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[Economic Theory](#) Does Nicole Kidman Worsen Income Inequality in the United States?

August 10, 2009 by [Winton Bates](#)

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In his recent [paper](#), “Thinking clearly about economic inequality”, Will Wilkinson – a research fellow at the Cato Institute in the U.S. (and prominent [blogger](#))- mentions some reasons why Nicole Kidman is wealthy. He states: “Nicole Kidman is fabulously wealthy because millions of individuals have chosen to see a movie with Nicole Kidman in it instead of a non-Kidman movie, or instead of going bowling”. He uses Nicole as an example to illustrate how the pattern of incomes “emerges from billions upon billions of individual choices and

transactions” (p 14).

I think Wilkinson is making a good point. People often talk about income distribution as though government is actually distributing national income among the citizens – like a mother deciding how large a slice of a cake to give to each of her children. If we want the cake metaphor to reflect the real world, however, we have to accommodate the fact that mother doesn’t actually bake the cake, the children do. And distribution is the result of mutually beneficial process in which individuals earn cake by contributing to its production.

Wilkinson’s mention of Nicole Kidman is also relevant to a somewhat different point that he is making, although he doesn’t make the link specifically. Nicole Kidman has dual citizenship between the U.S. and Australia. If she is viewed as a U.S. citizen for the purposes of considering the distribution of income that makes the distribution of income in the U.S. look more unequal. If she is viewed as an Australian citizen that makes Australia’s income distribution look more unequal. Who cares?

The point is, of course, that there is something peculiar about viewing income inequality as a cause for concern at a national level, when this can change just because people move across national borders. When people talk about the effects of migration on income distribution in countries like the United States and Australia they are more likely to be thinking of the migrants who make income distribution less equal by occupying the lowest rungs of the economic ladder than those who make it less equal by occupying the highest rungs on the ladder. But the questions raised about the relevance of income distribution to well-being are the same in both cases.

Wilkinson makes the point: “If you focus only on the shifting pattern of incomes among legal residents within the statistics-keeping jurisdiction ... you can easily lose track of the real story of human welfare ...” (p 14). He comments as follows on the effects of the migration of unskilled migration on economic inequality in the U.S.: ‘If were to assume a natural and mundane moral perspective, from which all people involved are taken into account and assumed to have equal worth ... what we would see is a profound reduction in both poverty and economic inequality. If the question is “What happened to the people in this scenario?” then the answer is “The poorest people became considerably wealthier, narrowing the economic gap between them and the rest”.’ (p 15).

It seems to me that this reasoning is relevant to Australia as well as to the U.S. If we are interested in the well-being of people we should be interested in the opportunities that are available to them. When you look at it carefully the concept of income inequality doesn’t have much relevance to well-being.

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