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What's Luck Got to Do with It?

Allen White

Success and Luck: Good Fortune and the Myth of Meritocracy

Robert Frank

Princeton University Press, 2016

Anatomy of Success

Extreme inequality has become a sorry fact of our globalizing world order. The eight richest billionaires now command as much wealth as the poorest half of the global population.

Analyzing the roots of such disparity has become a focus of economists; doing something about it, a focus of social justice activists. In his new book *Success and Luck*, behavioral economist Robert Frank asks, on the more granular level, why do some succeed in life while others do not?

Success, of course, is not unidimensional. An amalgam of income, security, social relations, and other factors contribute to a successful life. If we want to advance the prospects of everyone in society, then we need to start by understanding what drives success. *Success and Luck* challenges the myths particularly common among those blessed with success. The concept of meritocracy—that financial rewards rightly belong to the most able—fails to capture the complex set of conditions that shapes one's life experience and the opportunities therein. Talent and effort do matter, yet countless talented and hard-working individuals remain unsuccessful. Why? The answer, Frank argues, lies in a third variable: good fortune, or, more pointedly, "dumb luck." The sense of entitlement, even moral superiority, often exhibited by the successful is based on the false premise that their life achievements are mostly attributable to individual behavior and choice. The persistence of this fallacy inhibits a spirit of humility and public-mindedness

among the well-to-do, resulting too often in opposition to progressive economic and social policymaking.

Two Dimensions

Frank sees luck as two-pronged. The first dimension is structural. Needless to say, humans exert no control over where or to whom they are born, yet the impact of such “accidents of birth” is substantial: half of the variance in income across people worldwide is attributable to country of residence and the corresponding distribution of income. A baby born to a Bangladeshi or Bolivian farm family, regardless of innate talent and willpower, suffers from an immediate disadvantage relative to a similar infant born to a Swedish or Canadian farm family. This dynamic holds for socioeconomic differences within countries as well. The prospects of an Indian infant born to a scientist father and a banker mother diverge widely from those of an infant born to an Indian peasant family.¹ Newborns have no say over this lottery of birth, but its consequences for material and non-material success are profound and enduring.

The second dimension of luck, Frank argues, is the twists of fate that change an individual’s life trajectory. All people, even the poor and disadvantaged, likely experience some form of good luck, however minor or inconsequential, during their lifetimes. But many fewer are blessed with a far more consequential, life-changing event or moment. Such positive turns can initiate a cumulative advantage that drives a growing wedge between the fortunate and the less fortunate. Winners in this casino reap the benefits over a lifetime, enjoying returns that well exceed those attributable solely to talent and effort. Frank himself is such a beneficiary, owing to fortunate circumstances ranging from highly improbable life-saving medical attention to his appointment at Cornell University. The narratives he recounts from his own life, as well as the lives of others, provide telling examples of the life-altering, sometimes existential impact of good fortune decoupled from talent and effort.

Frank’s anecdotes of serendipitous changes in life’s trajectory can be multiplied endlessly. For example, a chance comment of encouragement in 1898 by the wife of the then struggling English composer Edward Elgar spawned a masterwork, *Variations on An Original Theme, Enigma*. Adoption of an orphaned Honduran infant by a Boston couple began a child’s journey to 2015

White House appointment as liaison to the LGBT community. A young development volunteer in Nicaragua (this reviewer) cheated serious injury by jumping from a runaway jeep careening down a steep dirt road, landing inches from a huge boulder. These and countless other stories attest to the pivotal role of luck.

Leveling the Playing Field?

Because luck is a non-trivial contributor to success, shouldn't the rewards that accrue to the fortunate be shared with the less fortunate? Isn't the notion of the "self-made man" shared by many successful people based on the falsehood that they alone are responsible for their good fortune? As Frank explains, if meritocracy is a half-truth, then fairness demands that enlightened public policy redirect a portion of the unearned rewards that accrue to the successful toward the less fortunate.

Frank's instrument of choice is a progressive consumption tax based on the difference between an individual or family's income and its savings, minus a standard deduction to protect the poor from undue burden. Analogous to the progressive income tax found in dozens of countries, the progressive consumption increases the tax *rate* on personal or family consumption as consumption levels rise. Consumption, for the purposes of such a tax, would be defined as the difference between income and savings less a large standard deduction for basic consumption needs. Such a tax would promote greater consumption equity; however, by encouraging savings, particularly among the rich, it could lead to greater wealth inequality. A strong estate tax would be necessary to counter this potential negative side effect. In contrast to a sales tax, which is paid at the moment of purchase, or a value-added tax, which is applied to each stage of the production process, the progressive consumption tax would be applied only once yearly.

Such a taxation and redistribution scheme would be able to increase the well-being of the "unlucky" with no significant loss to the well-being of the "lucky." Individuals, it turns out, define success largely in relative terms—how does my home, my automobile, or my salary compare with that of my neighbors, my colleagues, or my relatives? This phenomenon is evident across nations and cultures, vividly captured in portraits of the lives of the rich and famous in Western nations as well as the nouveau riche in emerging economies, most notably China. Think of

the explosive growth in international tourism, the rise in high-end automobile sales, and the boom in luxury apartments, not only in major Chinese cities, but also in global hubs like New York and London. As incomes and wealth rise, so too does consumption. While the proclivity toward conspicuousness varies—compare the quiet consumption habits of the Dutch elite with the showiness characteristic of the American elite—the core behavior transcends cultures and nations.

Without a braking mechanism, competitive consumerism fuels a self-generating, relentless spiral to get ahead and stay ahead of one's peers. Taxing consumption, as Frank proposes, could help suppress such runaway consumption. Although for any given ultra-wealthy individual or family, the effect might be minimal (How likely is a multi-millionaire to think twice about purchasing a second home or automobile subject to such a tax?), the aggregate result, spread over millions of successful people ranging from the solid middle class to the richest one tenth of one percent, could be significant. Instead of a \$10 million-dollar home with 10 baths, perhaps a \$5 million home with 5 baths would gradually come to be viewed as sufficient. Through this process, what Frank calls "private waste"—private consumption that yields only marginal personal reward—will track downward.

Lurking behind the redistributive and well-being arguments is a critical caveat, namely, that the allocation of the revenues flowing from the proposed progressive consumption tax be applied in ways that alleviate social disparities. Frank acknowledges this, but the point deserves more emphasis. The revenue gained from the tax would have a greater redistributive effect if applied to goods and services that disproportionately favor the less fortunate, e.g., universal health care, decent housing, and quality education, all of which should be treated as rights rather than as commodities in a just society. Consider the role of education and the entrenched disparities that privilege the affluent while handicapping the disadvantaged over a lifetime. Educated parents in any society impart the value of learning to their offspring. Education-minded parents tend to raise educated-minded children, providing the latter with a head start that improves their chances of success. Revenue collected from new taxation could be used to enhance the accessibility and quality of education for the poor (instead of, say, to expand airports, which primarily benefit the relatively affluent), thereby bolstering the redistributive effects of a progressive consumption tax.

What About the Environment?

In *Success and Luck*, Frank focuses on the social and economic implications of his proposal but shies away from discussing the environmental ones. At first glance, his tax scheme may seem like a great idea from an environmental perspective, and insofar as the tax can reduce the (absolute) consumption of the rich, it might yield environmental benefits. But when you dig deeper, such reductions may be illusory.

The consumption “arms race” among the affluent amplifies their already outsize contribution to such ecological degradation. Consider, for example, the ecological impact of carbon-intensive air travel, luxury vehicles, and meat consumption among the wealthy. Indeed, nearly half of all global carbon emissions can be attributed to the top 10 percent of earners. In the US, an estimated top 10 percent of carbon emitters, largely the same as the top 10 percent of earners, is responsible for 25 percent of the nation’s emissions.²

The linkages among affluence, consumption, and ecological burden are not limited to wealthy nations. For example, the explosive growth of the middle class in China is a major force in ecological degradation. As consumerism escalates, the appetite for high-end, sometimes exotic, purchases occasion ecological damages thousands of miles from the point of consumption. Nearly one million Chinese tourists visit New York City each year, while the ivory trade that is decimating the African elephant population is driven by soaring demand for jewelry and crafts among Chinese consumers. Similarly, escalating consumerism drives markets for blood diamonds and other precious materials known for the harmful environmental and labor practices involved in their extraction.

Even a modest reduction in the upward spiral of status consumption would yield substantial ecological dividends. If at least a portion of the revenue from a consumption tax were earmarked for environmental protections that disproportionately benefit the poor—e.g., clean air, safe drinking water, rainforest preservation—the outcome would be a step in the direction of social justice without, again, significantly reducing the well-being of the successful.

However, the consumption tax scheme’s environmental promise is not so clear-cut. The flip side of reduced expenditures on consumption is increased savings and investment (and the wealth associated with such accrual). Resources that find their way into the bank accounts and stock portfolios of the

affluent eventually flow into financial markets and companies that fuel economic growth, which, in turn, adds burden to already fragile global ecosystem. For growth-infatuated neoclassical economists, additional savings and investment is good news. But for those fighting for a livable planet, it is by and large bad news. Frank's silence on the environmental consequences of the growth-promoting consumption tax speaks to a failure to fully grasp long-term ecological and well-being challenges.

Widening Gateways to Success

Buffeted by the forces of globalization and technological disruption, the anger fueling the current wave of right-wing populism in the US and Europe, as well as countries like India and the Philippines, shows no signs of abating and all signs of intensifying against a backdrop of growing inequality within nations. In emerging economies, while absolute poverty shrinks, wealth disparities endure or worsen, even as the middle class expands. The circumstances for achieving the good life remain tilted toward those privileged by birth parents and station in life. When success accrues to the few, those left behind are, unsurprisingly, susceptible to demagoguery and scapegoating as the wealth gaps widen and opportunities contract.

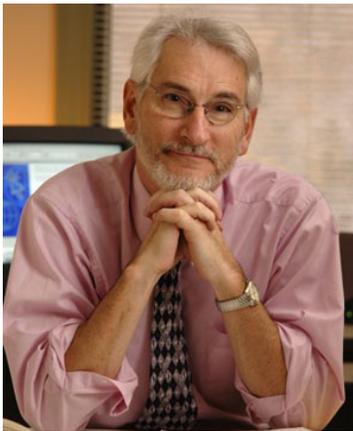
Historically, a wide spectrum of solutions has been proposed to address the burgeoning disparity. The modern concept of wealth sharing is at least five centuries old, at various times a theme in utopian philosophy, seventeenth- and eighteenth-century political theory, and liberal and socialist views pertaining to income taxation and social safety nets. Most recently, the concept of a universal basic income has attracted increasing popular support. Undergirding such solutions, sometimes implicitly, is the assumption that a citizen's life experience depends not only on talent and effort, but also on the good or bad luck associated with birth parents and birthplace.

Recognizing the critical role of luck can foster common ground between the successful and the alienated. Such solidarity, a key pillar of the Great Transition, is in dangerously short supply amidst increasing political polarization. In an interdependent world where the effects of one consumer's decision ripple across frontiers to faraway populations, a global version of a consumption tax, designed well, could offer a novel mechanism for enhancing transnational equity and environmental resilience. Such policies, however, face the usual pushback by the privileged and powerful. Mobilizing broad-based citizen support is critical to resisting such counterforces and building a better future for all.

Endnotes

1. Chuck Collins, *Born on Third Base: A One Percenter Makes the Case for Tackling inequality, Bringing Wealth Home, and Committing to the Common Good* (White River Junction, VT: Chelsea Green Publishing, 2016).
2. Kevin Ummel, "Who Pollutes? A Household-Level Database of America's Greenhouse Gas Footprint" (working paper, no. 381, Center for Global Development, Washington, DC, October 2014), <https://www.cgdev.org/publication/who-pollutes-household-level-database-americas-greenhouse-gas-footprint-working-paper>.

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