At Issue

Don't Count on It

How am I doing?" Mayor Edward Koch used to ask constituents he met in his travels around New York City. It is a question Americans increasingly ask of economists, demographers, sociologists, and other statistical soothsayers. It no longer seems possible for us to know how well we are faring—as individuals or as a society—on our own. An expert opinion is required.

Our dependence on statistical temperature-taking is gradually transforming politics into a form of numerical warfare. Statistics, to paraphrase Karl von Clausewitz, is now often politics by other means. This being an election year, the latest front in the numbers war concerns our national well-being. The numbers that are most often seen in combat are enough to make you want to take immediately to your sickbed. You've seen them before: they are about job losses, downsizing, and stagnant wages. The most disturbing statistics of all are those showing that family income is virtually unchanged since about 1973.

Most people attempting to absorb these numbers seem to experience a kind of cognitive dissonance. I know I do. I graduated from high school in 1973. My family was living in the "dream home" my parents had recently built with earnings from my father's success as a small businessman. Today, however, that house (leaving aside its acre of land) would barely meet the typical young family's expectations for a starter home: three bedrooms, two (small) baths, but no skylights, whirlpool tubs, or walk-in closets. No matter what the income data say, experience says that the general living standard has soared in the "bad" years since 1973. Many Americans seem to agree. That is the only explanation that makes sense for one of the most consistent and puzzling findings of survey research in recent years: Americans keep telling pollsters (in proportions around 80 percent) that their own lives are going well, yet a majority express deep pessimism about the general state of the nation.

There is a growing body of evidence that confirms what our own experience seems to show. Some of this evidence is as simple as elementary mathematics. For example, the average family is now smaller than it was in 1973, so there's more income per family member. But real family income is also probably greater than our statistics have led us to believe. It is now widely thought, for example, that the Consumer Price Index exaggerates increases in the cost of living, and therefore understates increases in real wages. And wages are not even the whole story. Total compensation includes health insurance and other benefits, and the value of these has been rising steadily.

Some very intriguing evidence on this score comes from a study recently published by W. Michael Cox of the Federal Reserve Bank of Dallas and journalist Richard Alm in *Reason* magazine. They did something so commonsensical (and frankly "unscientific") it staggers the imagination. From sources as ready to hand as the *Statistical Abstract of the United States*, they vacuumed up a mound of information on the way people really live and laid it out like cards on a table. The average size of a new house in 1970, for example, was 1,500 square feet. By 1990, it was 2,080 square feet. About three-quarters of those new houses had central air conditioning, while only one-third of those built 20 years earlier did. Giddily, Cox and Alm pile factoid upon factoid: households with two or more vehicles, heart transplant procedures, annual paid vacation and holidays, percentage of Americans finishing college, and on and on, everything rising, including my personal favorite, the number of recreational boats owned, up from 8.8 million in 1970 to 16 million in 1990. All of this suggests that Americans ought to believe the evidence of their senses: they are doing much better in material terms than many commonly employed indexes suggest.

This is not to say that such indexes always lie—or that a lot of Americans haven't seen their standard of living fall. Obviously, arguments such as Cox and Alm's rely on numbers too. But they employ a kind of statistical pointillism, using masses of small strokes to draw a vague and suggestive picture of a complex reality. Numbers usually tell only partial truths. Yet, for some reason, we keep hoping to find revelation in them. In a recent *Atlantic Monthly* cover story, Clifford Cobb, Ted Halstead, and Jonathan Rowe, from a San Francisco public policy organization called Redefining Progress, launched a furious attack on the "perversity" of a single bellwether, the U.S. gross domestic product (GDP), the figure most often used as a proxy for the nation's economic health. They indignantly pointed out that the GDP does not take into account all sorts of things that affect the quality of life, such as pollution and crime. They then presented their own proposal for a "new index that gets much closer—not all the way, but closer—to the economy that people experience," which they called a "Genuine Progress Indicator." The idea stirred a dismaying amount of excitement in the media. The three writers were absolutely right to point out that the GDP is not an adequate measure of our national well-being, but they neglected to mention that nobody ever claimed it was. It is simply a gross economic indicator. To suggest that any statistical indicator is capable of answering the "how am I doing?" question is the height of folly.

About one thing the numbers speak with rare clarity: income inequality has been on the rise for more than 20 years. The change can be sized up in various ways, producing a variety of different estimates of its magnitude, but the essential fact is inescapable. *Why* it is occurring is another matter. There is something to the headline explanations—corporate CEOs are making out like bandits, welfare recipients are watching the real value of their benefits drop—but many other factors are involved. For example, in a majority of the families in the bottom fifth of the income scale there is not a single worker, while about 80 percent of the families in the top income quintile have two workers. The most useful pieces of data confirm conventional wisdom: the swiftest runners in the income race are those with the most schooling.

It is doubtful, in any event, that income inequality itself is responsible for much of our present discontent. While it makes excellent fodder for campaign rhetoric, income inequality itself is largely an abstraction, a number. How the top five percent have fared since 1990 is not of much concern to me—unless of course their gains seem to be coming at my expense. Our interest is selective. We recoil from the corporate CEO who is making millions while reengineering thousands of people out of their jobs, but we do not mind—indeed we heartily approve—when dozens of fresh Silicon Valley millionaires are minted with every new initial public offering on Wall Street. Soak the rich? Last October, a *Reader's Digest* poll asked a survey group how heavily a family of four earning $200,000 a year ought to be taxed—including state and local taxes as well as federal income taxes. The median response: about 25 percent. The results were pretty consistent across lines of race, income, and gender, with the highest estimate coming from self-identified Democrats. They thought the rich family ought to pay 29 percent of its income in taxes. In reality, that affluent family's total tax bill comes to about 39 percent.

Conservatives who write about income inequality seldom fail to mention that it is misleading to look only at income quintiles. They point out that the American income structure is like a beehive, alive with movement in every direction. Naturally, there are numbers to support this, and they are impressive. One study found that only five percent of those who were in the bottom income quintile in 1979 had failed to move up at least one quintile by 1991. Fifty-nine percent jumped to one of the two top quintiles. Naturally, such numbers need to be qualified. A lot of those who made the big leap were like the proverbial college student who delivers pizzas one year and legal briefs the next. And a lot of other movers are poor people who are merely being tossed around in the bottom two quintiles.

Grappling with developments like these in his new book, *The Good Life and Its Discontents*, columnist Robert J. Samuelson argues that the United States is in the midst of a transition from an era of entitlement to what, with luck, will be an era of responsibility. By this he means that a generation that came of age amid unprecedented affluence transformed the American dream into an impossible fantasy, a set of entitlements to the good life that are beyond the reach of any nation. It is an ironic outcome for a generation that talked so much about the trap of materialism and how much things were going to change. The baby boomers turned out to be right, albeit for the wrong reason. Their material success seems empty precisely because it has been so easily attained. *Ingratitude* is not a word that Samuelson employs, but it seems characteristic of a generation that has attained so much at so little cost that it doesn't trust its own experience, anxiously consulting numerical signs and portents instead. The inability to render thanks—to one's family, nation, or god—is a corrosive failure, a certain breeder of bad conscience.

But nobody should have to live without some sense of security. Conservatives are right to celebrate the restless, dynamic qualities of the American economy, which are a source of creativity and strength as well as prosperity. Yet a few certainties seem essential, even if many people won't be able to take advantage of them. They represent some of our fondest aspirations. The layoffs at AT&T and other giant corporations are so disconcerting precisely because they are so symbolic. When I graduated from college, an uncle of mine who had made enough money in trailer parks, juke boxes, and a vast assortment of other microenterprises to spend his winters in Florida by the time he was in his fifties, took me aside to offer some advice. Dustin Hoffman got one word; I got three letters: IBM. That was in the days when an IBM handshake came with vows. It is not the sort of certainty that my uncle could have tolerated for himself, but it seemed as good as gold, a commodity so precious that no one could possibly put a number on it.

—Steven Lagerfeld