

The Department of Economics Visiting Speaker Series

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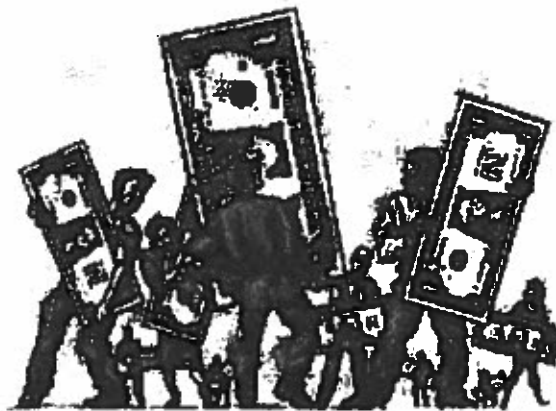
Dr. Lars Osberg (Dalhousie University)

Canadian Inequality Then and Now: Can Increasing Inequality be a Steady State

Friday November 14, 2014 3:00pm to 4:30pm

Arts and Administration Annex Building Room AA2071

Cross-sectional comparisons of the levels of inequality of income have been used to argue that countries with more inequality are less healthy, less democratic, more crime-infested, less happy, less mobile and less equal in economic opportunity. Such comparisons implicitly presume that current levels of inequality are steady state outcomes. However, the income distribution can only remain stable if the growth rate of income is equal at all percentiles of the distribution. This paper compares long-run levels of real income growth at the very top, and for the bottom 90% and bottom 99% in the United States, Canada and Australia to illustrate the uniqueness of the post-WWII period of balanced growth (and consequent stability in the income distribution). The 'new normal' of the United States, Canada and Australia is 'unbalanced' growth – specifically, over the last thirty years the incomes of the top 1% have grown significantly more rapidly than those of everyone else. The paper asks if auto-equilibrating market mechanisms will spontaneously equalise income growth rates and stabilise inequality. It concludes that the more likely scenario is continued unbalanced income growth. This, in turn, implies consumption and savings flows which accumulate to changed stocks of indebtedness, financial fragility, periodic macro-economic crises and increasing inequality of opportunity and political influence. Greater economic and socio-political instabilities are therefore the most likely consequence of increasing income inequality.



Lars Osberg is currently McCulloch Professor of Economics at Dalhousie University. During 2009-2010, he was Senior Visiting Research Fellow at Research on Poverty Alleviation (REPOA), Dar es Salaam, Tanzania and Visiting Scholar at the Indira Ghandi Institute for Development Research, Mumbai, India and from January to June 2014 he visited the OECD in Paris. He has written ten books, including "Economic Inequality in Canada" and "The Economic Implications of Social Cohesion" and has co-authored four editions of an introductory economics textbook with Ben Bernacke.

His current research emphasizes the measurement and determinants of poverty and economic insecurity, the implications of increasing inequality and the measurement of economic well-being. Among other professional responsibilities, he was President of the Canadian Economics Association in 1999-00.