

Время выполнения задания – 180 мин., язык – английский.
You have 180 min to complete this task.

Read the article in English and analyze it critically answering the questions below.

Today's world is full of threats. Two of the great bulwarks of our recent prosperity—the postwar European project and a (reasonably) well-functioning democracy in the U.S.—are under siege. Waves of refugees from the civil war in Syria are engulfing Europe and stretching to breaking the long-standing generosity of northern Europeans toward those in distress.

We see horrors in the Middle East, faltering growth in China, and global warming. Substantial fractions of the populations in Europe and in the U.S. have seen little growth in living standards for many years, and they are disengaging from the political processes that have delivered so little for them. And across the rich world, growth rates of per capita income are falling, whereas almost everywhere, income and wealth inequalities are rising.

It may not be obvious that inequality deserves its place among these threats, but it would be a mistake to underestimate its potency. Every problem I mentioned is tied to inequality; if extreme and rising inequality has not caused that threat, it certainly makes it worse. And so it may seem that the world is going to hell in a handbasket. To realistically assess our future prospects, however, it is a mistake to extrapolate only from the present. First we need to look back and to see how far we have come.

We — meaning the inhabitants of the rich world and many of the inhabitants of the poor world — are enormously wealthier and healthier now than at any time in human history.

The usual interpretation of “prosperity” is spending power or material well-being, and that is certainly an important part of the story. But human well-being depends on much more. Material well-being is of limited value if you are dead or disabled, and good health is an important part of well-being in its own right. Education contributes to earnings and thus to material wellbeing, but it also enables one to lead a richer and better life. Like wealth, health and education, freedom — including the freedom to participate in civil society, the freedom of movement, and the freedom from discrimination, from violence, from arbitrary arrest and imprisonment — is part of prosperity. All these freedoms are more prevalent today than at any time in history.

If we go back 250 years, to the second half of the 18th century, we see that a few countries were beginning to emerge from a past in which poverty and ill health were the norm. For most of history, many children died before their fifth birthday. Plagues and epidemics were a constant threat. Only after the industrial revolution and the accompanying health revolution did sustained economic growth and improvements in health become widespread.

Even then, life got better in only a few countries at first before slowly transmitting to the rest of the world. Progress created new inequalities, driving living standards in London and Amsterdam away from those in Jakarta and Beijing, increasing life expectancy and decreasing child mortality in northwestern Europe but leaving it unchanged in Africa and Asia.

The afterglow of this “great divergence” remains today, even after the remarkable recent catch-up growth in India and China and the even more remarkable increase in life expectancy in poor countries. Today per capita incomes in the U.S. are four times higher than in China, 10 times higher than in India or Nigeria, nearly 20 times higher than in Kenya, and more than 90 times larger than in the Central African Republic (all these figures have been adjusted for the lower cost of living in poorer countries). These vast international inequalities are a consequence of progress: it is almost always the case that some benefit before others. But they also threaten future progress.

It is unlikely that historians will ever come to a final agreement on the causes of the industrial revolution, but the Enlightenment was a crucial precursor, especially the Enlightenment notion of “useful knowledge.” Useful knowledge starts from the interrogation of nature and the development of basic science

and turns science into techniques, machines and understanding that make life better and promote the “pursuit of happiness.” New knowledge does not simply drop from the heavens; the social environment and the needs of the time deeply influence the rate and direction of new understanding. Markets also play a role. High prices for goods incentivize people to economize, and one way to do that is to invent new methods that use less. High wages in Britain before the industrial revolution were likely one of the factors promoting the methods that were the core of the industrial revolution itself.

Political and intellectual freedom also helped us prosper. Inventions often work through what Joseph Schumpeter called “creative destruction”. New techniques destroy not only previous ways of doing things but also the livelihoods of those who depend on those previous methods. Change will be fiercely resisted, often successfully, especially when the incumbents are politically powerful. Political arrangements can modify this resistance, however. One reason sustained growth happened in Europe and not in China is that the political fragmentation of Europe allowed those with new but unpopular ideas — or religions — to flee one political jurisdiction and set up elsewhere. Recent globalization has brought a greater and cheaper freedom to move goods, services and (to a lesser extent) people, which has played a role in allowing the recent great escapes from poverty in India and China.

The question for today is whether the growth since 1750 can be relied on indefinitely or whether the black clouds around us are a sign that we are done, that the well has run dry. We cannot assume, just because the history of the past quarter of a millennium has been one of progress (albeit with some horrific interruptions), that such progress must necessarily continue.

Episodes of progress have come and gone before. I do not see inequality as harmful in and of itself; my well-being does not change simply because someone else gets better or worse. Inequality is sometimes just another word for incentives; those whose innovations make us all better are often rewarded with great riches, and it is hard to see why this is socially destructive in and of itself. The dangers of inequality are in its instrumental effects, and it is those that are threatening our future.

The rate of per capita economic growth, long running at a little under 2percent a year in the U.S., has been falling. Similar declines are observed in other industrial countries. This was true before the financial crisis that began in 2008, from which there has been a much less than complete recovery in the U.S. and no recovery at all in much of Europe. The Great Recession may be just one more of the episodes that mar market economies, or it may be worse than that, a sign of things to come.

The growth of per capita GDP, imperfect as the measure is, remains our leading indicator of improving prosperity. At 3 percent a year, incomes double in 25 years, a single generation; at 2 percent a year, it takes 35 years; and at 1 percent, it takes 70 years.

Americans and many European families in the middle of the distribution have already lost the chance of being better than their parents; instead they are struggling not to do worse. Politics become more difficult with slower growth. With a growing pie, everyone can have more, but if the pie is fixed, I can only benefit at your expense. The same goes for public goods such as health care, social security systems, education and infrastructure. With growth, these goods can be repaired and expanded without reducing what anyone gets; without growth, someone must give up some of what he or she already has.

Slow growth rewards the formation of groups that enrich their members at the expense of the larger population, for example, by agitating for laws and regulations that increase their incomes or otherwise protect them, inhibiting innovation and beneficial change and further reducing growth. These activities are what economists call “rent seeking.” Economic and political thinker Mancur Olson believed that rent seeking would bring down rich nations. It is easy to find examples of it today. To name one among many, the National Institutes of Health, one of the U.S. government’s most important research institutions, declared in 2015, at the urging of a Congress that is well funded by the health care industry and deeply opposed to Obamacare, that it would not pay for research whose primary goal is to “assess the cost and efficiency” of the health care system. When whatever growth exists is not shared, new problems arise. Those who are left behind may be patient when they are getting something, but if their incomes are flat or declining, they are unlikely to remain patient for long. Inequality becomes a political issue. Ideally, such dissatisfaction will bring political change. But if the political system is sensitive only to the needs of the wealthy — something that is arguably true of the U.S. Congress — there is a direct threat to political stability and, ultimately, to democracy itself. If the main political parties offer nothing to those who are

excluded, they may turn to political remedies or candidates that threaten liberal democracy. For those who are left behind, the loss of well-being is far from abstract. In the U.S., those in the middle of the distribution have not only seen stagnant incomes. There is now a health crisis among non-Hispanic middle-aged whites, who are destroying themselves through drug addiction, suicide and alcoholism. Most increases in life expectancy in recent years have accrued to the top of the income distribution.

Understanding the causes of slowing growth is crucial for thinking about the future. Here there is much disagreement, although there are some direct reasons why we are growing so slowly, and they are all connect-ed to rising inequality. In the U.S., though less so elsewhere, we spend enormous sums on health care, much of which has little or no effect. That money comes from wages and incomes, so citizens are paying more for health care than they think. This system is fiercely defended by those whose incomes and power come directly or indirectly from the nearly one fifth of American GDP that health care absorbs.

The financial sector is another key contributor to our wellbeing, but it is also too large. The enormous private rewards this sector generates outstrip its social returns. Many of our best minds are working in this sector instead of actually making things or coming up with new treatments for disease. At the same time, the instability of an overly large financial sector brings the risk of financial crises, which have disastrous negative effects on economic growth.

The very size of the health care and financial sectors gives them political power that makes them difficult to control. These sectors then become engines of inequality, generating huge rewards for some while slowing growth and undermining innovation.

If this analysis is correct, we are unlikely to restore prosperity without tackling income inequality and taming behaviors, such as rent seeking, that are both its causes and its consequences. Like the 15th-century Chinese emperor who banned potentially world-conquering seagoing exploration for fear of ceding power to others, we run the risk of stifling the innovation and growth that are the roots of our future prosperity. One indication that inequality will be hard to reverse is that rising inequality is so widespread across rich countries in spite of differences in national policies and in spite of aggressive social welfare policies in some countries that seek to limit it. One concern is that technical progress, automation, globalization and the offshoring of jobs have not only had the traditional effect of displacing workers temporarily, so that, in the long run, they, too — or at least their children — can benefit from the higher prosperity that such forces can bring. Instead these changes seem to have created a process in which the benefits never come, or accrue only to foreigners, or to the owners of the machines. Such concerns have been raised throughout history in similar situations, and they have always proved baseless, so we have to be very careful in interfering if we believe, as I do, that technical advance is the bedrock of our rising prosperity and lengthening life spans. It is also doubtless the case that, in the aftermath of the long-prolonged Great Recession, it is easy to be pessimistic. That said, the fears are real, and there is more concern among economists than for many years.

What are the positives to offset all this pessimism? One is that democracy will win out in the end, that those who are not being well represented currently will use the democratic process to install leaders who are more responsive to their will. That will be difficult, and there are dangers to democracy along the way, but it is not impossible.

The second and most powerful ray of hope is in the history with which I began: it is the fact that people shape their circumstances to their needs, at least in the long run. It is not as if a rogue planet is approaching Earth and threatening to destroy it. Social arrangements can be changed, and they will need to be. I believe that, if left unaddressed, current levels of rent seeking and the extremities of national and international inequality that they create are likely to bring us down. Yet I am optimistic because the pursuit of happiness remains as powerful a desire today as it was in the 18th century.

SOURCE:

Deaton, A. (2016). The Threat of Inequality. *Scientific American*, 315(3), 48-53.

QUESTIONS:

1. How can you interpret “prosperity” according to this article? Are you agree with the author’s definition?
2. What could be the causes for Industrial revolution?
3. What is the role of the high wage for development? Can you find the examples apart those in the article?
4. What is “creative destruction”? Please give the examples apart those in the article.
5. How does the economic growth influence social policy?
6. What is the effect of economic decline/recession on political situation?
7. Is the inequality in Russia high in comparison with the world average situation? Please compare inequality in Russia with other post-Soviet countries.
8. What are the “centers” of inequality in the world?
9. Why according to the article the financial and healthcare sectors could generate inequality? Are you agree with the author, please prove your opinion.

