

### **Federal Action For Reducing National Income Inequality in the United States**

Although people might hold subjective opinions on the subject, the question of whether global inequality is increasing or not cannot be a subjective one. It has to be evaluated objectively with empirical evidence(s). According to the empirical literature on this subject, the research on the trends of global inequality stands with little consensus, varying depending on the measures employed (Ravallion 2018). Some would posit that global inequality is trending downward, while most would submit that the alternative is true. Unsurprisingly, given the fact that the world today is less poor than it was a century ago, it is intuitive that popular opinion would be that global inequality has been on the decline. At its core, income inequality is closely linked to poverty.

The issue however that has garnered greater consensus is that within countries, income inequality has shown no pace of slowing down especially among countries (though not all) in the Global North. The United States has among those countries, the highest income inequalities. This brief examines the situation and offers proposal(s) that would be effective in reducing national income inequality in the United States. To start with, how serious is the income inequality situation in the United States? In 2018, households in the top fifth of earners with (incomes of \$130,000 or more the same year) brought in 52% of all U.S income, more than the lower four-fifths combined, according to the U.S Census Bureau. In 1968, by comparison, the top-earning 20% of households brought in 43% of the nation's income, while those in the lower four income quintiles accounted for 56%. Also, middle-class incomes have grown at a slower rate than upper-tier incomes over the past five decades.

In order to sustainably address the income inequality problem in the U.S, we are faced with two alternatives: policies that alter the distribution of market primary incomes and policies that are redistributive of disposable incomes, such as taxation and transfers. Of these, the former is more effective because it emphasizes the endowment of human and financial capital through reforms and investments in education. The U.S must realize the deficiency in its education system. The failure of the system to supply the labor market with the quality and quantity of skilled labor required to keep up with the speed of technological innovation in the U.S accounts significantly for its rising earnings inequality (Goldin et al. 2008).

With emphasis on the most deficient communities and across all ages, from elementary to the highest levels, access to education, especially STEM training must be made available to every citizen, regardless of their financial position. The advantage of prioritizing capacity building in skilling and reskilling the population is that it not only empowers the population but puts them in the right position to leverage the opportunities of a growing economy. No government can help a population that is not trained, especially not in a capitalist economy like the U.S. In summary, as far this issue is concerned there is no push-button policy that promises to immediately restore balance to national income distributions in the U.S. Nevertheless, human capacity building is reliable in that it focuses on sustainability and the long-term; rather than a hard and fast approach to dealing with the income inequality situation in the United States.

## **Government of Ghana. COVID-19: Mandate For Aid, Relief, And Economic Security**

The sudden and rapid spread of the COVID-19 pandemic across the world and into Ghana has necessitated the implementation of a strict lockdown in the country. This lockdown is intended to mitigate the spread of the deadly virus, and avert potential pressure on, and the collapse of our health system. In the unfortunate event of which, a large proportion of our senior population, who hold the highest risk of fatality to this virus would be decimated. We must care for our senior citizens and all citizens. We however realize that without financial aid packages, many citizens who have lost their jobs due to the virus and have been forced to shelter-in-place, would die of hunger and starvation if they cannot earn income. This is not our desired outcome.

Therefore, the federal government must provide social support to alleviate the economic hardship that citizens would face through the duration of the pandemic. At our disposal are two forms of social support policies. The first is the Universal Basic Income (UBI) for all citizens and the second is Targeted Cash Transfers. This brief examines the pros and cons of both policies and concludes with a recommendation of the effective policy given the prevailing circumstances.

The provisions of a Universal Basic Income guarantees that every citizen will receive a cash stipend of a given amount monthly for the duration of the lockdown. Undeniably in a time of crisis at this pandemic, a UBI transfer would have positive effects on food security, individual physical and mental wellbeing. In terms of public health, there is limited evidence that a UBI program may affect the utilization of public health services, in addition to reducing individuals' risk of becoming severely ill or dying if infected by the COVID-19. A potential issue is how frequency of interpersonal interactions through cash delivery might lead to a transmission of the virus. In Ghana, we have the digital infrastructure to reduce the likelihood of this occurring. A demerit of UBI is that the income effect might encourage risk-taking behaviors like stock market investment that exposes a larger population to the economic shock of the pandemic.

Similar to UBI, Targeted Cash transfers promises to improve financial, economic, physical and mental welfare for its beneficiaries. Compared to UBI, Targeted transfers would allow higher budget transfers per beneficiary. The main challenge with targeted transfers is the exclusion of eligible beneficiaries in the informal rural economy. The government can utilize a community and self-targeting approach through partnership with community organizations to reduce the likelihood of citizens excluded in the program.

The reality is that not every citizen or household in Ghana has been impacted by the lockdown resulting from this pandemic at the same level of severity. As a result a UBI provision allowing every citizen to receive support would lead to a lower budget per beneficiary as well as guarantee the transfer of funds to individuals that might not need them. This will reduce the welfare impact of the program, especially considering the Federal government's budgetary contraction in the next five years, and that Ghana will depend on loans from the International Monetary Fund to finance this program.

Accordingly, this brief recommends an implementation of targeted cash transfers towards citizens who have been most severely impacted by the pandemic and the lockdown. The administrative costs of targeting are lower relative to the welfare benefits. The program should

offer different cash packages according to the determined financial situation of beneficiaries throughout the lockdown period. Broadly, beneficiaries will include citizens that earn minimum wage and below, citizens who have lost their jobs with less than 18 month living expenses in savings. Since 90 percent of Ghana's population is linked up to mobile transfers, the program will leverage our digital infrastructure to distribute these funds in order to lower transmission.

### **The Role of the Deficit in Educational Supply in Growing Inequality in the United States**

Since the 1970s, the rise of inequality has no doubt been attributed to globalization. There is no denying the fact that globalization has contributed its fair share to inequality. But while some experts continue to blame globalization for triggering inequality, globalization cannot take the blame for why inequality has continued to grow within nations. With the accelerated pace of technological change in the United States and a capitalist, productivity seeking economic system, it was inevitable that some jobs were going to be made redundant and reallocated over time. Hence, it would be necessary for workers to increase their productivity by acquiring skills that are relevant to the current technology and are able to keep up with the pace of innovation.

In the last forty years, the failure of the United States educational system to live up to this expectation of supplying the market with labor that is fully equipped and prepared to take advantage of the technological growth in the economy accounts significantly for widening inequality in America. This is perhaps best articulated in the words of Dutch economist, Jan Tinbergen who argued that "the key idea is that technological changes often increase the demand for more skilled workers, so in order to keep inequality in check you need to have a steady increase in the supply of workers in the economy". If the race is won by technology, inequality tends to increase, if the race is won by education, inequality tends to decrease. The short-fall of supply of skilled workers in the global economy today has placed a wage premium for skills and advanced education. The need for human capital growth has never been more crucial for leveling inequality.

The history of US education shows that this argument is valid because during the decades of falling inequality when the middle class thrived in the US, a key difference is that the United States prioritized the expansion of human capital with mass education from high school to college levels. This culminated in high labor productivity which correlates to higher earnings. In the 1970s when productivity stagnated briefly, the data showed that earnings for people with graduate and postgraduate degrees slowed slightly but kept growing while it declined for people with high school and below degrees. And this is true across genders.

In today's economy, the importance of skills for wage growth cannot be overemphasized. To keep decrying globalization is a waste of precious time. This is especially true, because 21st century technological growth works in a way to push up skills prices. Such that the labor market rewards those who possess advanced skills and education with higher earnings potential. From the 1980s, real wages (adjusted for inflation) have stagnated for people with less than a bachelor's degree and have grown steadily for most people with Bachelors and greater than Bachelors degrees till date. On average higher educational attainments lead to higher income and wealth outcomes in the United States. Technological innovation and education in an industrialized economy increases labor productivity. People with higher labor productivity tend to have higher earnings and wage growth.

Rather than proactively responding to the demands of technological change, populist politicians and policies, among others, shift focus on playing the blame game and decrying globalization. I would argue that the emergence of globalization was probably one of the early indications and red flag warnings that education needed to be repurposed to help the population adapt to the pace of technological change and innovation. The government should pay special attention to the education system. A much needed road-map for tackling the growing inequality in the United States would be a renewed emphasis on increasing human capital especially for marginalized populations.

### **Industrial-Trade Policy Advisory For the Republic of Haiti**

This brief offers industrial and trade development policy recommendations for the newly elected presidential administration of the Republic of Haiti per the mandate of the president. Based on the memo received, the president is considering the possibility for the implementation of an Import Substitution trade strategy, through the levying of tariffs on the importation of goods like garment or pursuing alternative development strategies. As opposed to the pursuit of the classical Import Substitution Strategy, I would propose an alternative economic development strategy described as the “catalyst model of development” (Rhee 1990). Haiti's economy remains in dire straits, having been through a devastating earthquake 10 years ago.

In the face of increasing poverty and decreasing wages and an under-utilized resource and human capital, an outward looking development approach would form a solid basis for efficient overall industrial development for Haiti. To provide an overview, the dynamics of operation of the catalyst model of development involves sparking industrialization in a selected industry through a catalytic collaboration between an emergent domestic (Haitian) firm and an established foreign firm on a mutually beneficial business agreement. The goal of this collaboration is to aid the domestic firm in becoming a fully-fledged firm capable of transmitting the entirety of its capabilities for the expansion of that industry. Over time, this will ignite a sequence of technological and industrial growth to revive the Haitian economy, consequently improving the citizens welfare.

Per the president’s focus on the garment industry with a growing target market, I recommend that as a starting point. Next is the cultivation of a Haitian garment firm. It would be best if this domestic firm is headed by an educated and experienced Haitian entrepreneur. The foreign catalyst is expected to be an established primary garment making firm in a developed country. A firm with global credibility and access to the most international markets.

The domestic firm with federal backing would approach a number of foreign firms in the chosen country with proposals of the attractive domestic and external market opportunities that Haiti presents for the garment industry. In this collaboration, what the Haitian firm would seek to attain from its foreign counterpart includes the acquisition of its own capacity to source input material; technological and technical know-how for local capacity to design, produce and package and sell its own export garments and apparel. It would also include support in marketing, management and access to international markets. The best approach necessary for the Haitian firm to achieve such a level of capacity would be via thorough on-the-job training in the entire systems of the foreign firms organizational operations related to the garment exporting business. This would involve training workers and leaders first in foreign firm’s factory during the training period, and post-training at the installation of the Haitian factory. The collaboration

ideally should be over a period of 7-12 months, with periodic ongoing support through the end of the contract.

To ensure maximum chance at success, the administration must provide a favorable policy environment for the foreign and especially domestic catalyst to do business. These policy support includes a restriction-free trade regime, a realistic exchange rate, quick and unrestricted access to intermediate inputs at world market prices, access to trade financing and investment lending. At the end of this catalyst partnership, the Haitian firm with all its workers would have attained the capacity to become a springboard for the growth of the garment industry in Haiti. This acquired technology will advance sequentially to induce growth in other Haitian industries and help boost overall economic development.