

The Great Disruption?

Session 2

From Social Democracy to Market Liberalism

© Avner Offer, Oxford 2009

End of the 'golden age'

- Income shock
- Productivity shock
- Inflation shock
- Unemployment shock
- Earnings shock
- Finally, interest-rate shock
- Trends similar everywhere. American circumstances not unique.
 - Similar policies?
 - Underlying fundamentals? [invisible shocks?]
 - Combination of both?

Stagflation

Phillips curve tradeoff
no longer works.
Discredits Keynesian fine-tuning. Villains, variously, greedy trade unions, spendthrift governments.

War, oil, management, professionals?

Windfall for borrowers, nightmare for creditors

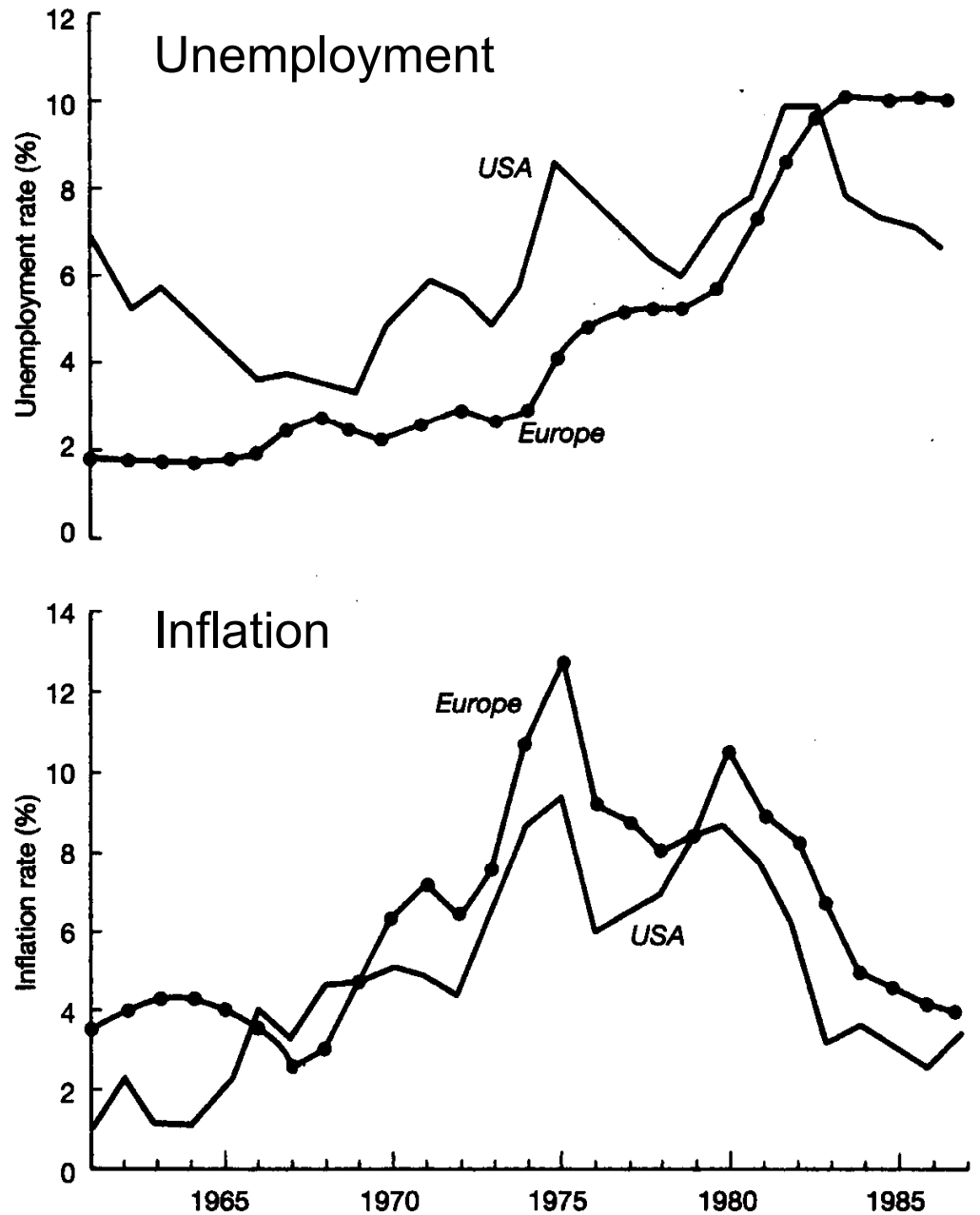
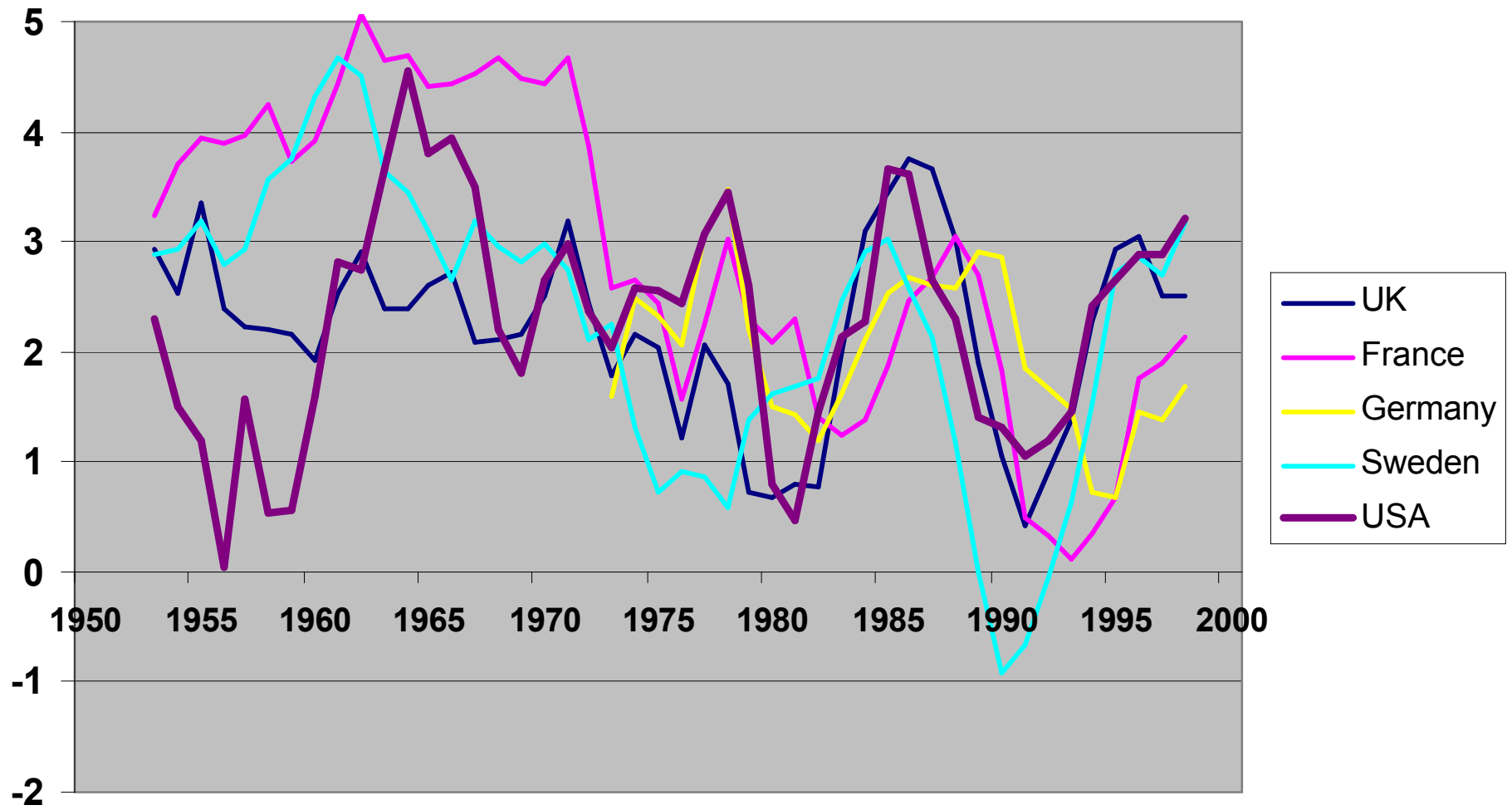
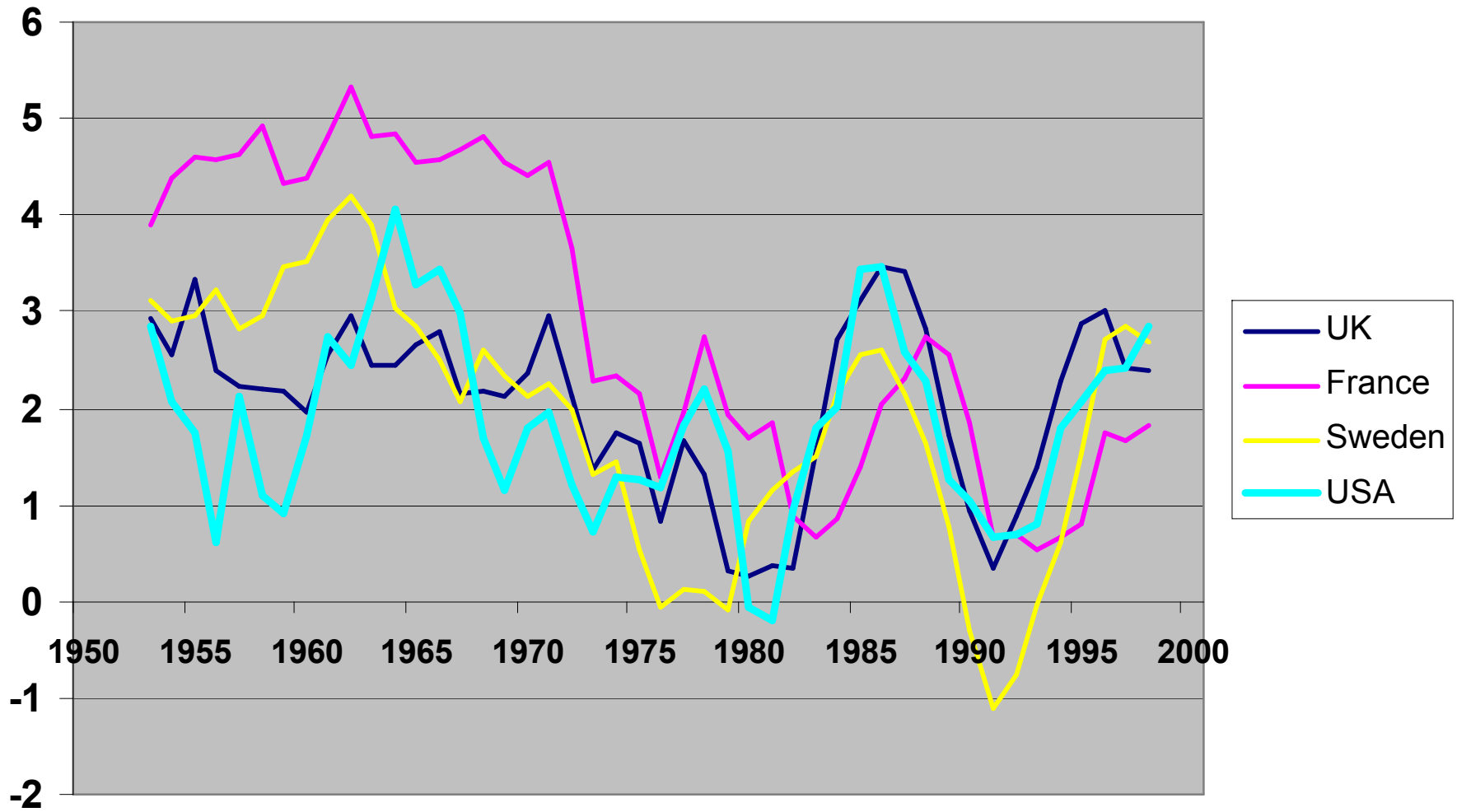


Figure 1.1 The economic crisis of the 1970s: inflation and unemployment in the US and Europe, 1960–1987

Real (PPP) GDP per head growth, 5 yr average



Productivity Growth per Worker, 5yr average



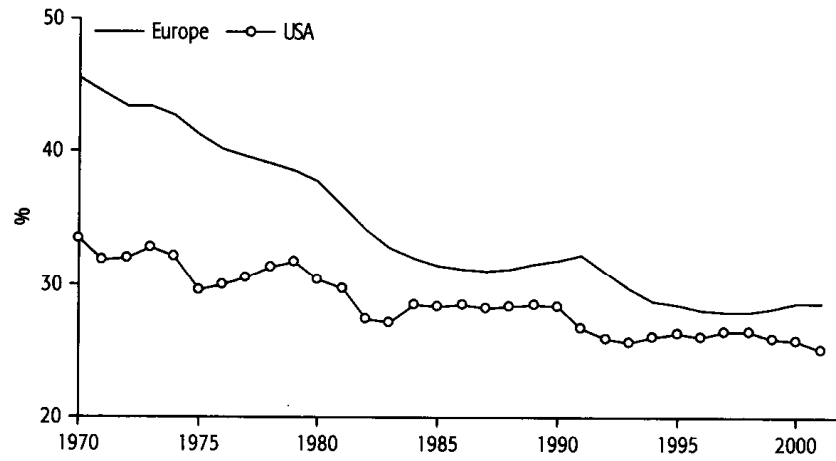


Fig. 5.1. Men's Employment Rate in Industry, 1970–2001

Source: OECD. See Data Appendix.

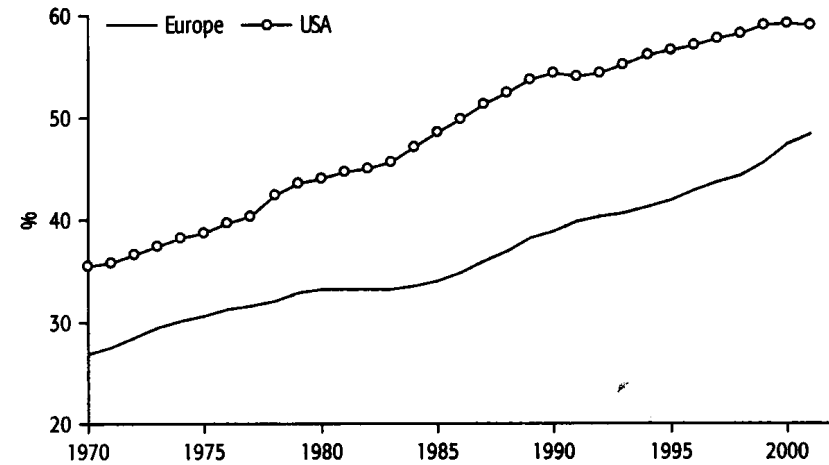


Fig. 5.2. Women's Employment Rate in Services, 1970–2001

Source: OECD. See Data Appendix.

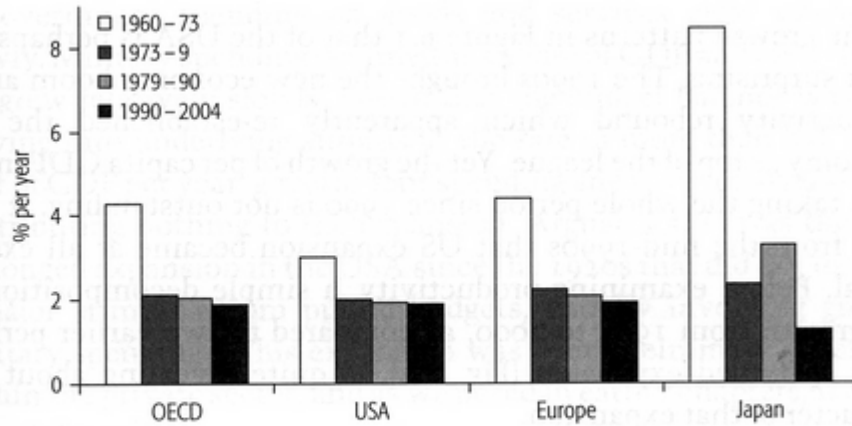


Fig. 6.1. Growth of Output per Head of the Population, 1960–2004

Source: Groningen Growth and Development Centre. See Data Appendix.

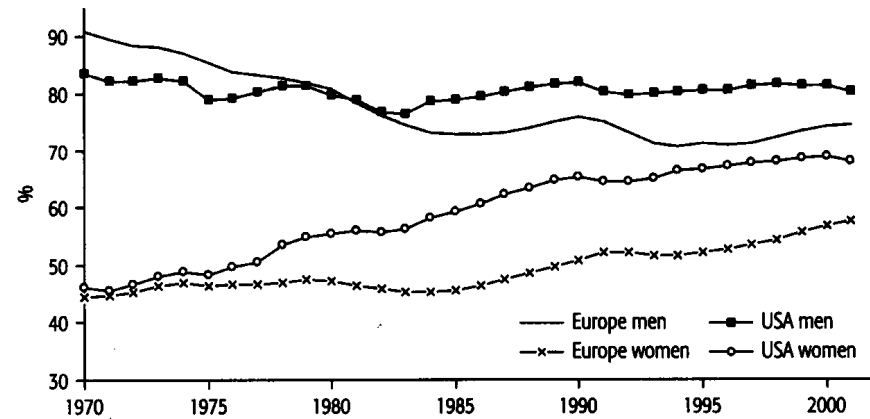
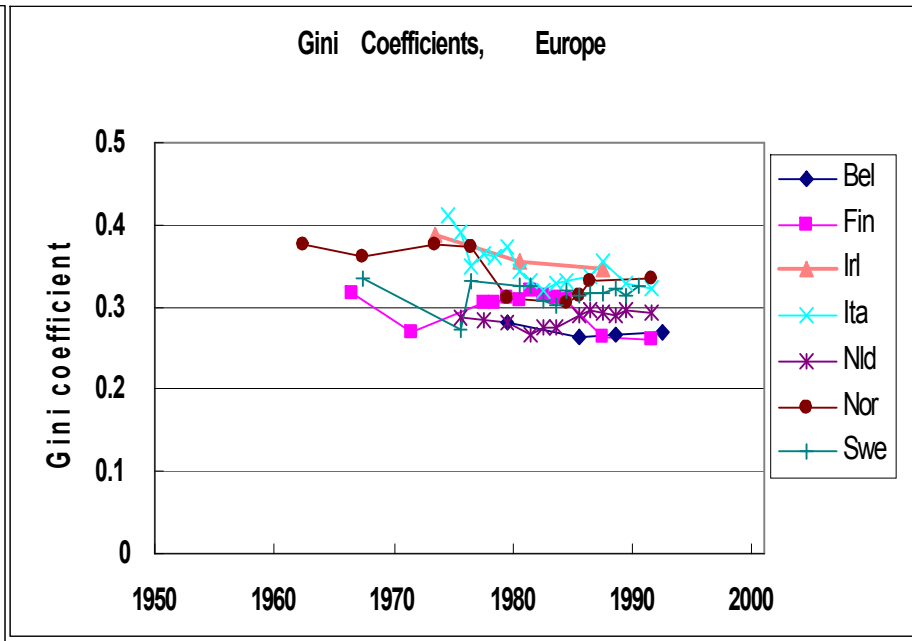
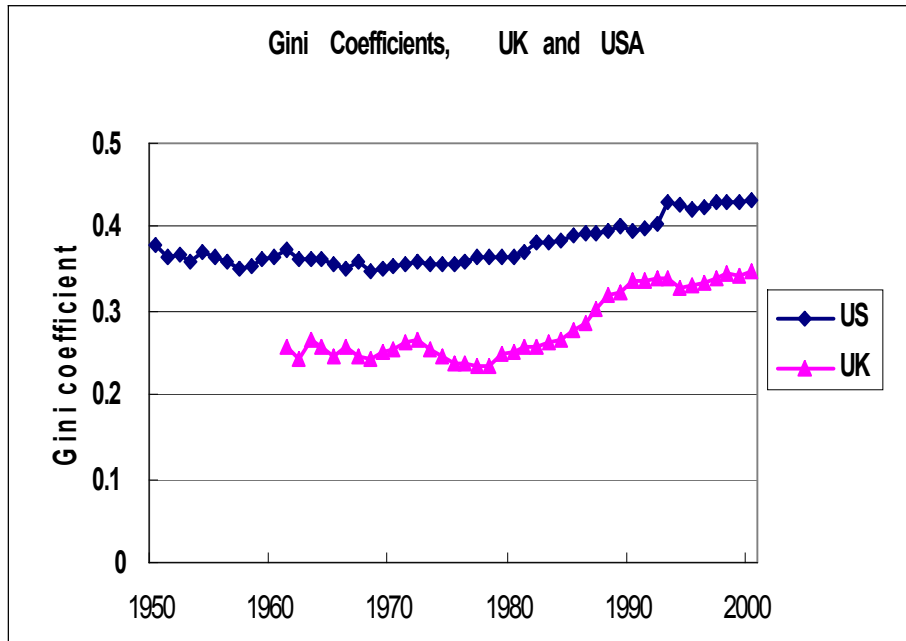


Fig. 5.3. Employment Rates, Men and Women, 1970–2001

Source: OECD. See Data Appendix.

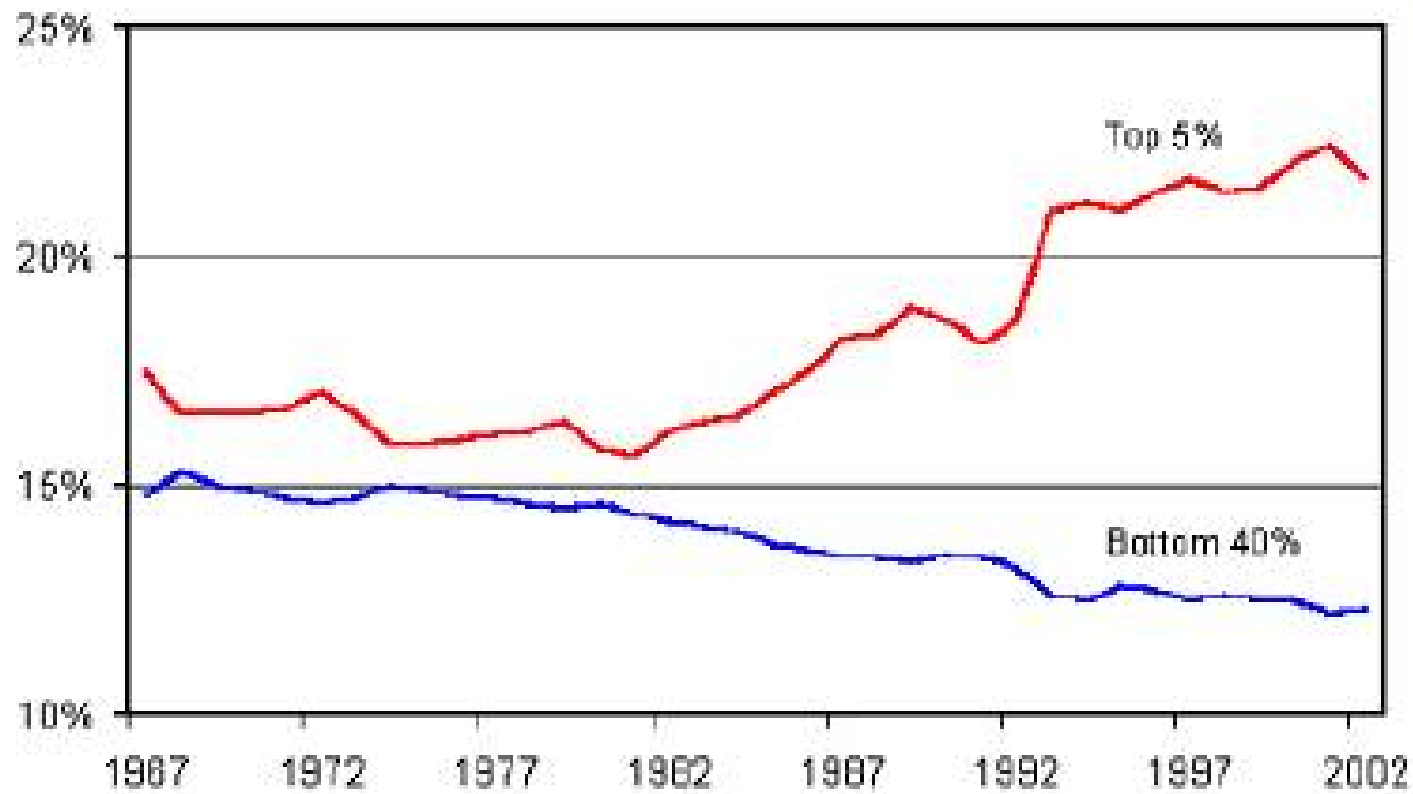
Market-liberal inequality



Offer, 2006

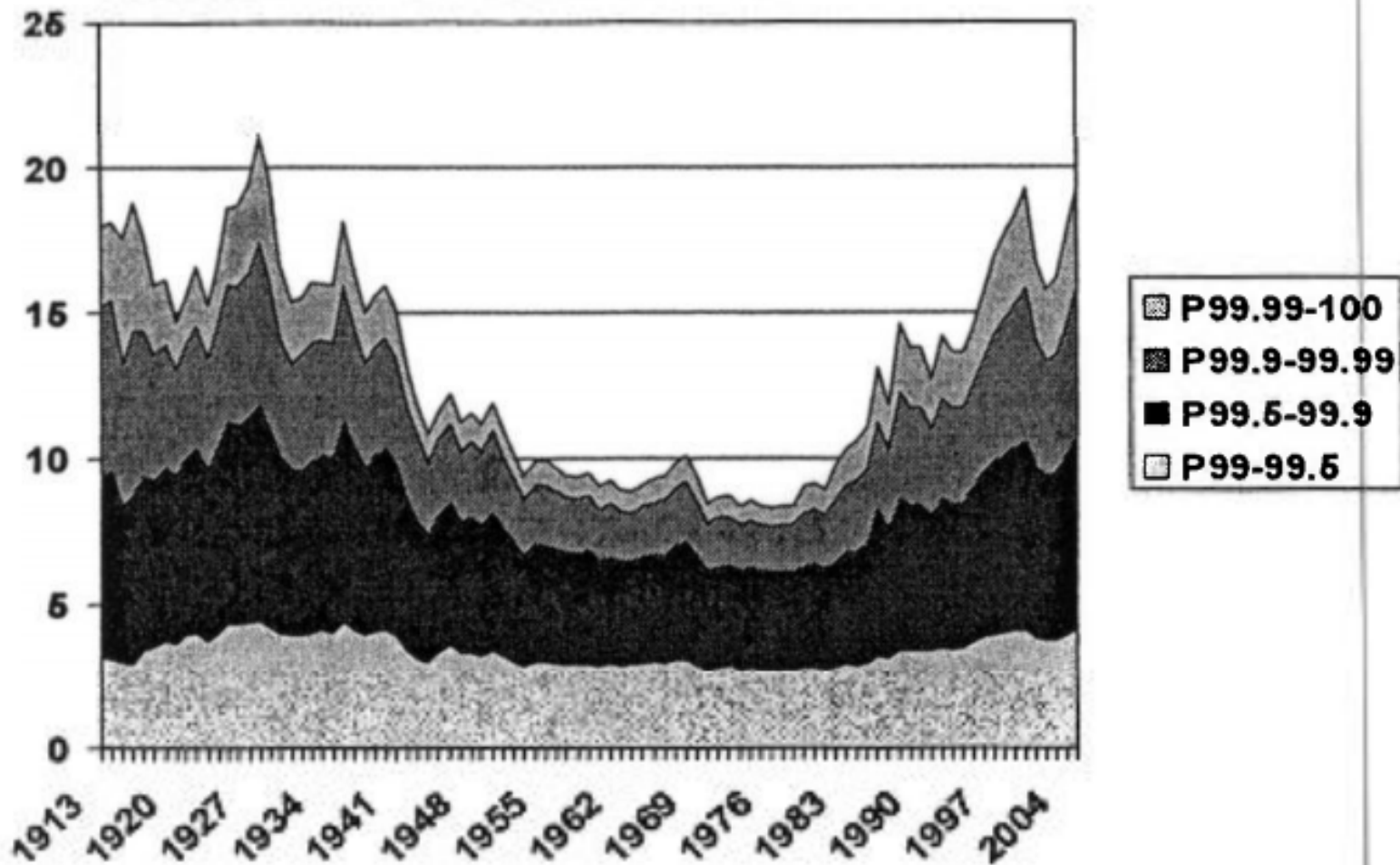
USA

Share of Total Income Received By Top 5% and Bottom 40%



Source: Center for Popular Economics

Top fractiles income shares (including capital gains), 1913-2005



Piketty & Saez, from Pierson 2007 presentation

FIGURE 5-1
SHARE OF MARKETABLE NET WORTH
HELD BY TOP PERCENTILE
OF WEALTHHOLDERS:
SWEDEN, UNITED KINGDOM,
UNITED STATES, 1920-1992

Source: Board Of Inland Revenue (United Kingdom).
 Inland Revenue Statistics, 1993 (London: Her Majesty's
 Statistical Office, 1993), Series C, Table 13.5.

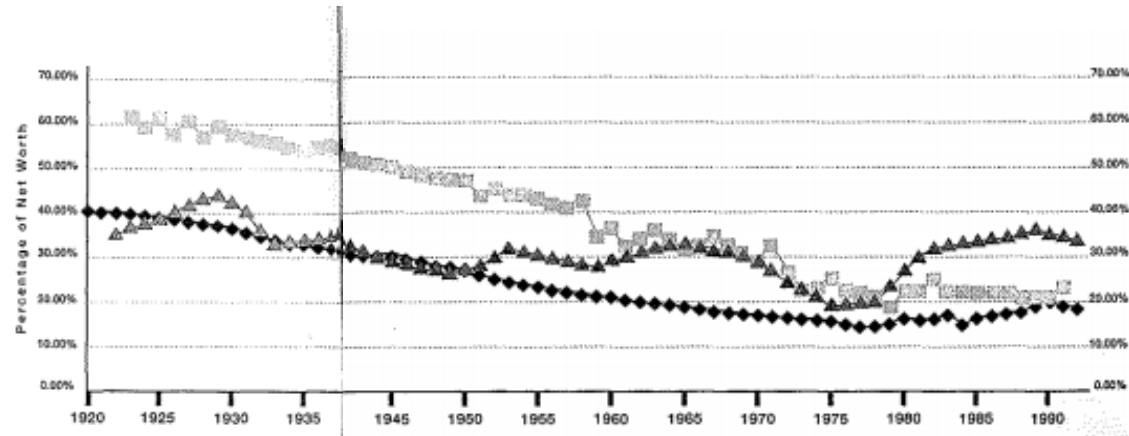


FIGURE 3-1
SHARE OF WEALTH OWNED BY THE TOP 1 PERCENT OF
HOUSEHOLDS IN THE UNITED STATES, 1922-1998

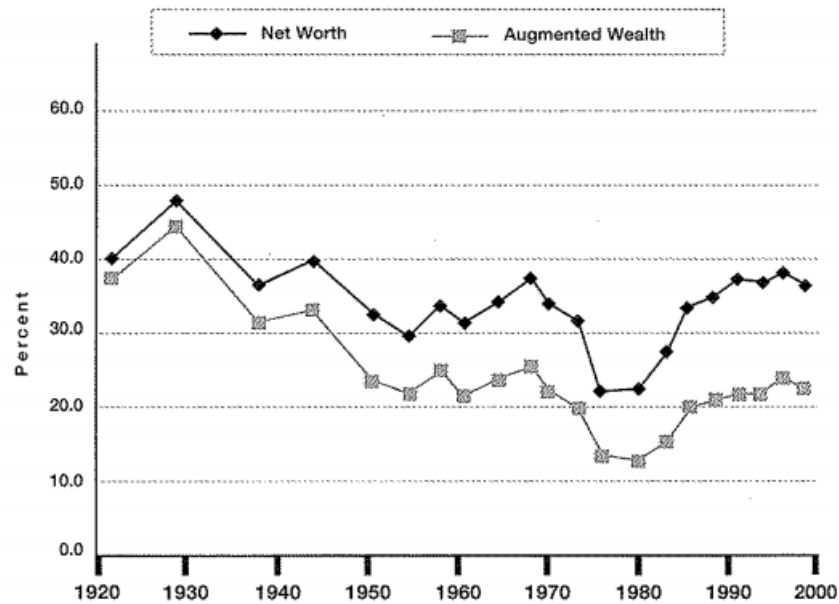
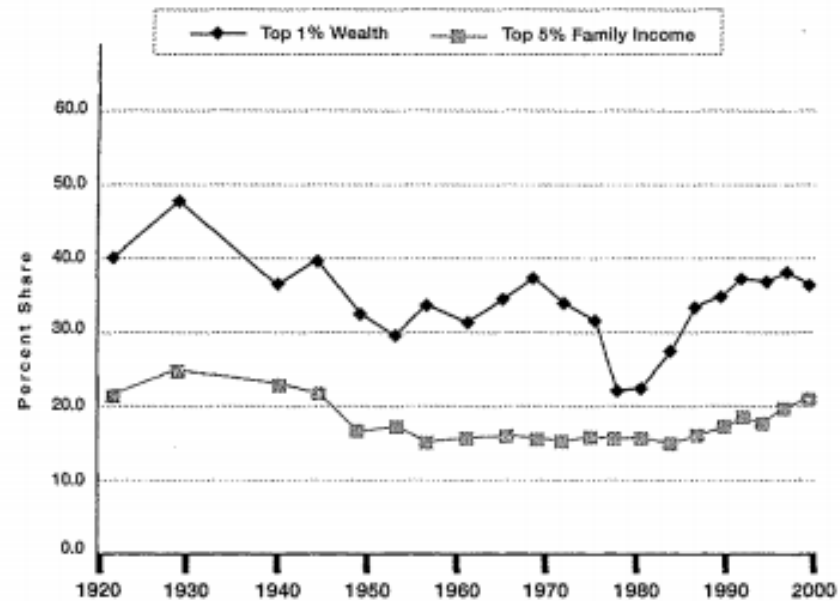


FIGURE 6-1
WEALTH INEQUALITY VERSUS INCOME INEQUALITY
1922-1998



Source: U.S. Bureau of the Census, "Detailed Historical Income and Poverty Tables from the March Current Population Survey, 1947-98," available on the Internet at <http://www.census.gov/hhes/income/histinc>.

Wolff, *Top Heavy* (2002)

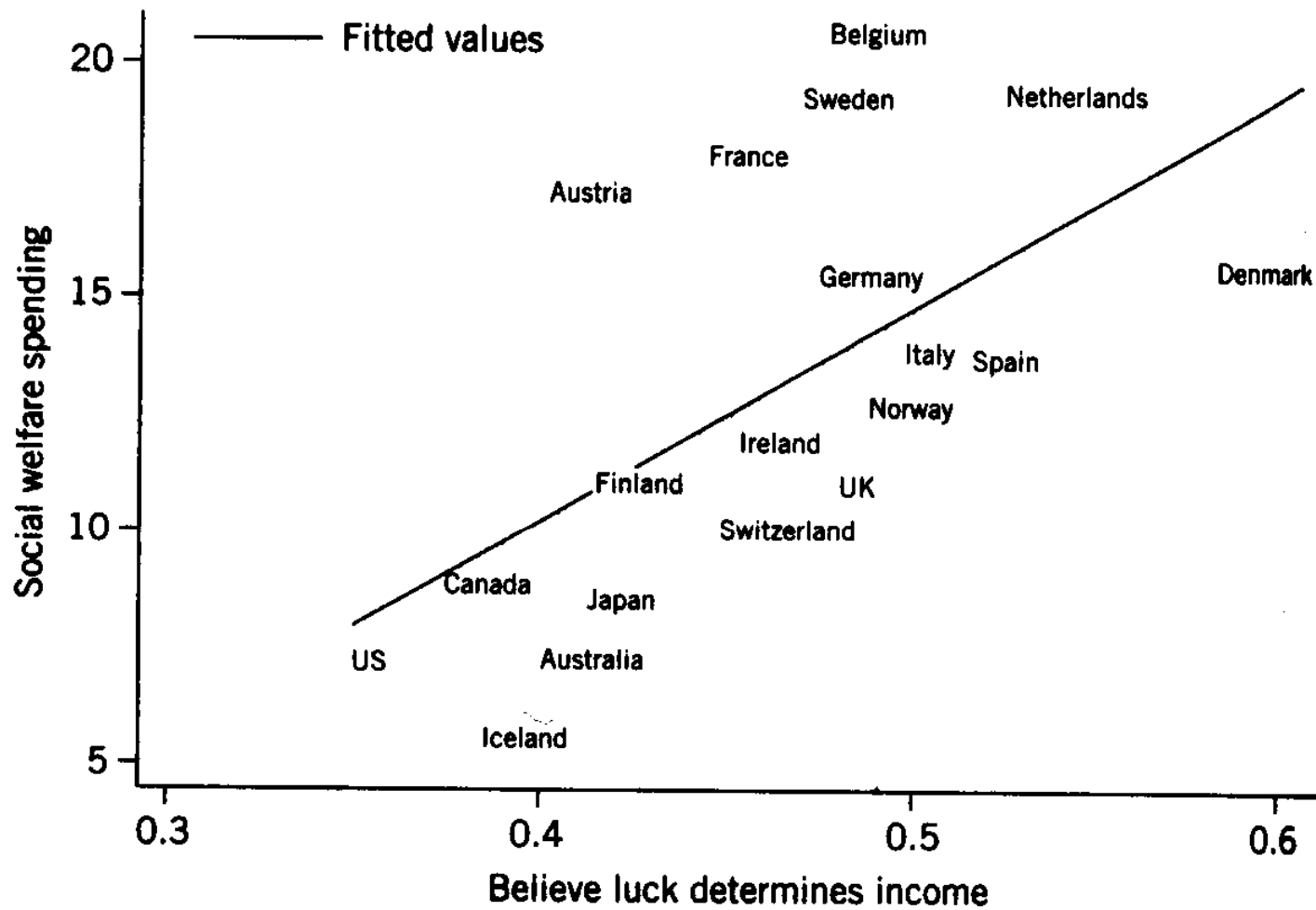


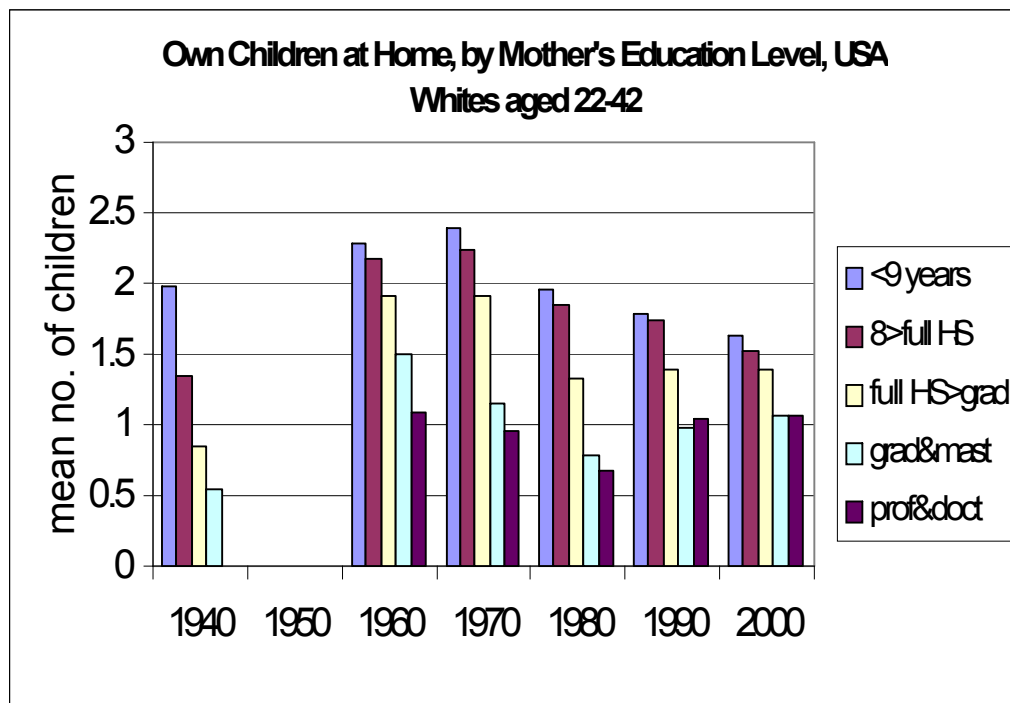
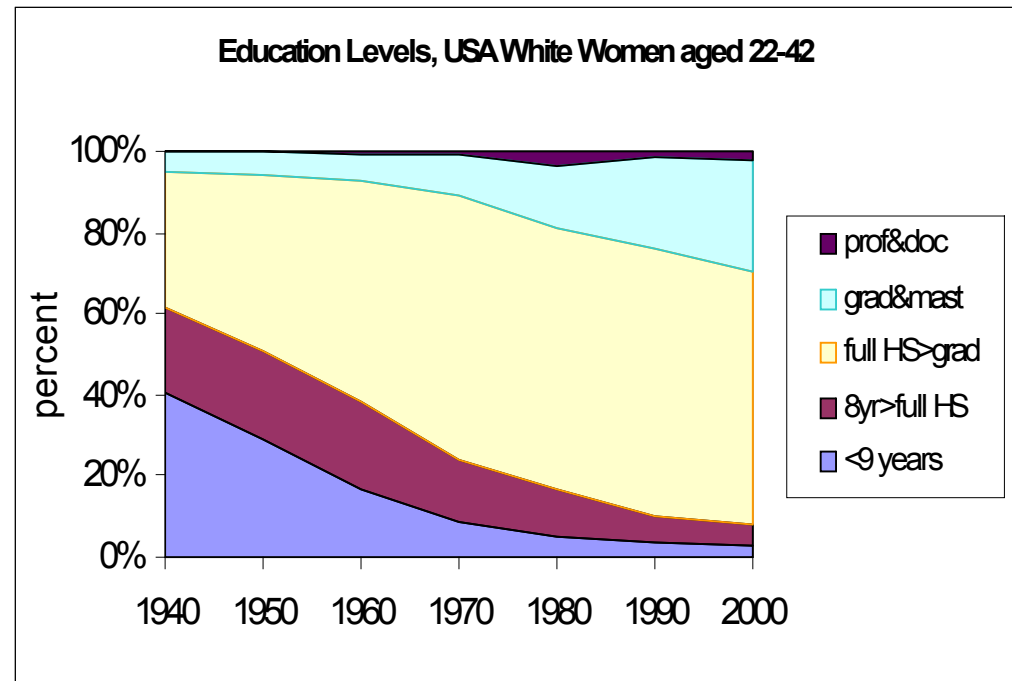
Fig. 7.1. Belief that Luck Determines Income and Welfare Spending

(Source: Calculations from GSS Data.)

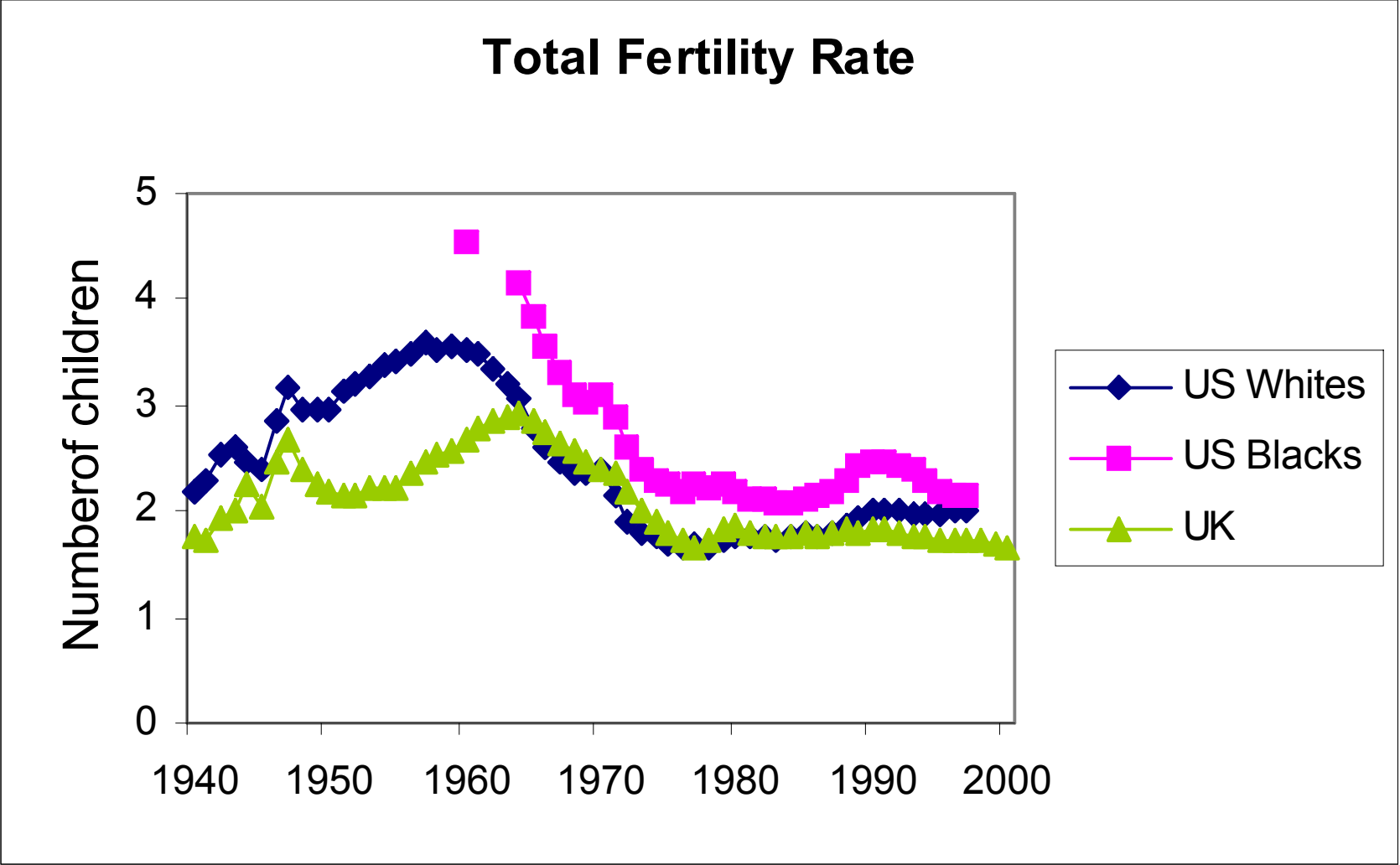
normative backlash

- Today: Normative shocks
- A 'great disruption' – only for the 'bosses'?
What/who is being disrupted?
- Revolt of women
 - Revolt of the children? [flower power]
- Revolt of the blacks

Education inimical To motherhood?



Source: *IPUMS: US*
Census 1% sample



US and UK Census reports

Nuptial transition: median age at first marriage, 1890-1991, USA

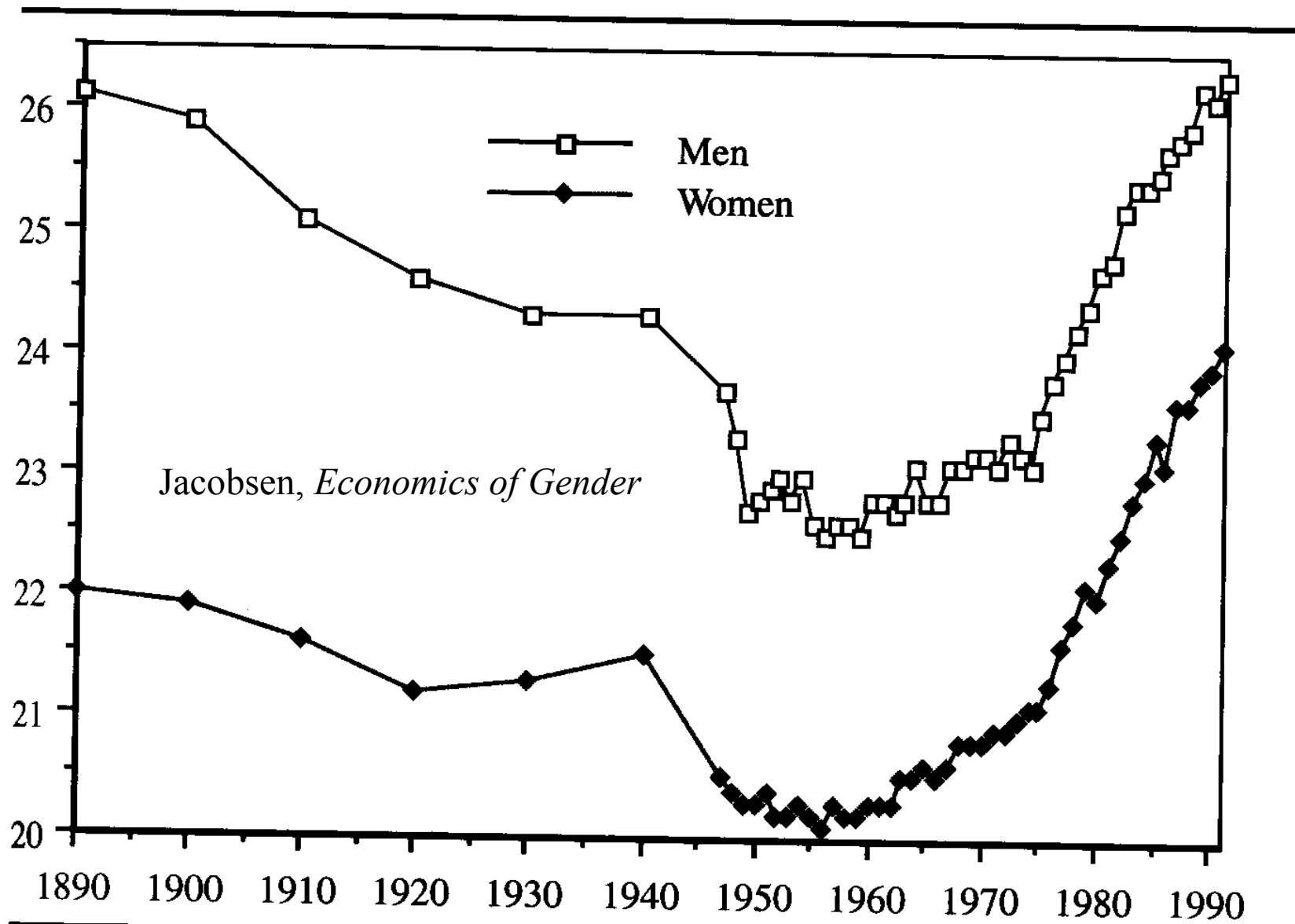
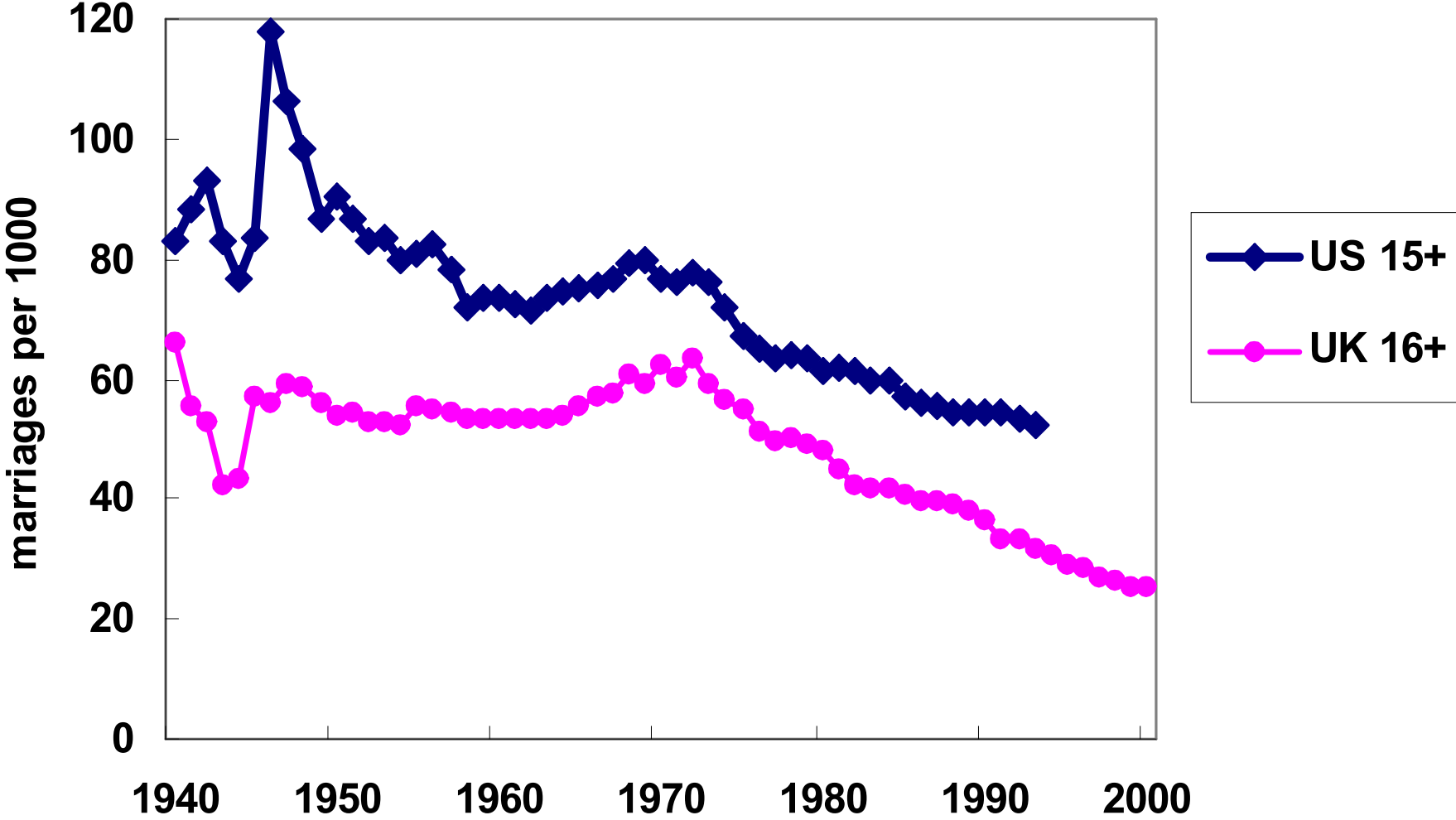


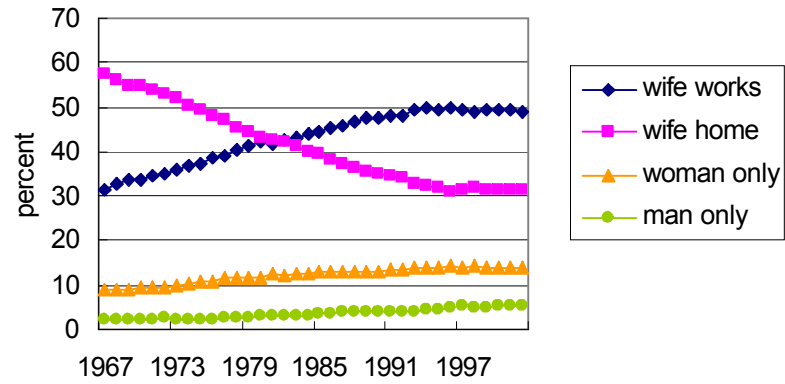
FIGURE 5.1 Median age at first marriage by sex, 1890 to 1991. (Jacobsen, 1994)

Marriage rate per 1000 unmarried women

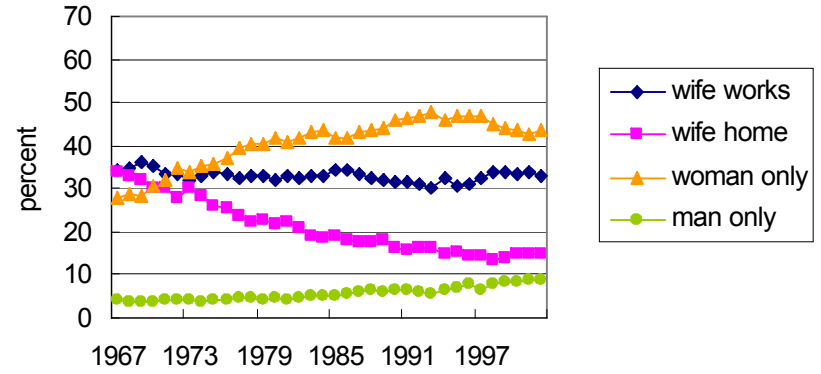


US Census Bureau; UK, ONS

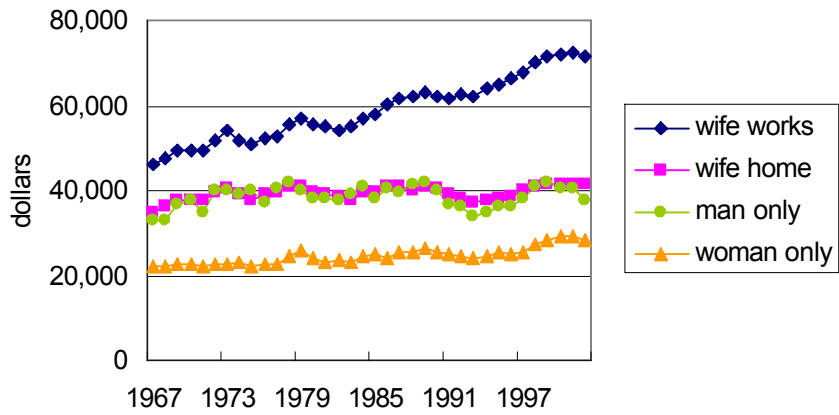
(a) Family Types, Whites USA



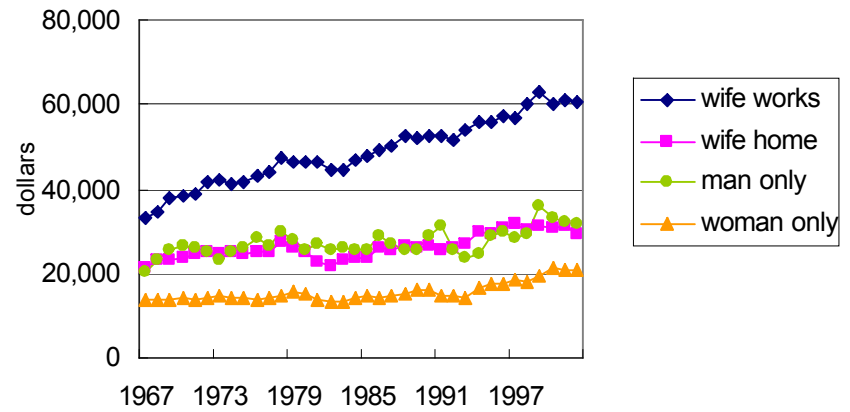
(c) Family Types, Blacks USA



(b) Real Median Family Income, Whites USA



(d) Real Median Family Income, Blacks USA



Marriage and divorce rates per 1000, USA 1860-1991

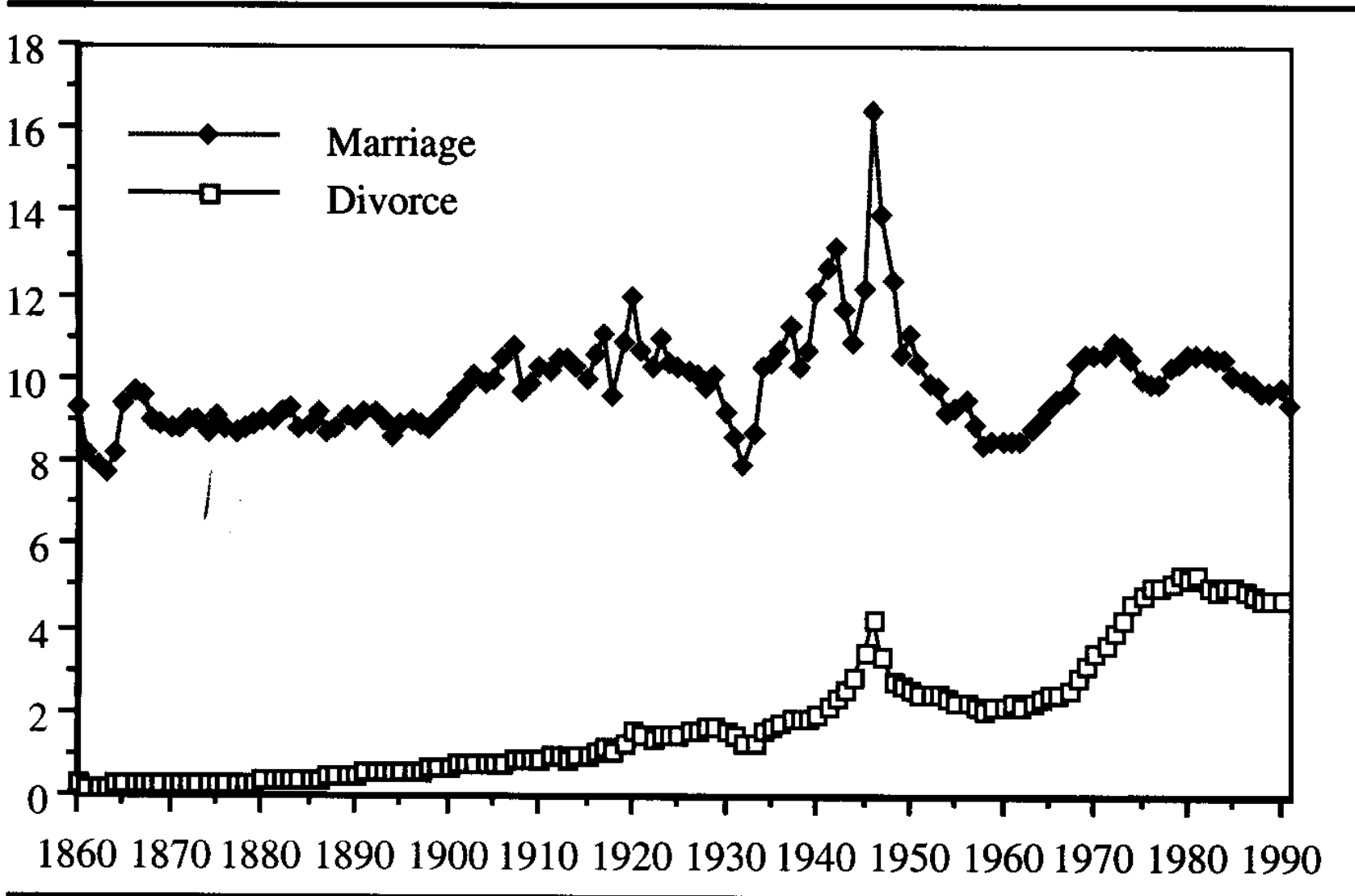


FIGURE 5.2 Marriage and divorce rates per thousand persons, 1860 to 1991. (Jacobsen, 1994)

Divorce surge of the 1970s (and numbers of children involved)

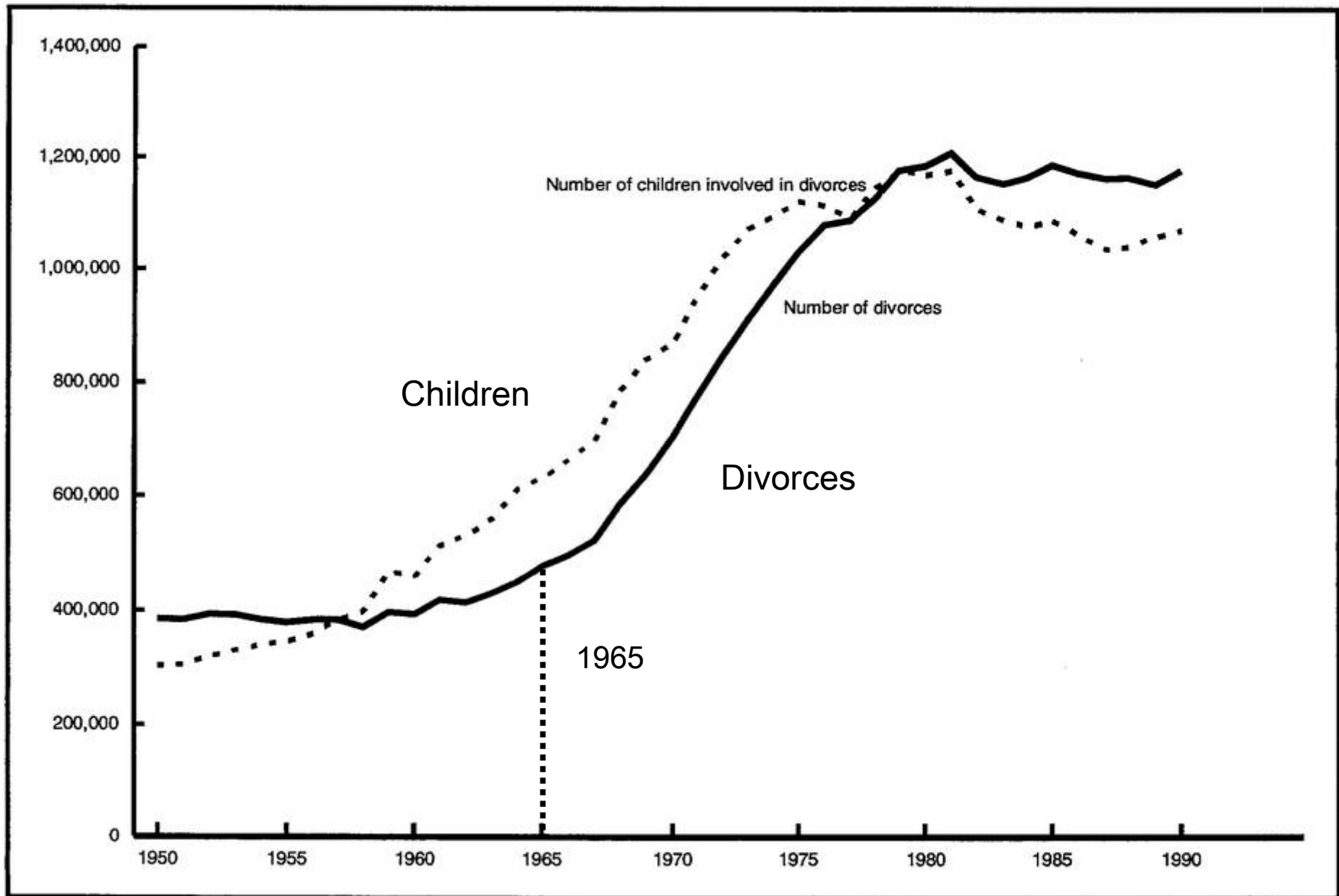
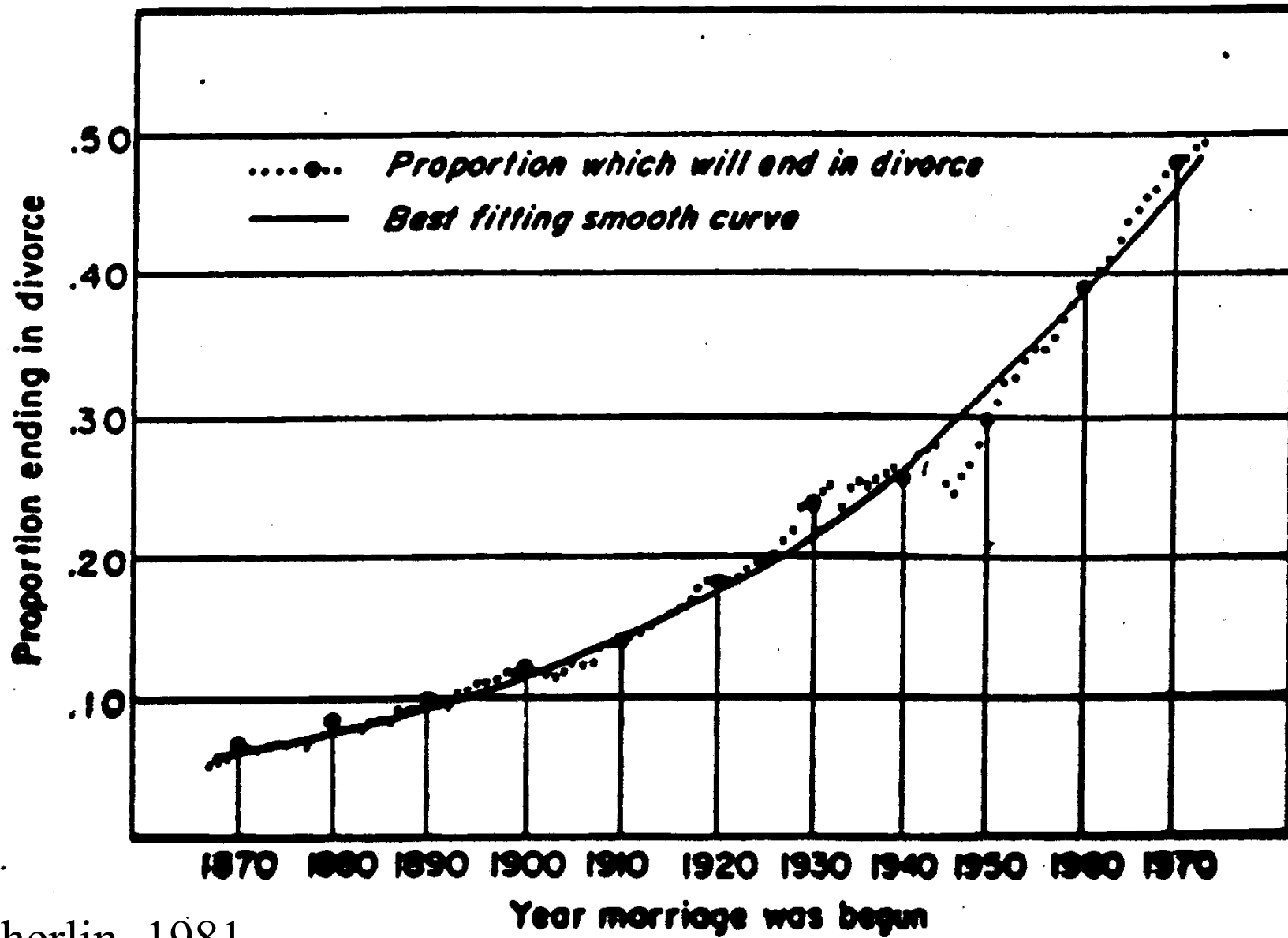


Figure 1. Estimated number of divorces and children involved in divorces: United States, 1950-90

Figure 1-5 Proportion of marriages begun in each year that will end in divorce, 1867 to 1973. (Sources: see Appendix 2.)



Cherlin, 1981

Sex ratios at mating ages, USA and UK, 1950-1990

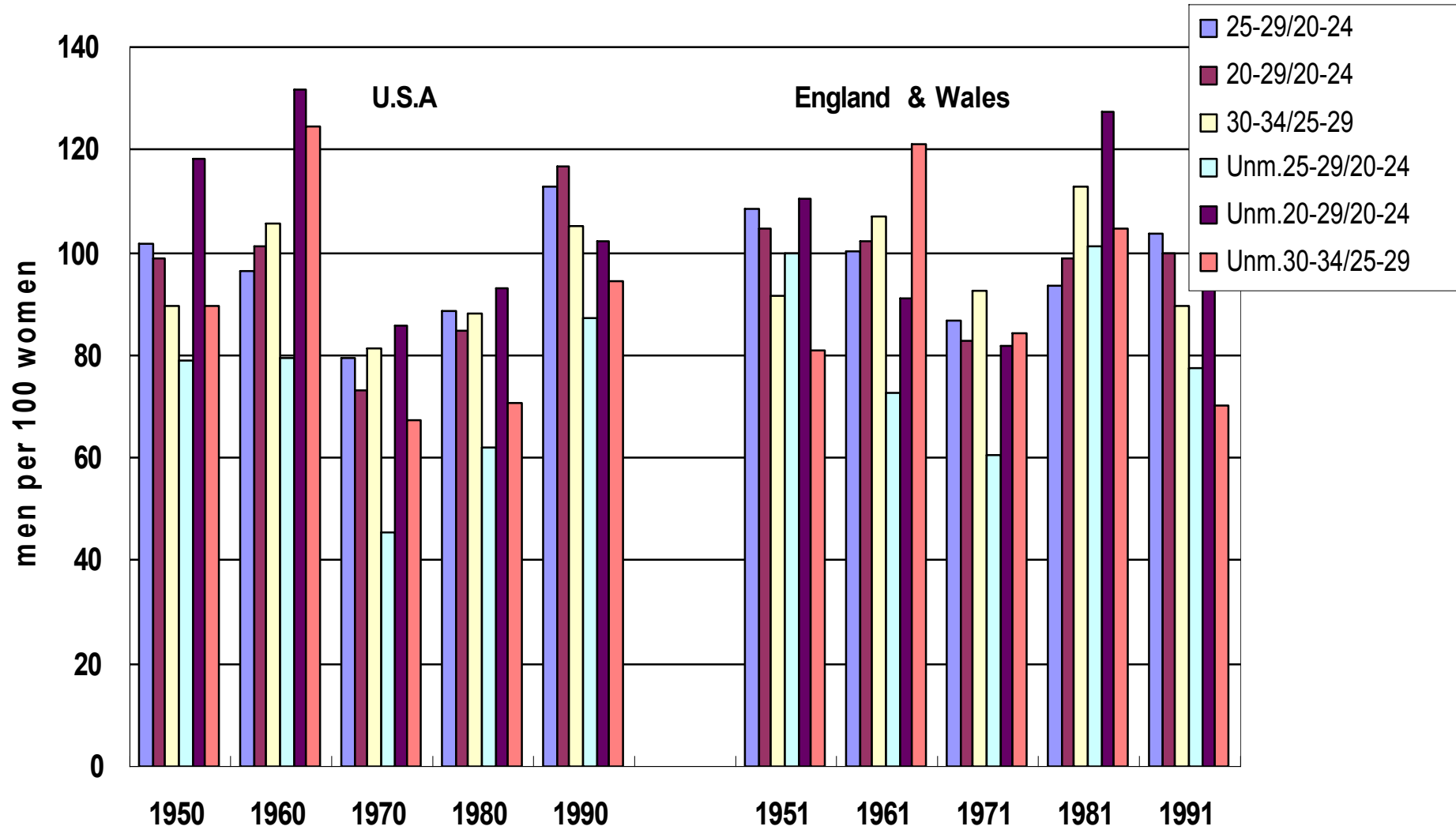
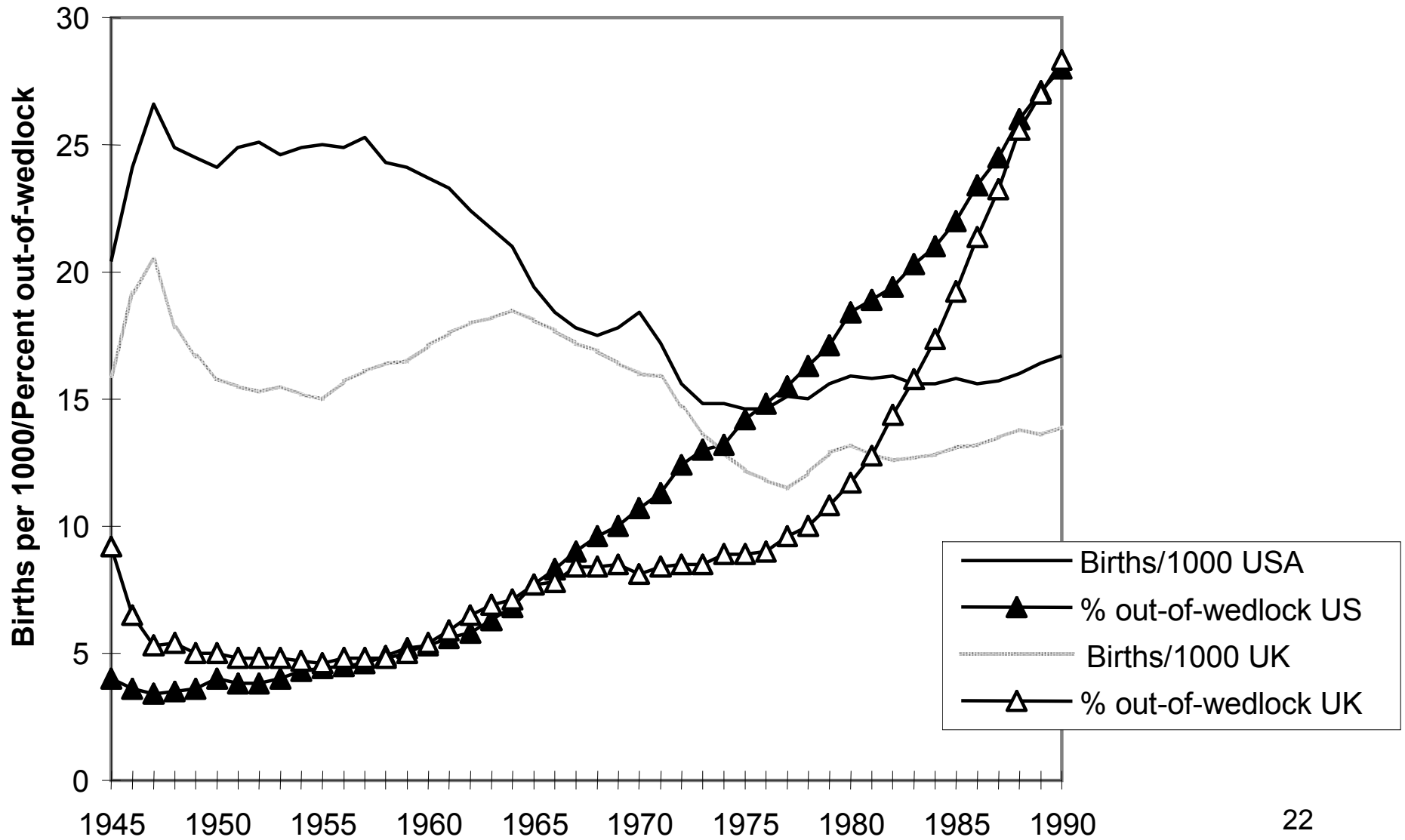


Fig. 8. Birth and out-of-wedlock birth rates, USA and UK, 1945-1990.

Sources: *Historical Statistics of the United States, U.S. Statistical Abstract*; Mitchell, 1998, *UK Population Trends*



Labour force participation by age & gender, USA 1963, 1980, 1992

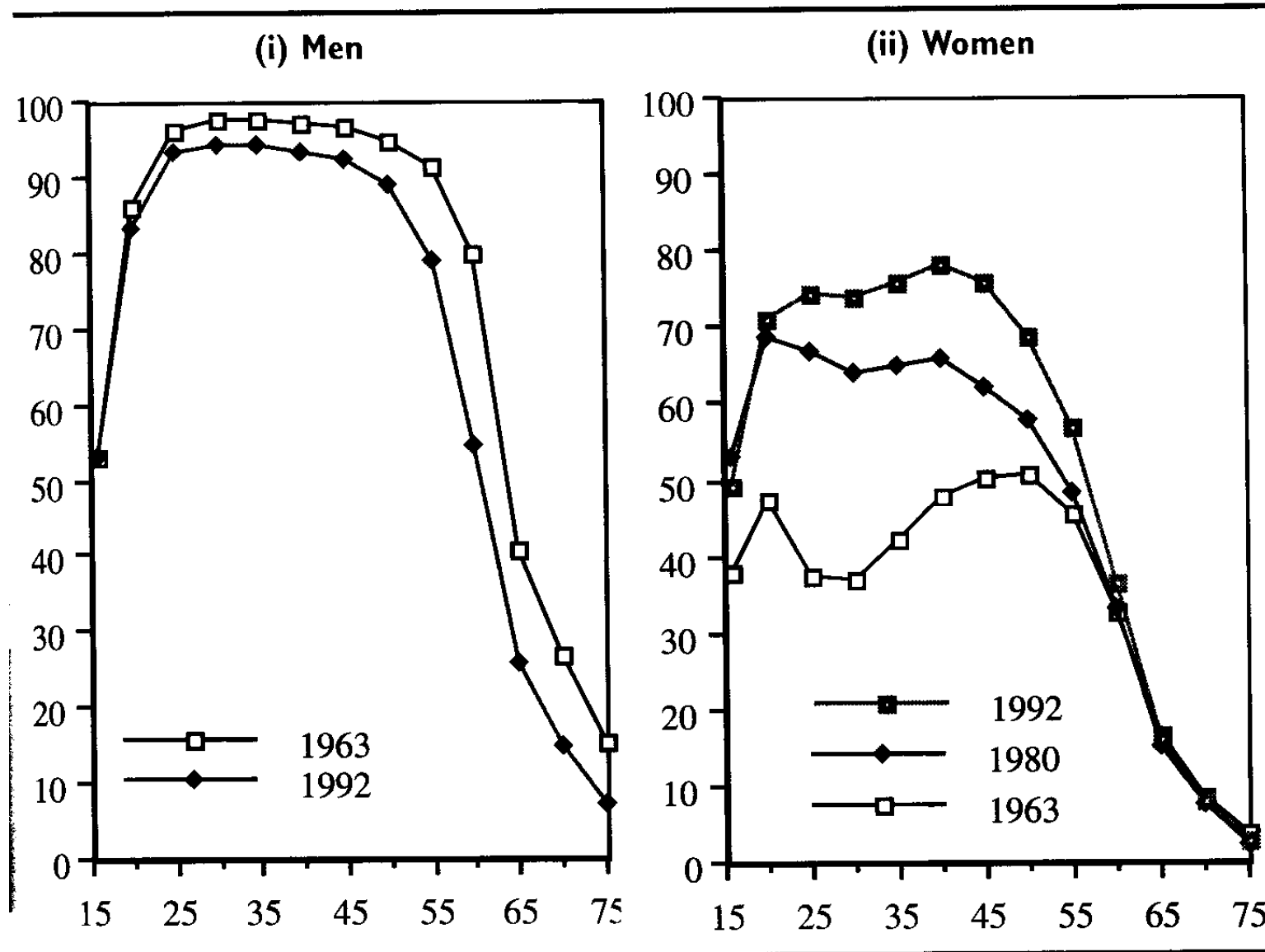
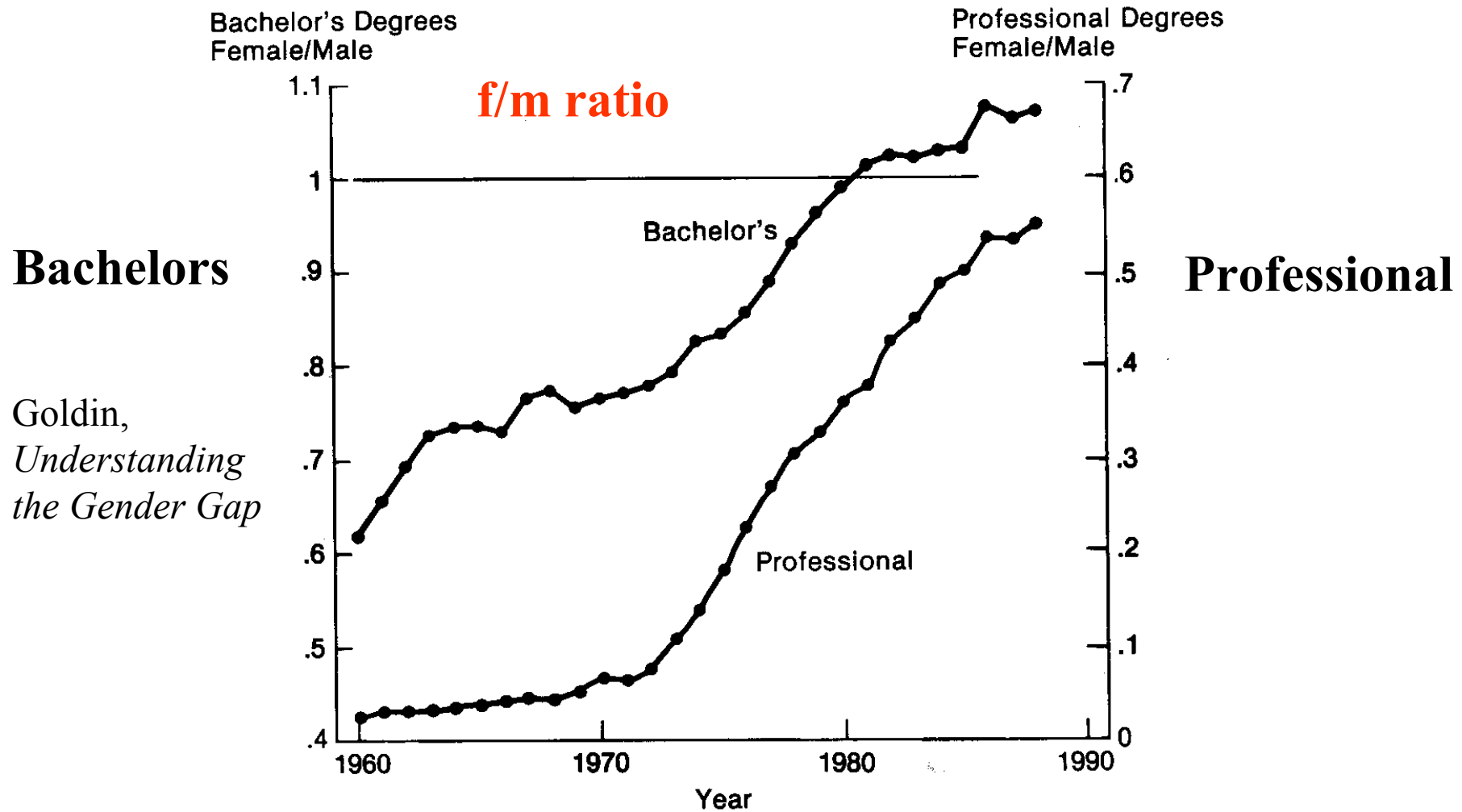


FIGURE 4.5 Labor force participation rates by sex, by age, 1963, 1980, and 1992

(Jacobsen, 1994)

Women's academic degrees, ratio to men, USA, 1960-1990



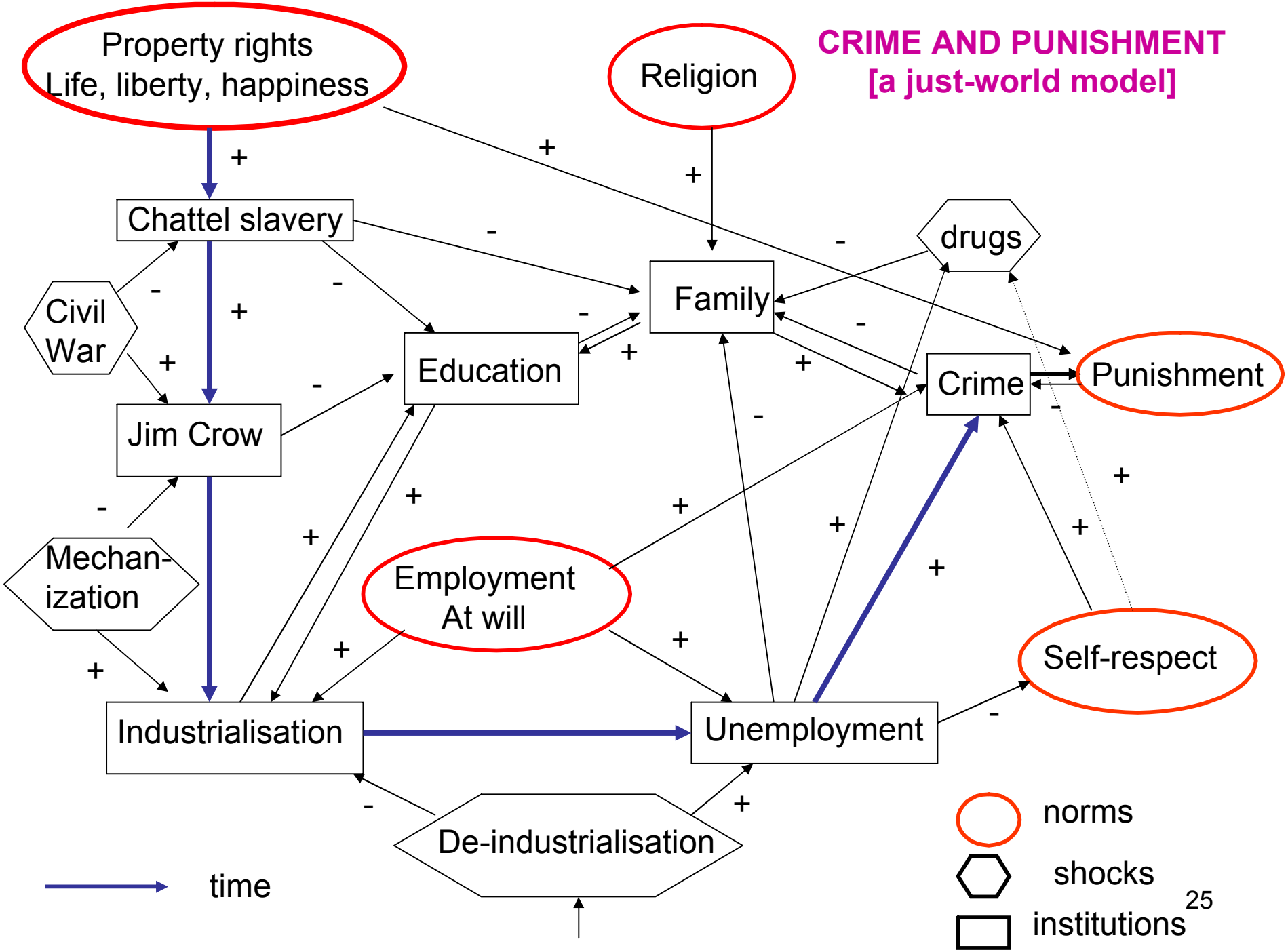
Bachelors

Goldin,
*Understanding
the Gender Gap*

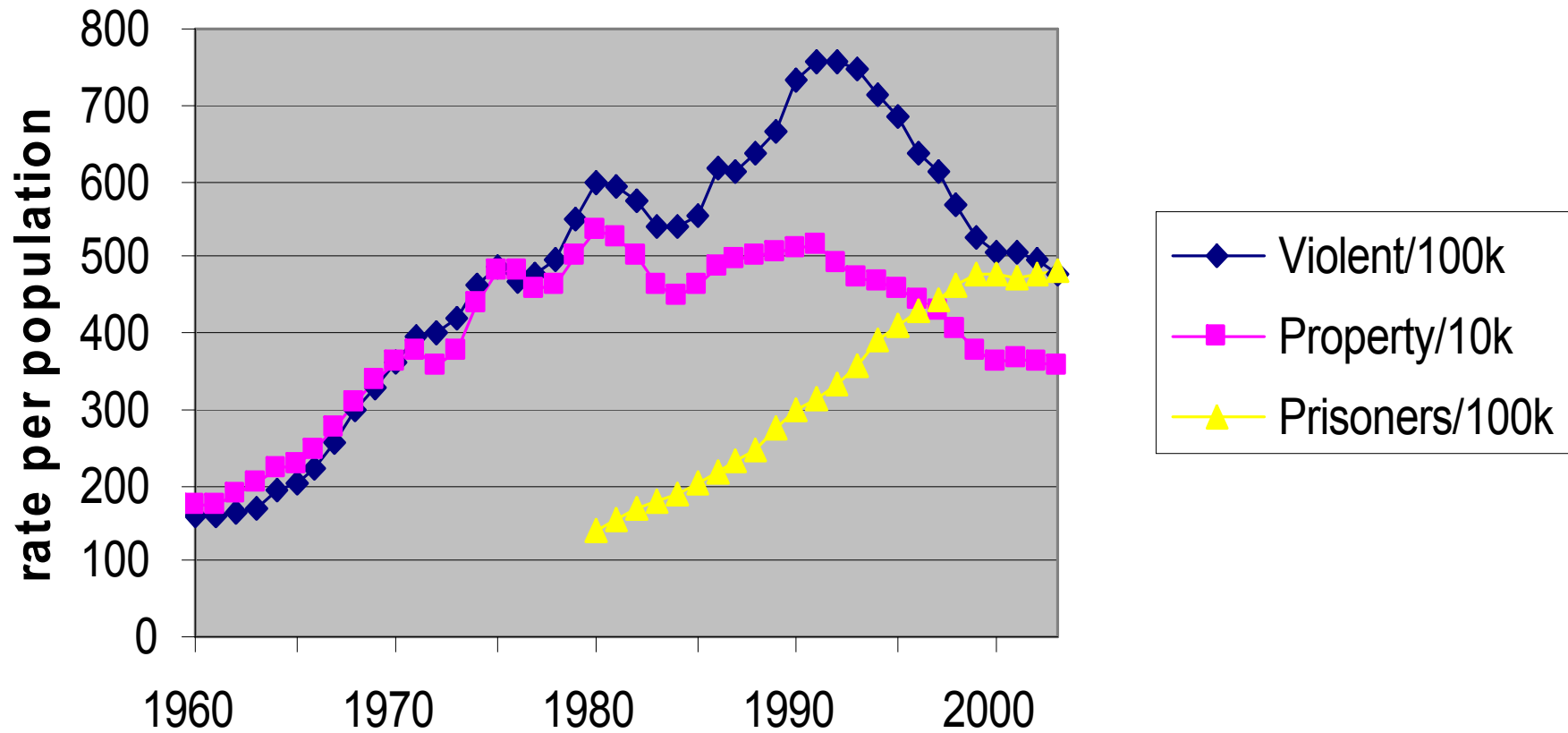
Professional

FIGURE 8.1. Bachelor's and Professional Degrees by Sex, 1960 to 1988. *Source:* U.S. Department of Education, *Digest of Education Statistics* (Washington, DC: Government Printing Office, 1988), table 166. Professional degrees are first-professional degrees, primarily in dentistry, medicine, and law.

CRIME AND PUNISHMENT
[a just-world model]

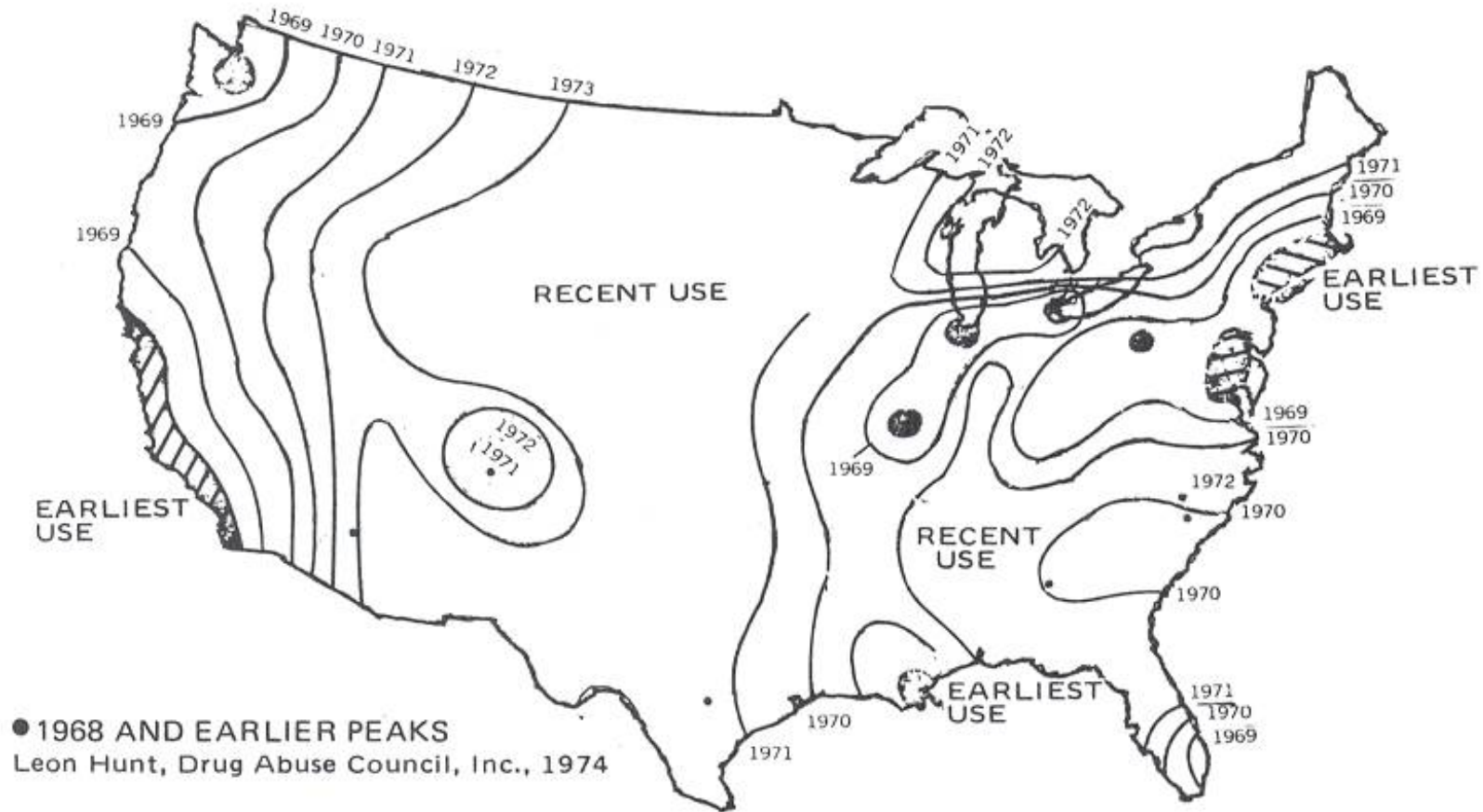


Reported Crime and Imprisonment Rates USA



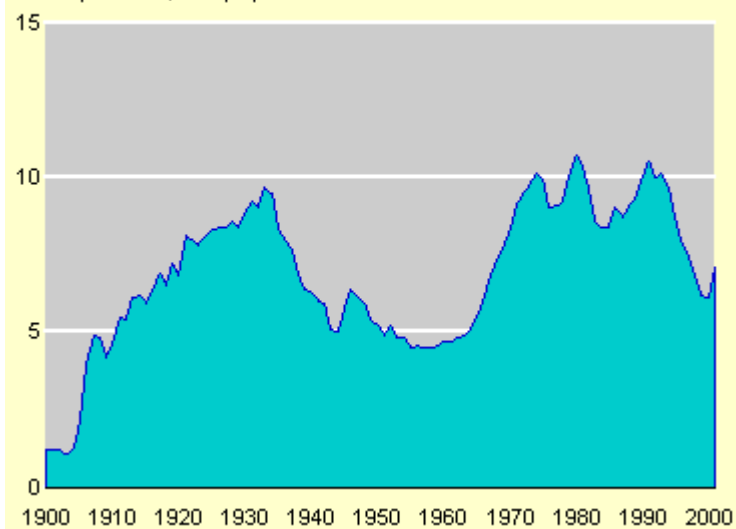
All USA stats, US Fed. Bur. of Justice Statistics

Crime Surges and Heroin Epidemic



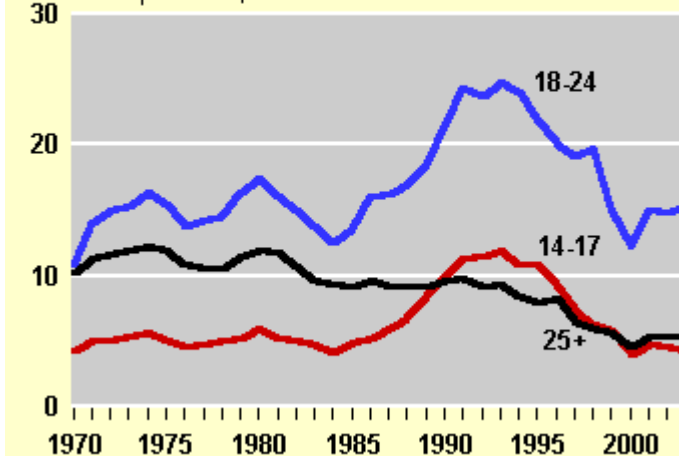
Homicide rate, 1900-2001

Rate per 100,000 population



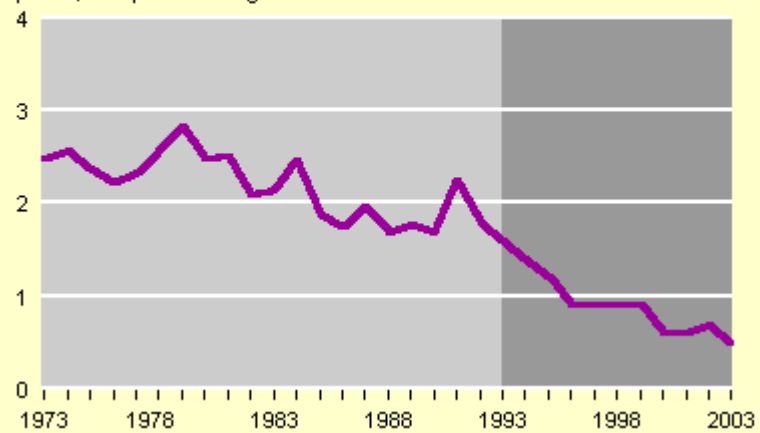
Homicide victimization rate by age, 1970-2003

Rate per 100,000

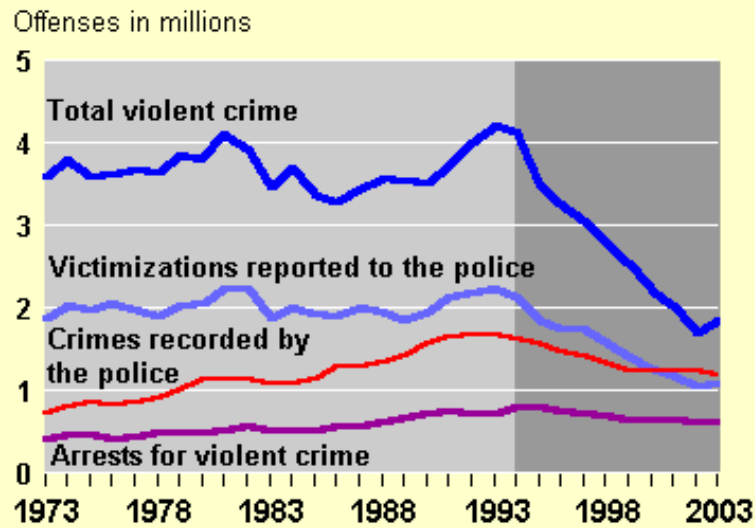


Rape rates

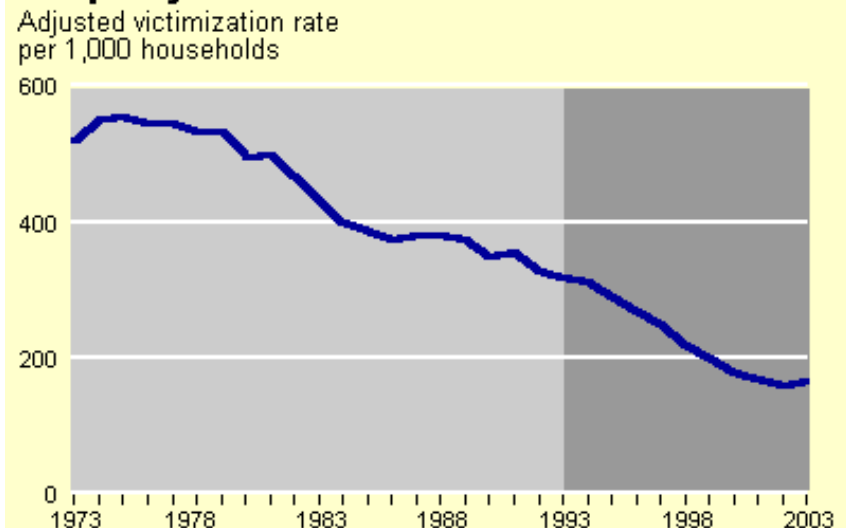
Adjusted victimization rate
per 1,000 persons age 12 and over



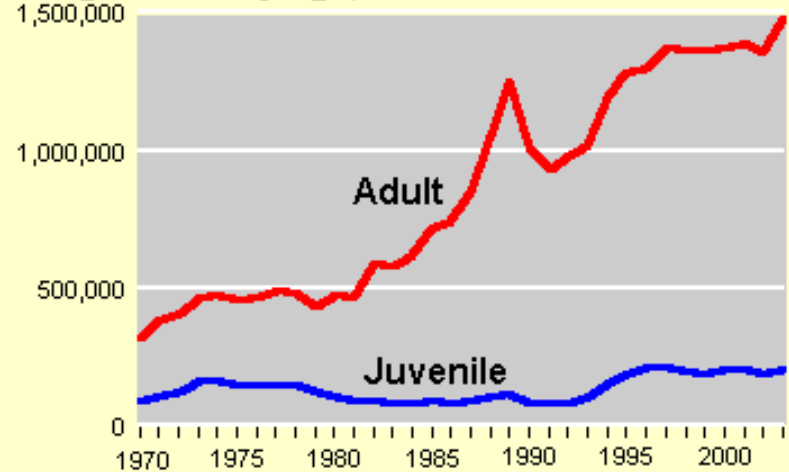
Four measures of serious violent crime



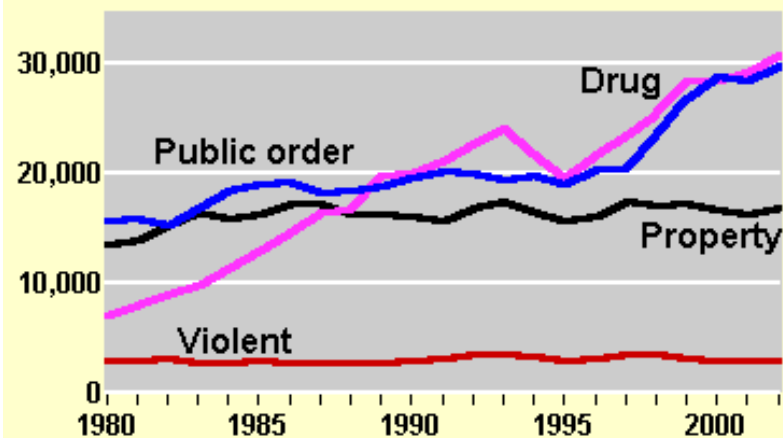
Property crime rates



Drug arrests by age, 1970-2003



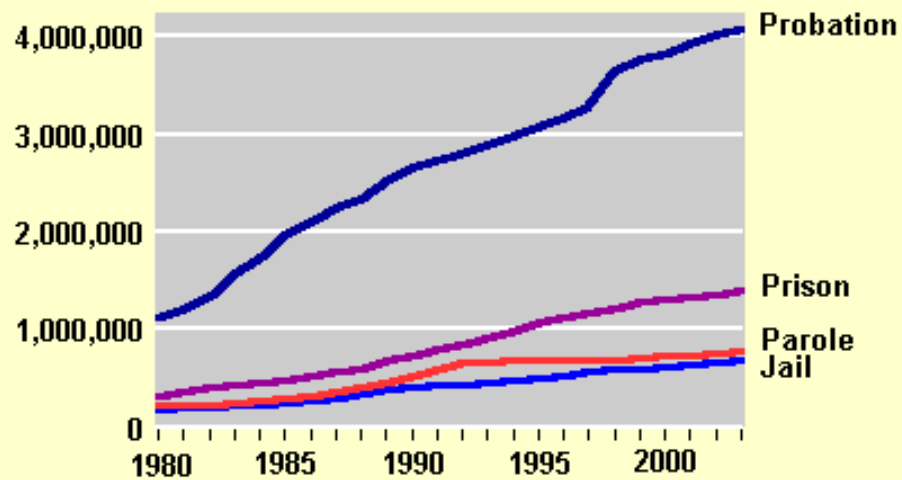
Defendants in cases concluded in U.S. district court



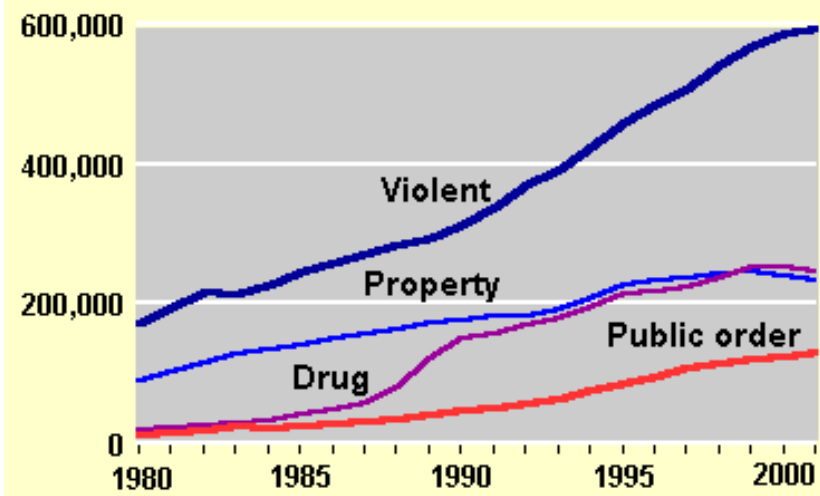
Public Fear and Frustration

- “I am sick of crime everywhere. I’m sick of riots. I’m sick of poor people demonstrations (Black, White, red, yellow, purple, green or any color) . . . I am sick of the lack of law enforcement . . . I am sick of hippies, LSD, drugs and the promotion the news media give them. But most of all, I am sick of constantly being kicked in the teeth for staying home, minding my own business, working steadily, paying my bills and taxes, raising my children to be decent citizens, managing my financial affairs so that I won’t become a ward of the city, county, or state and footing the bill for all the minuses mentioned herein”
- Letter to Senator Sam Ervin from a constituent in June 1968 [Hynes dissertation]

Adult correctional populations, 1980-2003

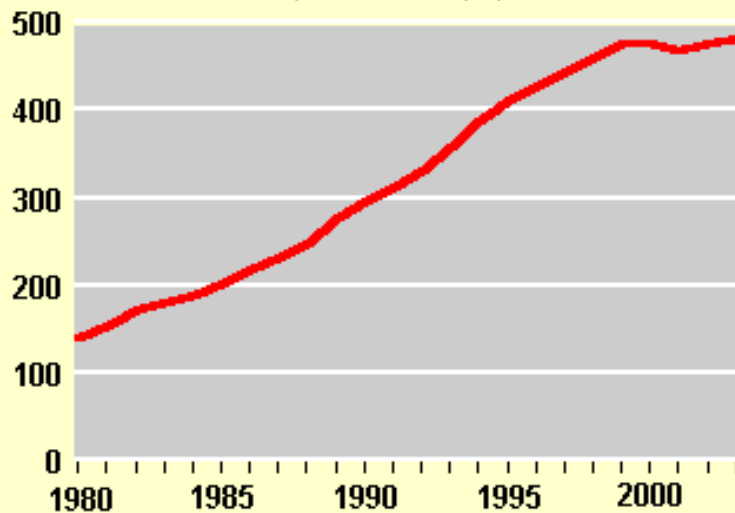


State prison population by offense type, 1980-2001

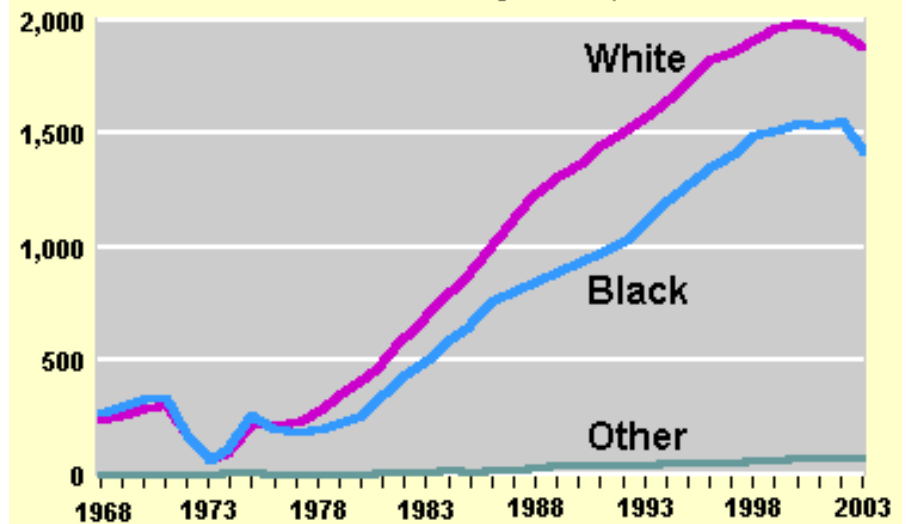


Incarceration rate, 1980-2003

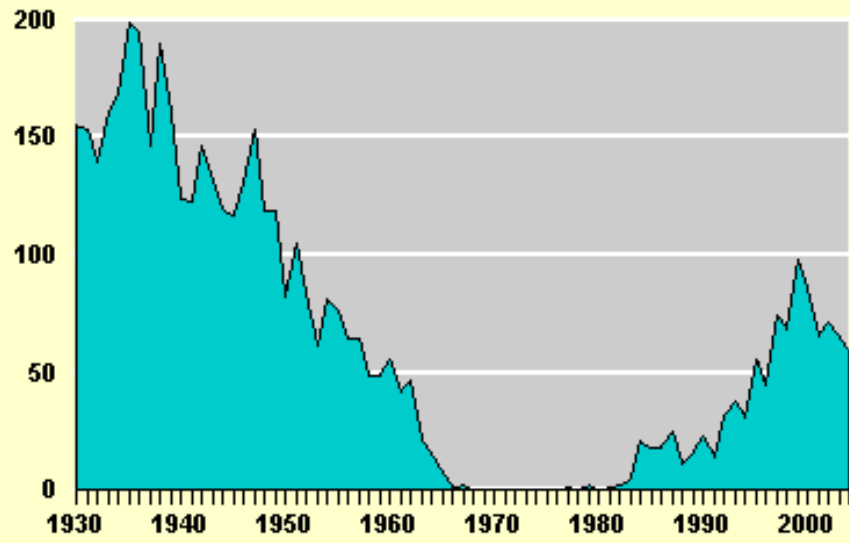
Number of offenders per 100,000 population



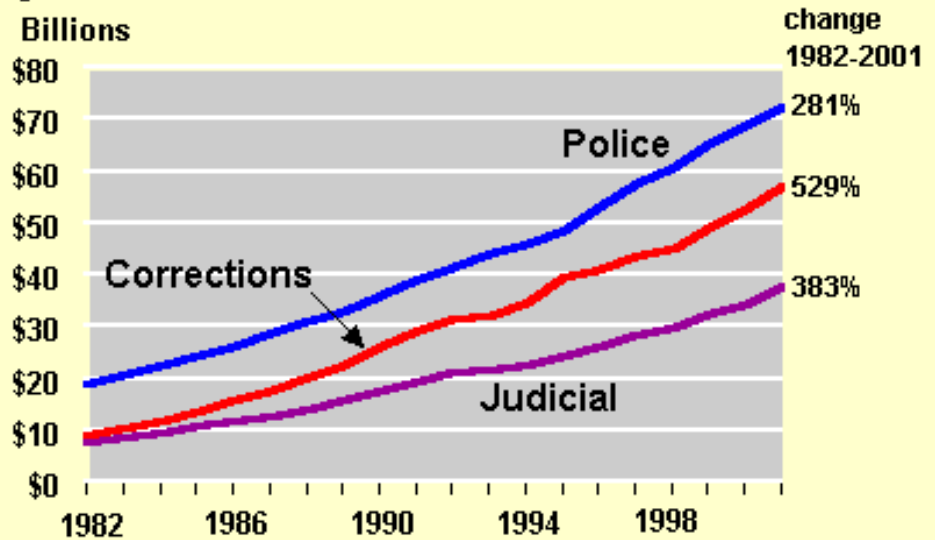
Prisoners on death row by race, 1968-2003



Executions, 1930-2004



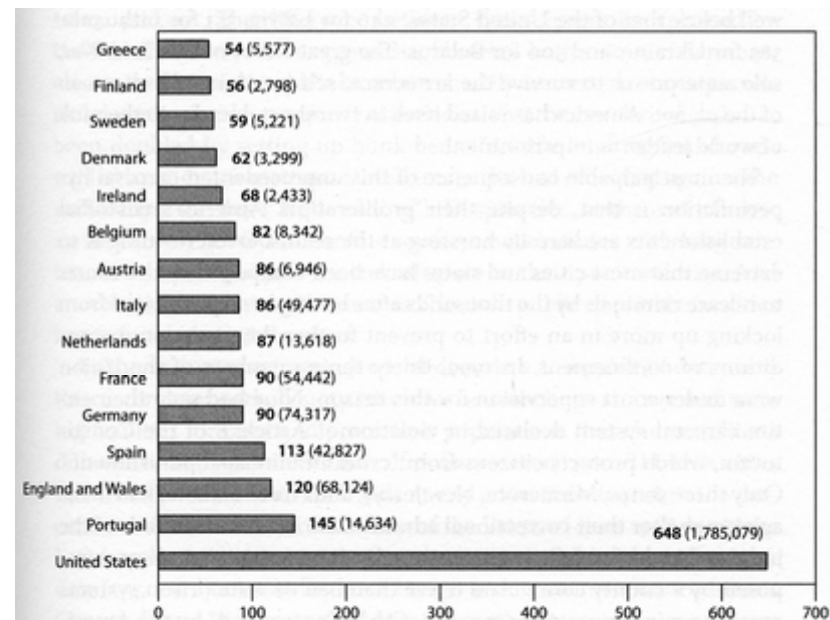
Direct expenditure by criminal justice function, 1982-2001



Some National Incarceration Rates (per 10,000 of the population) ²⁴

USA	702
Russia	628
Thailand	401
South Africa	400
Iran	229
Mexico	156
United Kingdom	138
France	90
Sweden	60
Japan	40

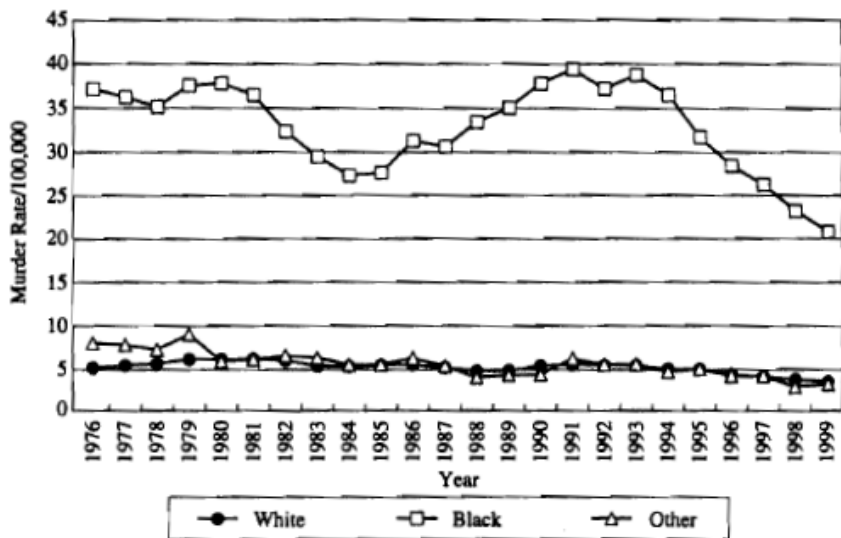
Elsner, 2004



SOURCE: Bureau of Justice Statistics, *Prison and Jail Inmates at Midyear 1997* (Washington D.C.: Government Printing Office, 1998); Pierre Tournier, *Statistique pénale annuelle du conseil de l'Europe* (Strasbourg: European Council, 1999).

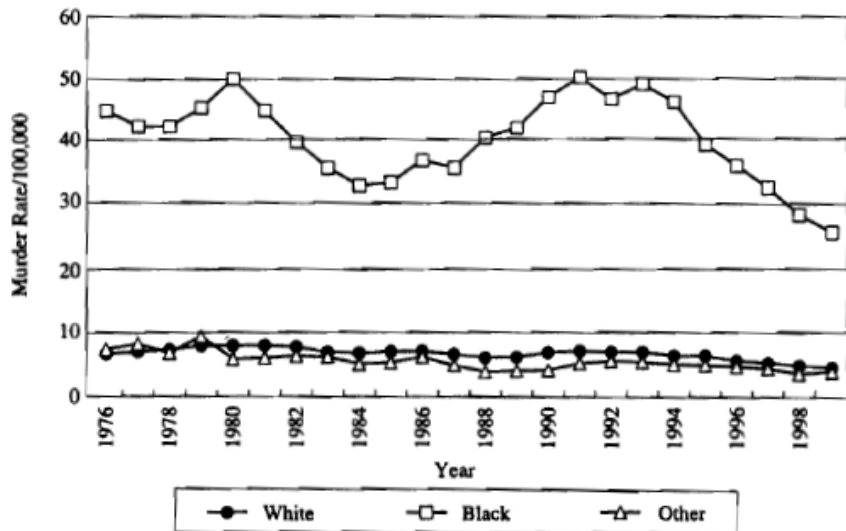
Waquant, 2009

Figure 1.3. Rate of Homicide Victimization in the United States, 1976–1999, by Race



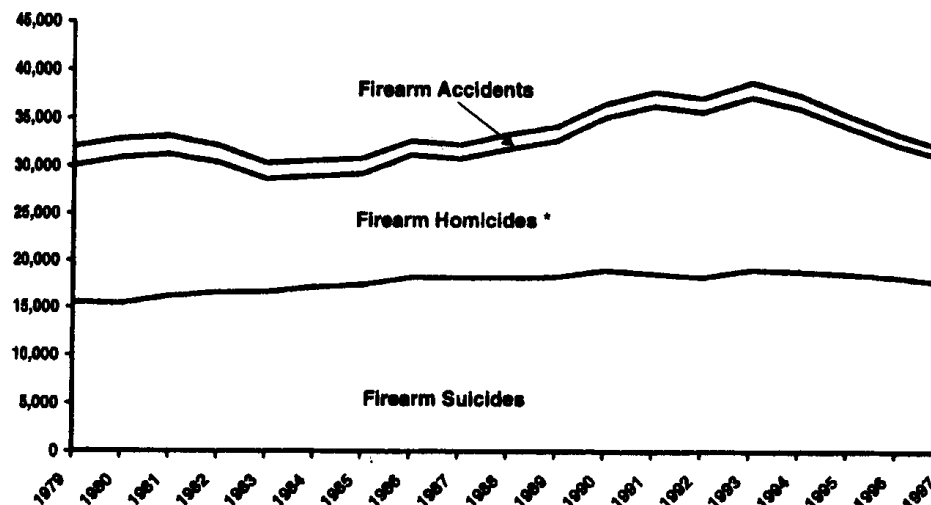
Source: "Homicide Trends in the U.S.," Bureau of Justice Statistics, 1999.

Figure 1.4. Rate of Homicide Perpetration in the United States, 1976–1999, by Race



Source: "Homicide Trends in the U.S.," Bureau of Justice Statistics, 1999.

Figure 1.1. U.S. Firearms Deaths by Cause



*Excluding law enforcement related, estimated at 270 in 1997.

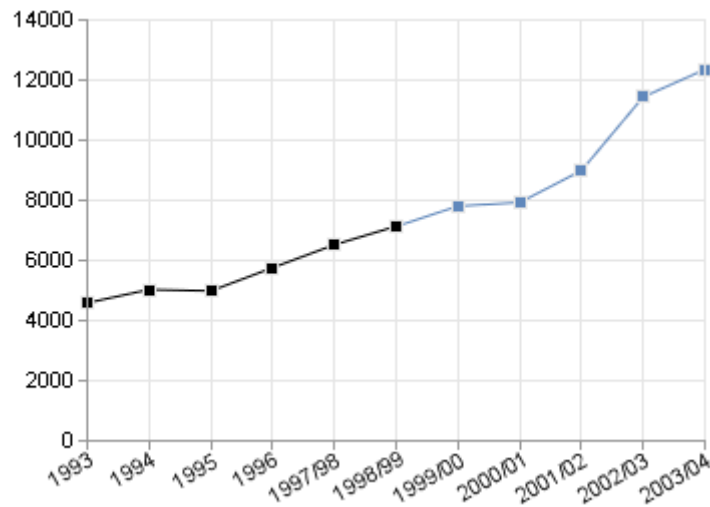
Source: Data from CDC/National Center for Injury Control and Prevention.

Table 4. Race of Admissions to State and Federal Prisons, 1926–1993

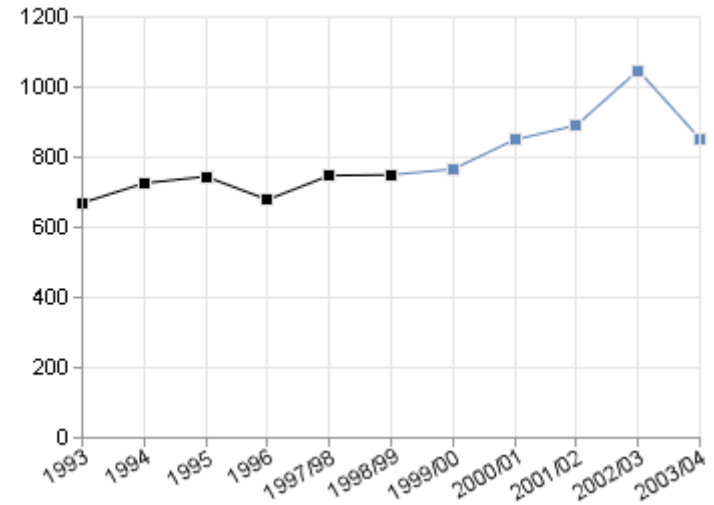
Year	White (%)	Black (%)	Other (%)
1926	79	21	1
1930	77	22	1
1935	74	25	1
1940	71	28	1
1945	68	31	1
1950	69	30	1
1960	66	32	2
1964	65	33	2
1974	59	38	3
1978	58	41	1
1981	57	42	2
1986 ^a	40	45	15
1993 ^b	27	55	18

Jacobs, 2002

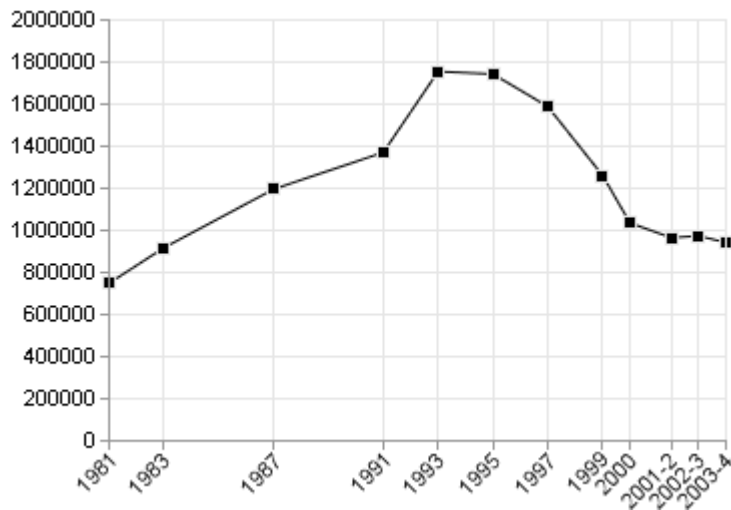
Miller, 1996



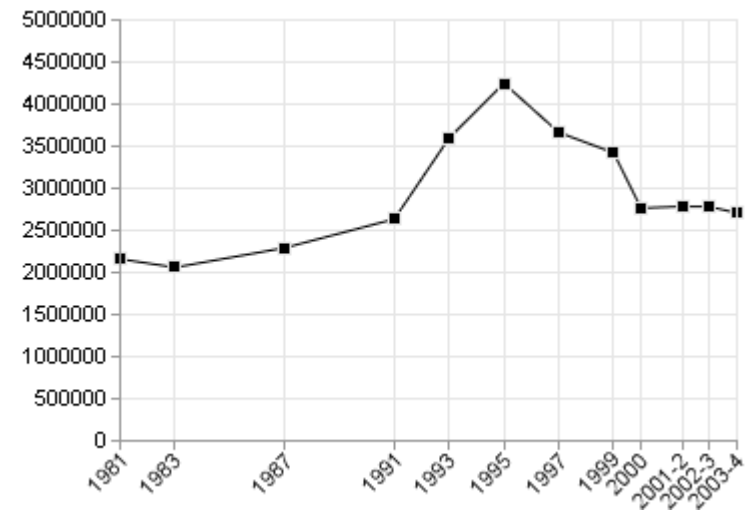
'rape of a female, uk'



Homicide, UK

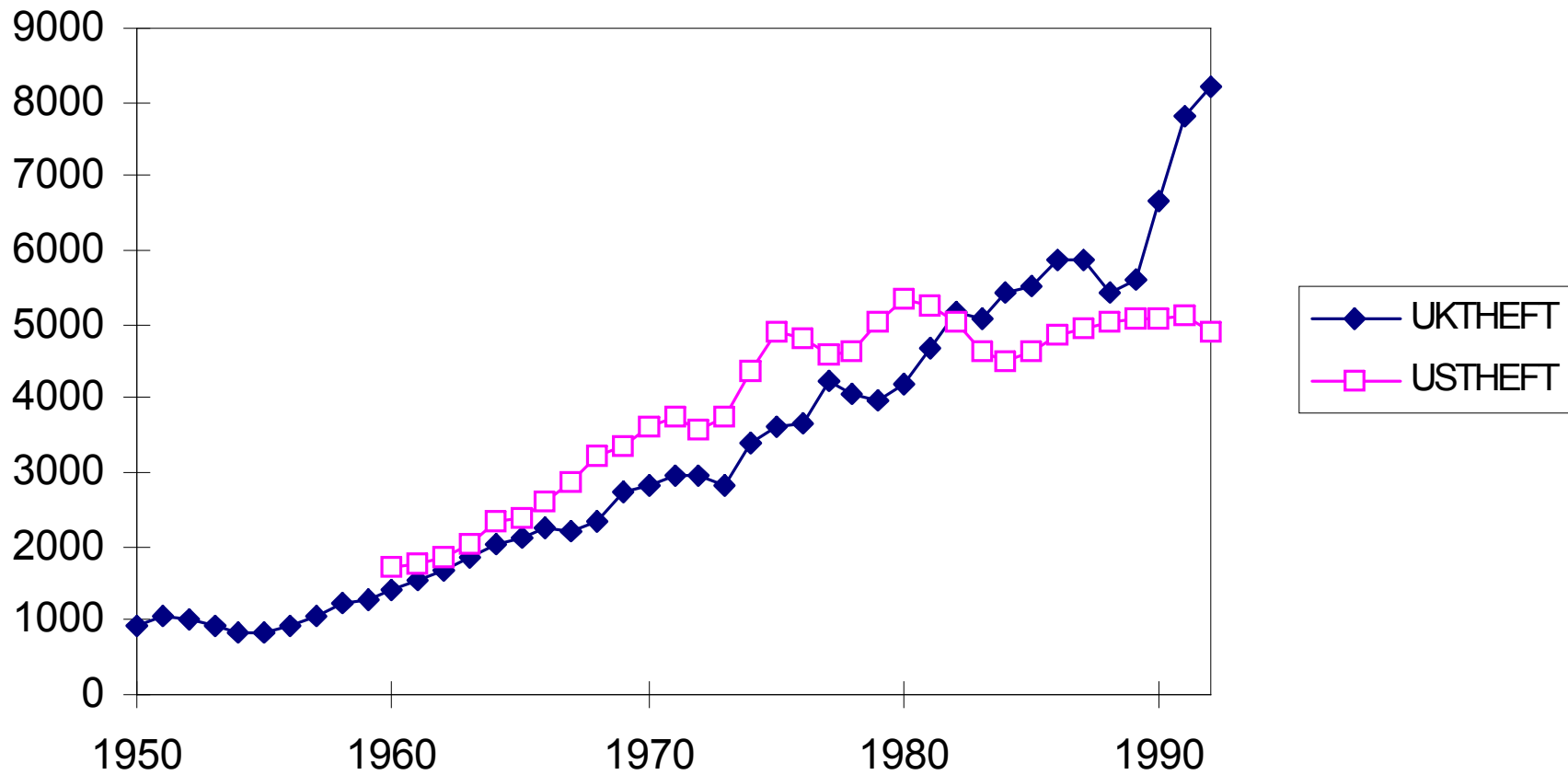


Domestic burglary, UK



Violent crime, UK

Figure 1. Recorded Theft per 100,000 Population, UK and USA



Myopic Crime

In sum, people who lack self-control will tend to be impulsive, insensitive, physical (as opposed to mental), risk-taking, short-sighted, and nonverbal, and they will tend therefore to engage in criminal and analogous acts. Since these traits can be identified prior to the age of responsibility for crime, since there is a considerable tendency for these traits to come together in the same person, and since these traits tend to persist through life, it seems reasonable to consider them as comprising a stable construct useful in the explanation of crime. (Gottfredson and Hirschi, *General Theory of Crime*, pp. 90-91)

Hypothesis

- Micro-foundations for macro-trends
- Emotional equilibrium rests on self-worth
- Regard [social worth] can replenish self-worth
- Technological shocks ('creative destruction') affect economic roles, and undermine self-worth [women, blacks]
- Quest to restore equilibrium through self-sufficiency
- The tragedy of self-sufficiency: a quest to attract a commitment you are unable credibly to reciprocate.
- Disables reciprocity ['social capital']
- Drives distrust