

Macro Roundup Article

Headline: [The Economics of Inequality in High-Wage Economies](#)

Article

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Tweet: Inequality is mostly the result of an increasing premium on returns from risk and high-skilled labor ushered in by technological disruption and the feedback loop of elite talent working to increase their own productivity—a logical outcome when properly trained talent constrains growth.

Summary: The advent of information technology opened a window of investment opportunities that has exceeded the supply of properly trained talent while trade with low-wage economies, low-skilled immigration, trade deficits, and aging demographics have relieved constraints to low-skilled labor and risk-averse savings. As the economy devotes more resources to raising the productivity of talent, low-skilled productivity and wage growth have slowed. With a constrained supply of risk-reducing talent allocated to more productive endeavors, an unconstrained supply of risk-averse savings has lowered interest rates. With improbable innovation needed to capitalize on the value of information, high returns to success have fortunately motivated increased risk-taking, despite the declining productivity of innovators. Proponents of income redistribution have concluded that high returns to success and slowing productivity growth, despite low interest rates, are evidence of rising cronyism, notwithstanding extensive evidence to the contrary. This chapter provides an alternative explanation.

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