
 Letter from America —

Horse, a hippo, and middle-aged angst

In his latest letter, Angus comments on the appeal of Donald Trump to the many voters disenchanted with the Washington political establishment as well as on a disturbing trend which sees legal opioids being marketed to a new class of addicts.

THE ELECTION SEASON IS ALREADY UPON US in the United States, about as welcome as what used to be called a ‘social disease,’ in this case with no possibility of cure for the next fifteen months. It is an unusually interesting election, at least if you are indifferent to the worst possible outcomes. For those of us who worry about the undermining of democracy by organized wealth, there is an ironic pleasure in watching the discomfort that The Donald has inflicted on the Republican moneyed establishment, especially its tax- and benefit-reducing orthodoxy. (A nice simile for Trump comes from a colleague who works in South Africa: Trump is like the hippopotamus, which rapidly twirls its tail to create a fan through which it defecates, throwing a noxious cloud on all around.) The irony is that only an independent multi-billionaire could mount such a challenge, and indeed, many would like to see an electable non-Clinton multi-billionaire on the Democratic side. While there is always an anti-Washington sentiment in US general elections, it is palpable now.

The new disaffected...

The official unemployment rate is back to its level before the Great Recession, and the economy is ticking upwards. The fraction with health insurance has increased. Yet long-term unemployment remains stubbornly high and labor force participation is unusually low. Disability rates are sharply up. Real median wages show no sign of shaking off their long-term stagnation, and if median earnings, which include benefits, have done better, much of the increase is due to the rising costs of health insurance benefits paid by employers, benefits that are hardly voluntarily chosen nor worth what they cost to those who ‘consume’ the healthcare. The elderly, whose initial social security benefits are indexed to mean wages, and to the CPI thereafter, are doing relatively well compared to the middle-aged, at least those whose earnings are near the median. Middle-aged Americans today are among the first to find, in their 40s and 50s, that they will be no better off than their parents. Many of them, who used to look forward to defined-benefit pensions, are now dependent on a stock market that looks like an increasingly unreliable guarantor of a happy retirement, and a world of zero interest rates is not a good world for those saving for retirement. These people have legitimate reasons to be unhappy. In

the long familiar way, they have found convenient scapegoats. It was the blacks, or the women, or the immigrants who held down wages, or took the good jobs. It was the bankers who got rich from tanking the stock market, sinking pension prospects, and now paying no interest on lifetime savings. No wonder Trump’s rhetoric (and Bernie Saunders’ on the left) resonates with so many.

...and a new market for drugs

An even more dramatic indicator of distress is America’s rising suicide rate, especially among middle-aged men and women. Middle-aged alcohol-related deaths have also rapidly increased, as have perhaps the most surprising of all, deaths from accidental poisonings from prescription and illegal drugs. *Dreamland*, a recent extraordinary book by journalist Sam Quinones, documents a terrifying new wave of heroin importation run out of the small town of Xalisco in western Mexico. This new wave of drug dealers is different. They are well-dressed polite young men, who never resort to violence, who make home delivery, and offer discounts. They refuse to deal with African Americans, of whom they are afraid, and they keep away from big cities and the drug dealers who are already established there. Their heroin is pure enough to ‘snort,’ so needles are not required. The new flow has fuelled an epidemic of drug overdoses in the most unlikely places, in rural America, in Maine, Indiana, Pennsylvania, and Utah, and among whites, not blacks nor Hispanics.

Legalized heroin, sometimes called hillbilly heroin, opioids as opposed to opiates, is wreaking a parallel havoc. Oxycontin (oxycodone) was launched in 1996 for the treatment of chronic pain, the prevalence of which has been increasing since the mid-1990s according to national health surveys. While there are clearly those who are much in need — and the pain epidemic is a long story of its own — addiction is a serious risk with opioids like Oxycontin, and there has been abuse, with profitable ‘prescription mills’ making the drug easy to get in some places. According to Quinones, Oxycontin even replaced currency in one town, with each milligram of the drug trading at par with the dollar.

A challenge to traditional policy

As has always been the case, public policy towards addiction in the US depends on who the addicts are. The

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current epidemic of deaths is a white epidemic (more among the less educated than those with college degrees); there has been no similar epidemic among blacks or Hispanics, and police forces and local authorities are changing their view of addiction from a criminal problem — with jail as the cure — to a public health problem-with drug antagonists as the cure. The police in Princeton have begun to carry naloxone, which can often resurrect those on the verge of death. The same is happening elsewhere, even in Republican states, where legislators, albeit reluctantly, are also authorizing needle exchange programs to fight off incipient HIV-AIDS outbreaks.

Of course, there is no direct evidence to link these events with the economic distress, and it is pure fantasy to think of the Xalisco Boys looking north and seeing business opportunities in American wage stagnation, rising

healthcare costs, the pain epidemic, and the Great Recession. But those events appear to have created fertile ground, not only for the heroin traders, but also for pharmaceutical companies that sometimes look a lot like the traders. Purdue Pharmaceutical, which manufactures Oxycontin, agreed in 2007 to a criminal fine of \$600 million in a Virginia District Court, with three of its top executives pleading guilty to the criminal offence of ‘misbranding,’ referring to their extensive advertising claiming that the drug was not addictive.

It would not be unreasonable for many Americans to see themselves as having been set up as the prey for a range of well-funded predators (financial, pharmaceutical, and criminal) some of whom have great sway over the political system. To them, in spite of his noxious means of delivery, The Donald might seem like the only one who tells it like it is.

International Economic Association

Stiglitz Essay Prize

The International Economic Association (IEA) is happy to announce the first Stiglitz Essay Prize (SEP) in honour of the past President of the association, Joseph E. Stiglitz. This prize is possible thanks to the generous donation that the Economic Society of Australia pledged to the IEA.

The winner of the Stiglitz Essay Prize will be announced in early 2016, with the prize presentation to be made in a ceremony at the next IEA World Congress in 2017. The winner of the Stiglitz Essay Prize will win 1,000 USD, and the runner(s)-up will receive 500 USD. The winning essay and runner(s) up will be published on the IEA web site. The prize is open to any student in full time study. The essay can be up to 5,000 words on one of the subjects below. There will be a pre-selection process in charge of a team of school judges selected by the IEA. The shortlisted essays will go to the judges: Joseph E. Stiglitz (Columbia University and IEA past President), Timothy Besley (London School of Economics and IEA President) and Kaushik Basu (World Bank and IEA President Elect).

To be eligible for the prize, submitted essays should be on one of two broad themes reflecting Professor Stiglitz’s interests:

All applicants are asked to note the following criteria:

- The causes and policy consequences of growing inequality
- The reconstruction of macro-economics and proposals for new approaches that speak to the weaknesses in modelling revealed by the 2008 global crisis

The deadline for submitting essays is **Saturday 31 October 2015 at 2359 hours (GMT)**.

- Only one essay per person will be accepted.
- The maximum word count for essays is 5,000 words (the word count should appear at the end of each essay)
- The word count includes footnotes, but excludes references and bibliography.
- All of those who submit an essay should submit proof through a signed letter from an appropriate official at an academic institution that he or she is currently registered as a full-time student.
- No revisions to entries are permitted once submitted
- Please note that entries to the competition should be unique (i.e. not published elsewhere or submitted to other essay competitions.)
- Entries must be submitted in either Microsoft Word (doc, docx) format or PDF format.

Please send submissions to the IEA Secretariat on iea@iea-world.org indicating in the subject your name as follows: SEP_LAST NAME_Name.

Any queries on the competition should be also addressed to the IEA Secretariat on the same email address.