

The 484th Convocation

Address: "World Opportunities"

By Susan E. Mayer

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Congratulations to those of you graduating from the University of Chicago. And to your family and friends who supported you.

It is the custom of this University to select a faculty member to deliver the convocation address. I do not know the origin of this tradition, but if it is true as the cartoonist Garry Trudeau has said that "commencement speeches were invented largely in the belief that outgoing college students should never be released into the world until they have been properly sedated," then through this tradition the University of Chicago has in typical fashion outdone its peer institutions.

Nonetheless, it is an honor to address you today. Your accomplishment that we are celebrating here is profound. By earning a degree from the University of Chicago, you have joined the ranks of the world's educational elite.

About a fifth of the four billion or so adults in the world have had no formal schooling at all. Only about 6 percent have the equivalent of four years of college. Many fewer receive any postgraduate training, and fewer still have graduated from a university with as much to offer as the University of Chicago.

Thus the degree that you have earned today puts you in something like the top 1 percent of the world's educational distribution. Even in the United States, which is among the most highly educated nations, you are a member of the educational elite.

Being part of the educational elite puts you in a very good position to be in the financial elite, as well. In the United States for each additional year of schooling,

earnings increase by, on average, 8 to 10 percent. Over a lifetime, as you might imagine, this is a considerable amount of money.

And there is more. Because you are in the educational elite and likely to join the financial elite, you will also be among the political elite. In democracies, the well educated and wealthy are more likely than others to vote and to participate in other forms of political expression.

And perhaps most importantly, research also shows that by virtue of your education and income advantage you are likely to be healthier and happier than those who get less schooling and have less income.

You and your family can celebrate today feeling confident that the cost of your schooling will come back to you in higher wages and in greater well-being over your lifetime. So you have much to celebrate.

But celebrations of important milestones inevitably lead to the question of what comes next and, in particular, what you will do with the great advantage that you now possess.

It is customary in a convocation address to urge you to aspire to virtue, and to remind you that because of your advantage, you have a special responsibility to fight against all the plagues of our world such as inequality, injustice, and ignorance.

And of course this is true, and you already knew it.

You should use your advantage to work for good not evil; and, because everyone everywhere agrees that equality, justice, and knowledge are good, you should work on their behalf.

But if everyone agrees about this, an important question arises: why do we still witness everywhere injustice, inequality, and ignorance?

To answer that question, let me talk specifically about one of these problems, namely inequality and, more specifically, economic inequality.

Among rich nations, the United States is exceptionally economically unequal. The richest 5 percent of Americans have over 50 percent of all the income in the nation; the bottom 20 percent has less than 4 percent of the nation's income. If we counted wealth along with income, the difference would be even greater.

Inequality is nearly universally denounced. I actually searched for a pithy quote in favor of inequality. But I could find none. I did, however, find one that is close.

John D. Rockefeller, the founder of the University of Chicago and the man for whom this chapel is named, argued, "When a man has accumulated a sum of money within the law, that is to say, in the legally correct way, the people no longer have any right to share in the earnings resulting from the accumulation." And Mr. Rockefeller was prodigious in his ability to accumulate money and, fortunately, in his generosity in giving it away.

Nonetheless, his philanthropy was to a large extent made possible by the even greater level of income inequality that existed in the United States at the turn of the last century. The accumulation of great fortunes that results from inequality also makes possible the endowed professorships and student fellowships from which many of us have benefited. And, let me remind you that I have just congratulated you on your educational and probable economic success or, to put it another way, on your being positioned to be the great beneficiary of economic inequality.

But enough with irony. If inequality is universally denounced, its denouncement is also ancient. Plutarch, a priest of the Delphic oracle, observed, "An imbalance

between rich and poor is the oldest and most fatal ailment of all republics.” And Plato before him observed in his *Republic*, “Any city, however small, is in fact divided into two, one the city of the poor, the other of the rich; these are at war with one another.”

Economic inequality is more or less persistently and universally denounced. But if inequality is really so bad, don't you think it is curious that nearly every society on earth is characterized by inequality of economic resources?

On the other hand, while almost all societies are characterized by income inequality, they also almost all redistribute resources from those with much to those with less. Does this not suggest that redistribution is good? And if a little is good, is not a lot better?

Well maybe. Among more or less contemporary societies the most egalitarian are hunter-gatherer groups found currently or recently in Africa, South America, and other parts of the world. What anthropologists have learned about these societies gives us insight into what it takes to maintain equality of economic resources.

To put it briefly, it takes highly developed rules that govern sharing and extreme sanctions for violating those rules. It also requires that ostentation and bragging of all sorts be forbidden and punished. Finally, it requires social conventions that obscure and denigrate any individual success.

Bragging is so threatening to the hunter-gatherer group that individuals considered boastful are ostracized from the band, or even worse. Social conventions assure that all meat caught by hunters is shared with everyone, and that virtually all possessions of the group are circulated among all the members.

For example, in one hunter-gatherer group men play a particular game of chance, betting tools, beads, and nearly everything else. Because winning is purely a matter

of luck, nearly all possessions of the band are circulated among members over time. The concept of ownership is thereby diminished.

The complex rules and strong sanctions that it takes to maintain equality suggest that human nature does not naturally lead to equality. It also suggests that redistribution must provide a benefit to the group even when it imposes large costs on individuals. Otherwise individuals would naturally share, which they do not.

One group benefit of sharing is that it provides a kind of social insurance. When resources like food come irregularly to a family, sharing across many families can smooth consumption over the group. On the day that your family is not successful in hunting, another successful family will share with you. This is the same principle on which modern social insurance policies work.

Sharing also prevents conflict. When the hunter consumes his meat the first few bites will be very tasty. But after several bites he will no longer be hungry. Band members who have no meat that day will still be hungry, so they will want the meat a lot—perhaps enough to fight for it. The hunter shares meat to avoid jealousy and conflict. A similar principle leads governments even in poor countries to help their most impoverished obtain food and shelter.

But clearly extreme egalitarianism comes at a high cost. Otherwise these groups would not be rapidly disappearing.

The benefit of inequality is that it promotes two things necessary for the economic resources of a society to grow, namely accumulation and efficiency. Hunter-gatherers have little need for efficiency. Indeed low work effort is required to prevent depleting the natural resources that they depend on for food and other necessities in their limited foraging and hunting areas.

When a social goal is to expand resources, efficiency and hard work become important. One of the most common ways to promote these is to reward accomplishment and punish shirking. This leads to competition and inequality.

Because people work more when work is rewarded, inequality is related to high work effort and low levels of leisure.

To make rewards for productivity meaningful, a society must value accumulation. This promotes ostentation. Mark Twain was right when he said, "The offspring of riches: Pride, vanity, ostentation, arrogance, tyranny."

A society that wishes to increase resources must also assure that its members must work to maintain their material well-being, so it will provide little social insurance and few public goods.

The United States is relatively unequal because as a society we value expanding resources to maximize goods and services. Our social institutions encourage competition, punish shirking, and minimize public goods and social transfers.

These same social institutions foster economic growth, high work effort, material surplus, a high living standard, and inequality. They make the poor better off materially, but not relatively.

From this we see that economic inequality does not persist because of the failure of political will, oppression by the rich, or the depravity of human nature.

It is not a problem to be solved by the virtuous, but rather a characteristic of society to be managed. The political process for managing it should not depend on claims to the moral superiority of equality, but rather on consensus building regarding the trade-offs we are willing to make, which in turn leads to the question of what kind of world we want to live in.

By now you have perhaps lost track of what this discourse on inequality has to do with you. To me, it has everything to do with the value of your University of Chicago education.

As Dean of the Irving B. Harris Graduate School of Public Policy Studies, I have had the opportunity to talk to people all around the world about the University of Chicago.

I have learned that what people value most in the University's graduates is not your ability to answer questions better than others, but your ability to ask the right question in a way that yields a new perspective.

They value University of Chicago graduates not because you are well-connected, well-polished, and well-heeled, but because you are well-educated.

Not because your ideas are fashionable, but because you challenge fashionable ideas.

And finally not because you are more virtuous, but because you are not hoodwinked into thinking that virtue can be found in platitudes and false dichotomies, such as that between equality and inequality.

As you leave here today, you do carry with you a disproportionate share of the burden for making the world a better place. Don't despair that this is a daunting task. No one is better prepared for this challenge than you.

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