

# *Guard Labor and Inequality*

Arjun Jayadev and Samuel Bowles



# Central Consideration

- Societies devote large resources to the maintenance of property rights and to the reproduction of institutions
- One way to measure this is by assessing the amount of labor that is used for the purpose- can be broadly and narrowly defined
- This varies substantially by society.
- But one very important correlate: inequality

# Guard Labor

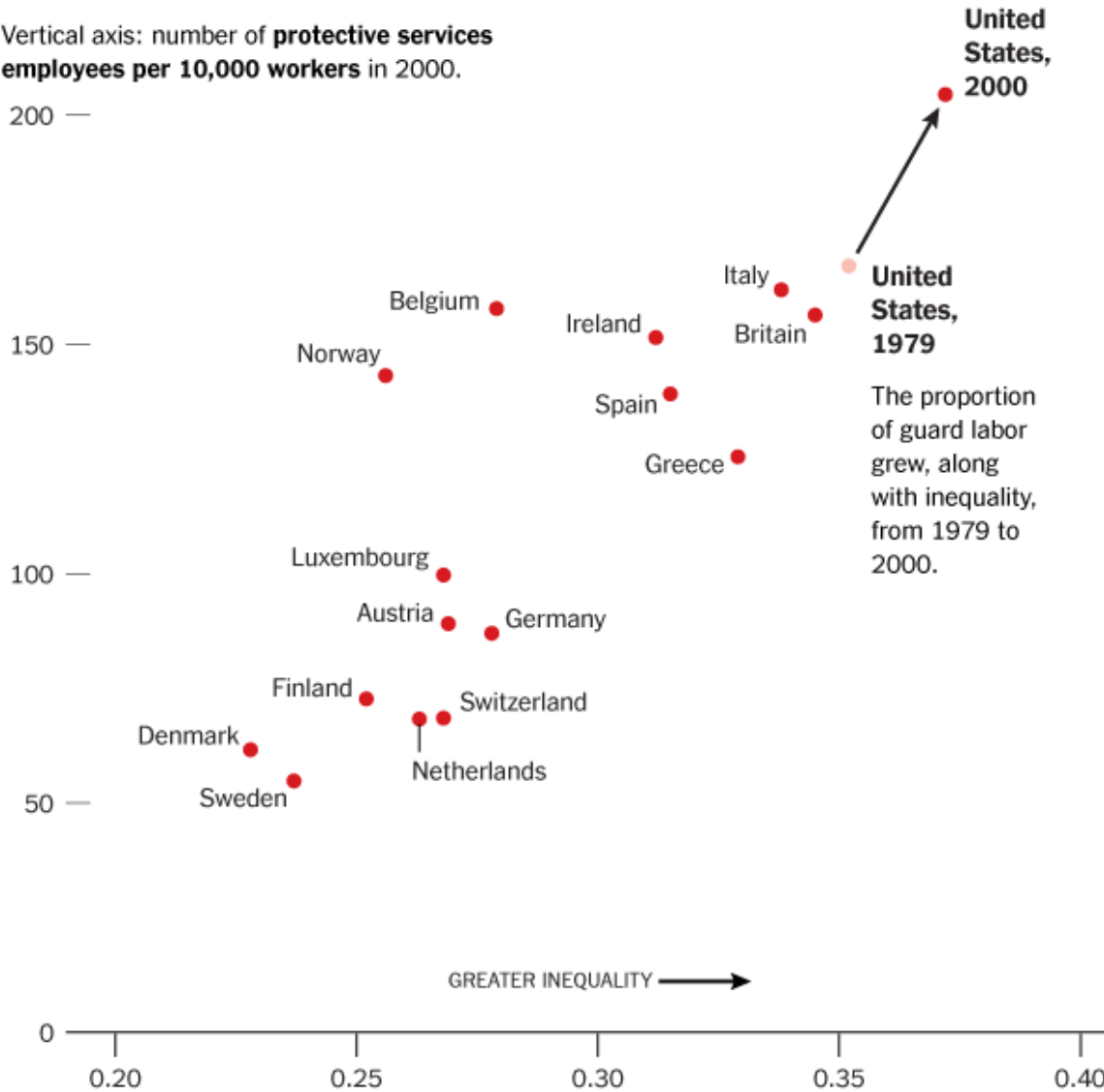
*[T]he efforts of men are utilized in two different ways: they are directed to the production or transformation of economic goods, or else to the appropriation of goods produced by others. ~ V.Pareto (1905)*

- Guard Labor can be narrowly defined (only security guards) or broadly defined (include supervisors/legal system) etc. No bright line dividing these activities
- In various papers we have tried to provide empirical estimates (Bowles/Jayadev 2006, 2007, 2008, 2011). By taking labor only, providing a lower bound.
- Here- either ‘protective service occupations/labor force’ or private security guard/labor force

## America: World Leader in Guard Labor

Among rich nations, a larger share of the labor force devoted to security services tends to track with increased inequality.

Vertical axis: number of **protective services employees per 10,000 workers** in 2000.

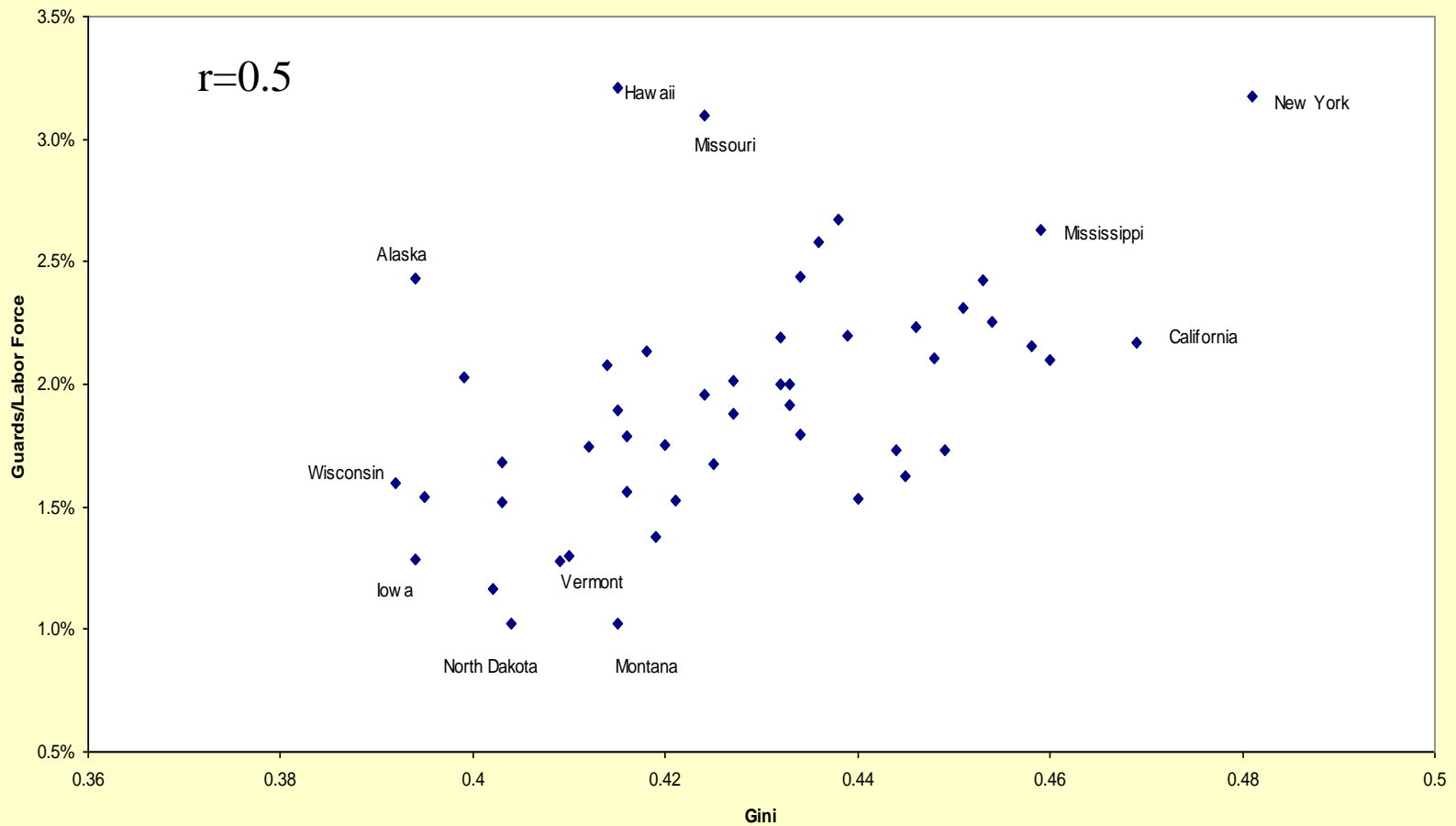


Horizontal axis: the Gini index, a **measure of inequality**, in the early 2000s. Higher numbers indicate greater inequality.

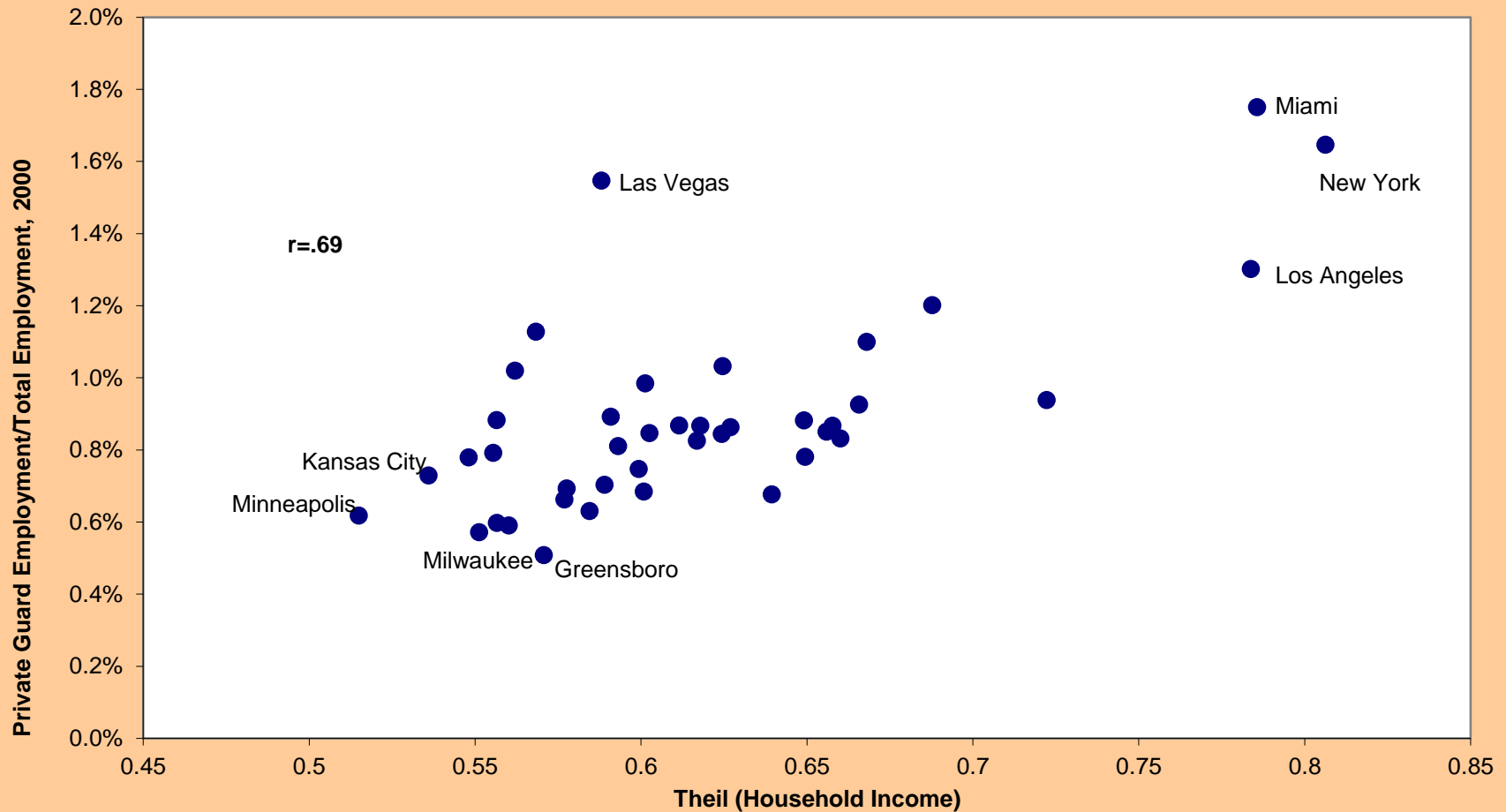
Source: analysis by Samuel Bowles and Arjun Jayadev

*A population can be very successful in spite of a surprising diversion of time and energy into aggressive displays, squabbling and outright fights. The examples range from bumble bees to European nations ~ William Hamilton, "Innate Social Aptitudes of Man: an Approach from Evolutionary Genetics."*

# Inequality and Guard Labor in the US States~2010

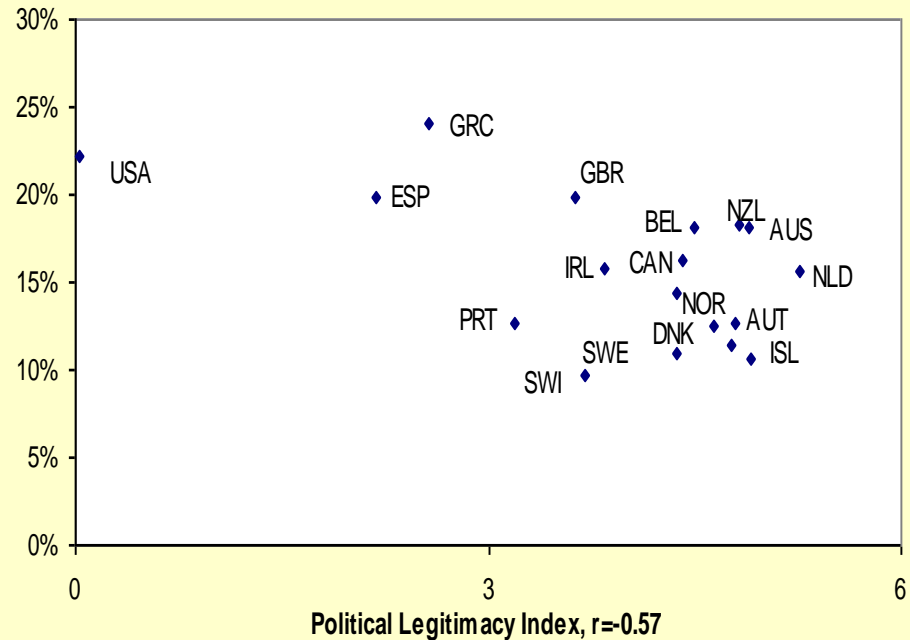
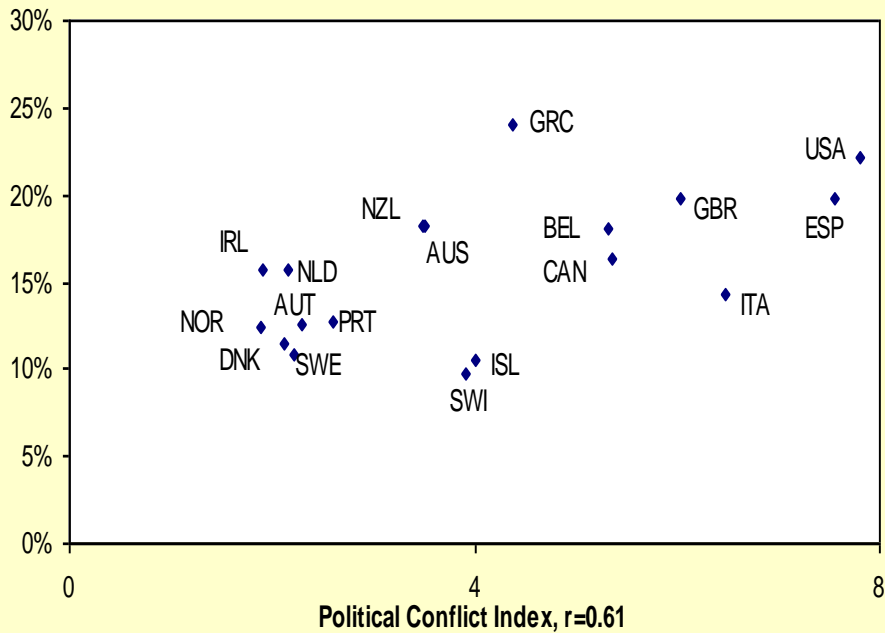
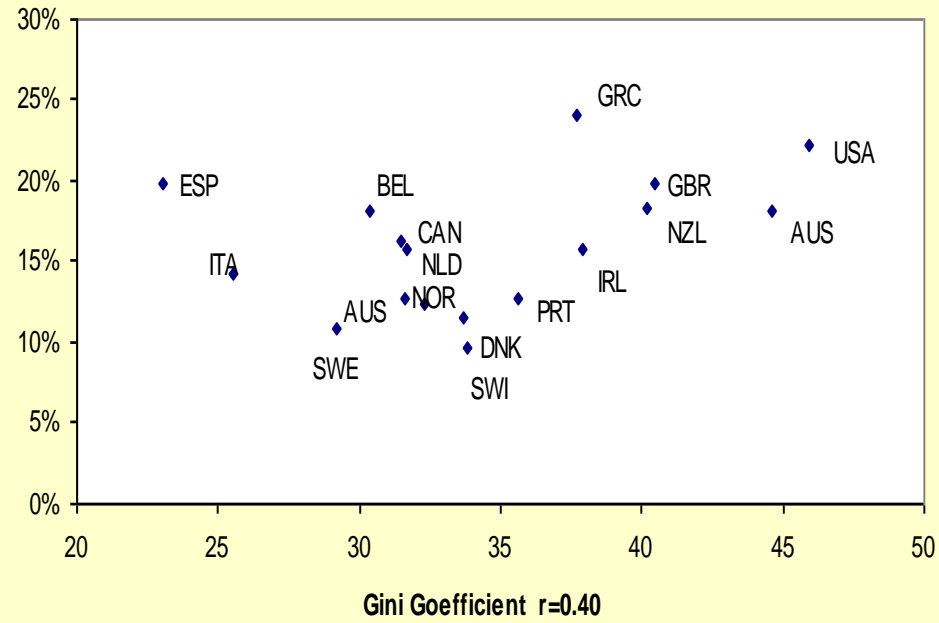
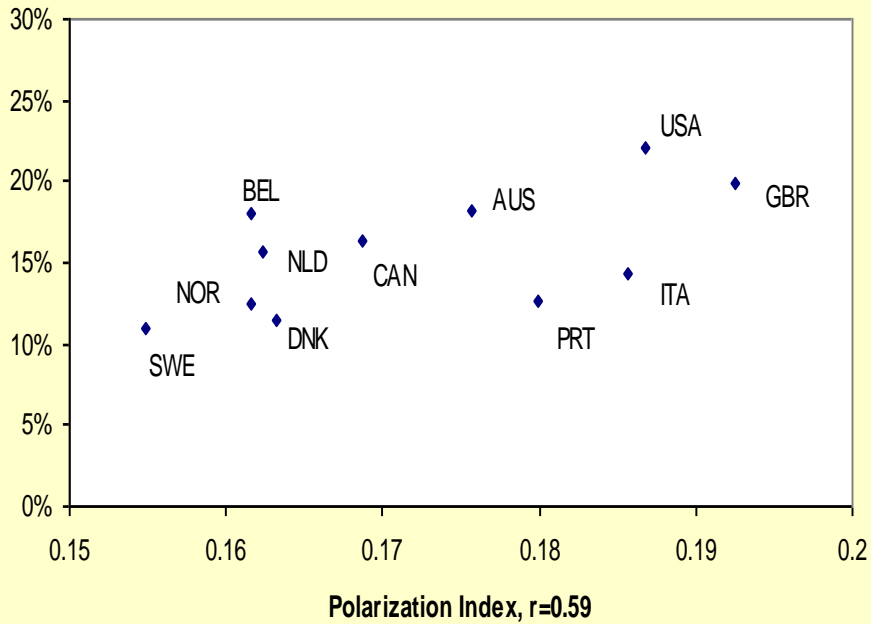


# Private Guard Labor and Inequality by City~2000

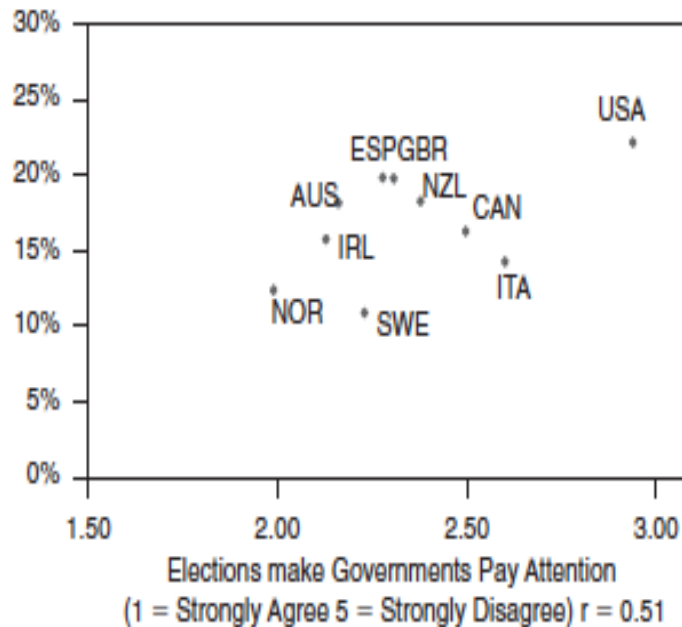
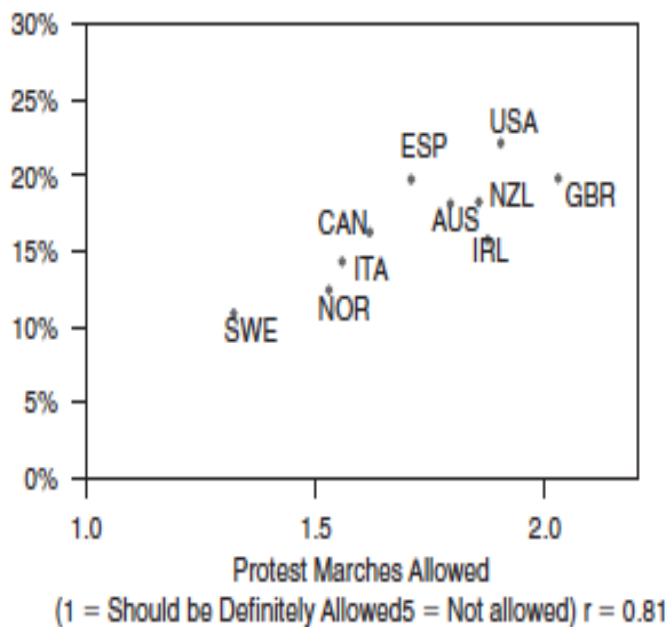
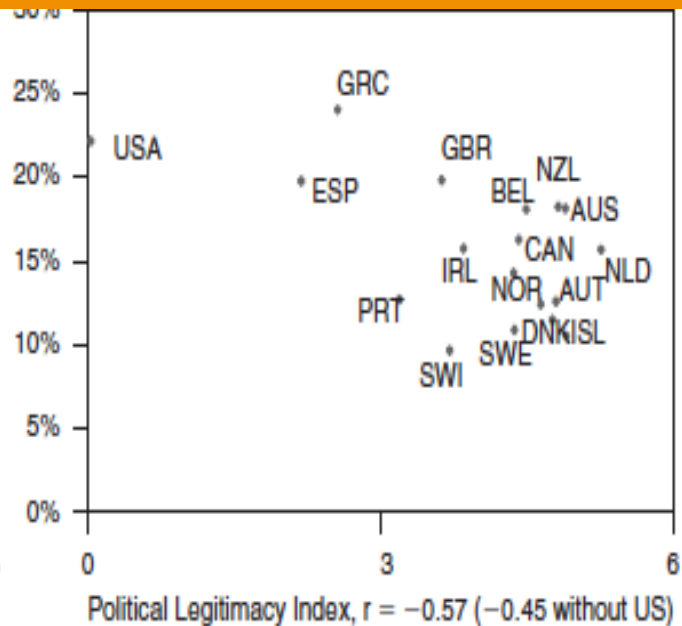
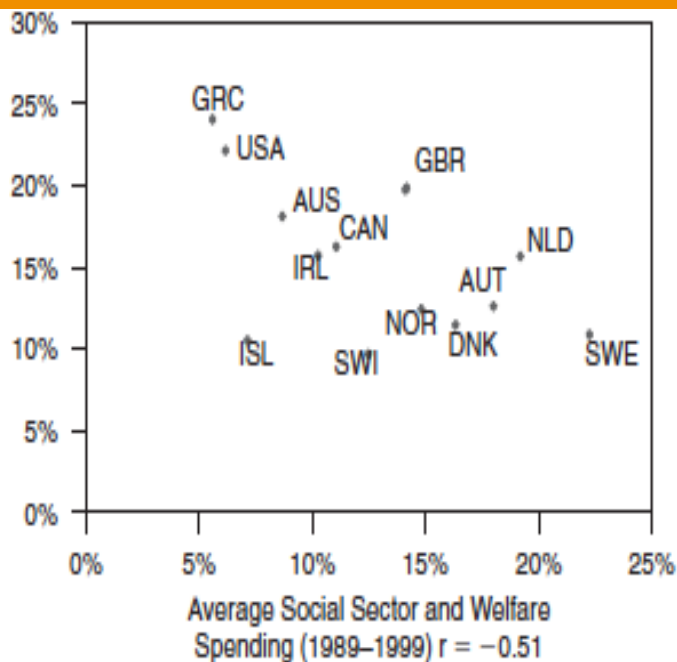


# Equality-Enforcement Trade off?

- Although strong empirical finding (Sontag et al 2014), no causality
- But can ask a plausible question: do economies that have high levels of inequality face substantially higher costs to maintain political and social legitimacy and therefore require expending resources to maintain institutional structure (equality-enforcement trade off?)







# NY Times 11/27/14

“Private guards are part of everyday life in Latin American cities. With large guns and bullet-proof vests, they guard bakeries, even mattress deliveries, and ride shotgun in trucks carrying anything from Coca-Cola to cold cuts. They don earpieces and hide pistols under dark suits as they escort executives' children to school.

But they're not solving rampant crime. The guards-for-hire offer protection to the wealthy and middle-classes, leaving the poor majority to fend for themselves in a region already suffering from world's worst income disparity.”

From Private Firms filling Latin American Security Gap 11/27/14.

# Welfare implications

- Should guard labor be counted as addition to GDP or subtracted to get better measure of NDP?
- Long debate : Hicks 1939, Kuznets 1945, Nordhaus/Tobin 1973 (regrettably necessary expenditure), Boulding 1970, Eisner 1988.

# Case for netting

- ‘Fisherian Income’ (Nordhaus): maximum amount that a nation can consume while ensuring that members of all current and future generations can have expected lifetime consumption or utility that is at least as great as current consumption or utility.
- Assume inequality erodes the social fabric, leading to insecurity and causing to individuals purchase more private security services.
- Workers relocated from the production of consumption goods to guard labor
- No change in GDP, but fall in Fisherian Income
- Implication: high inequality societies may be overstating welfare because of high levels of ‘defensive expenditures’