the elite, but rather by the majority of mankind, over the past 200 years. While these trends have been noted by many authors, it is useful to run through them again quickly. Longevity has increased dramatically. Infant mortality has plummeted.

Major diseases have been nearly or completely wiped out. Access to clean water, indoor plumbing, refrigeration, heating and air conditioning is commonplace. Violence is down, education is up. The median income guy in the developed world has enjoyed roughly a 20-fold increase in standard of living.

What? The median guy is up 20x (that would be 1900%!). How can that claim (fact) be reconciled with the oft-told assertions that median household wages have flat-lined over the past several decades, middle class jobs are being eliminated or sent overseas, the next generation will be worse off than the current generation, and economic insecurity is prevalent?

It may be useful to get some more perspective. In another recent book², Hans Rosling (famous for his TED talks and beautiful graphics displays that may be found at www.gapminder.org/tools) laments the lack of understanding of important global trends, even among the economic and educational elite. Rosling, a former doctor and health professor, has for decades attempted to assess general knowledge of global economic and health trends by posing to audiences simple multiple choice questions about global trends in wealth, poverty, health, violence, the environment, education, literacy, vaccination, and climate change. Compiling the percentage of correct answers, he has found the responses not only incorrect, but much worse than would be expected by random chance (as he puts it, the respondees are 'dumber than a chimpanzee'). The direction of error is, invariably, people are too pessimistic. Consider one question reported in his book: How did the number of deaths per year from natural disasters change over the past 100 years? A. More than doubled, B. Remained about the same, C. Decreased to less than half. Most people answered A while the correct answer is C.

So, one major reason for the "millennial malaise" suggested above is simply pessimistic bias.

Rosling shows that the primary driver of how people live is their income, expressed in dollars per day. He distinguishes four levels of income:

Level I Daily income = \$2 per person

Level II Daily income = \$8 per person

Level III Daily income = \$32 per person

Level IV Daily income > \$64 per person

People at Level I are extremely poor. People at Level IV are affluent. People at Levels II and III are, obviously, in between. As you can imagine, living standards across these four groups varies immensely (see examples at www.dollarstreet.org). As recently as 1960, 50% of the global population was at Level I. Today, this number has declined to less than one billion people, or about 10% of the global population. Another billion live in the rich world (Level IV), and rest (a large majority) lie in the middle. Rosling predicts that by the time the human population reaches its peak (at 10 billion) around 2100, the distribution will have again changed immensely, as is summarized here:

	2017	2100
Level I	1 billion	Zero billion
Level II	3 billion	2 billion
Level III	2 billion	4 billion
Level IV	1 billion	4 billion
Total	7 billion	10 billion

The interesting thing about the millennial malaise argument is that the majority of people in the U.S. today lie in Level IV, and nearly everyone else is in Level III. By global standards, we are already rich! The problem of material abundance has largely been solved. And, it appears to be getting better.

This last statement is somewhat controversial. Economists Thomas Piketty and Emmanuel Saez (PS) claim that real household median income has increased by only 3% in the past three decades. This amounts to just 0.1% per year! However, economist Richard Burkhauser (RB) and colleagues argue³ that the PS analysis overlooks or ignores several critical issues including changes in the number of people in the average household (this has been declining for several decades) and the effects of progressive taxes and transfer payments (the PS analysis looks at pre-tax income before transfer payments). After making suitable adjustments, RB finds that median real income has actually increased by 36% over the past thirty years. This is close to the long-term rate of increase in per capita standard of living, and therefore does not support the notion of a declining middle class. This conclusion is supported by studies that examine consumption patterns. The consumption “basket” of the poverty line family in 2010 appears to be greater than the consumption basket of the median family in 1970.

Some go so far as to suggest that the median guy in the U.S. today (maybe even the poverty level guy) is materially better off than the nobility of one or two centuries ago. Certainly, the median guy (poverty level guy) today enjoys many products that didn't exist or were very expensive in the past.

What about the future? Is the next generation going to be worse off? Of course, it is impossible to say for sure, but certainly there is little evidence of a trend in that direction.

But there is one area that is concerning. Data suggest that about half of households today do not have sufficient cash on hand (or easily available) to handle even a modest emergency. Thus, economic insecurity is widespread. This may be the primary reason for the malaise (to steal a term that, apparently, Jimmy Carter never used) that appears to have settled upon many economic commentators.

There are two fairly obvious solutions – one is fragile (likely to fail), the other is robust (likely to work).

The fragile solution: expand the government safety net. This could include programs such as jobs for everyone, a living wage for everyone, free college for everyone. The problem with this solution is unintended consequences. Providing jobs for everyone is useful only if doing these jobs results in development of useful skills. This is unlikely. A living wage for everyone sounds great, until you realize that it might induce low-skilled workers to not try and work at all, with the result of never developing useful skills. Finally, free college for everyone is not meaningful unless the curriculum is reduced sufficiently that everyone can reasonably hope to get through. Once that is done, the value of having achieved a college degree will have declined.

The robust solution: save more. After all, if you are 20 times richer than your great-great-great-great-great-great grandparents, then saving 10-20% of your vastly higher income seems to be not that much of a stretch. While it may be painful to do this, the result will be elimination or at least sharp reduction in the economic insecurity that is the bane of modern mankind.

1Steven Pinker, *Enlightenment Now*, 2017.

2Hans Rosling, *Factfulness*, Flatiron Books 2018.

3Richard Burkhauser, Jeff Larimore, Kosali Simon, "A 'Second Opinion' on the Economic Health of the American Middle Class," NBER, 2011.