

THE OBSERVER

Is income inequality that bad?

Mimi Teixeira

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At a rally in Wisconsin in July, in the earlier months of this exciting presidential race, Democratic contender Bernie Sanders proclaimed, “The issue of wealth and income inequality, to my mind, is the great moral issue of our time. It is the greatest economic issue of our time, and it is the great political issue of our time.” Based on his poll numbers and on current political discourse, many people seem to agree. Even President Obama has called income inequality “the defining challenge of our time.”

However, I do not think income inequality is the biggest issue of our time by any means. I would go so far as to say I don't think it's a problem at all.

Capitalism, especially unfettered capitalism, is often presented as an uncontrollable monstrosity, and the numbers seem to support that. How can one percent of the population own almost 36 percent of the country's wealth? How is a society with both the lavishly rich and the ridiculously poor people fair or desirable?

There are a few preliminary problems with the arguments of income-inequality alarmists that I would like to point out. First, the alarmists fail to determine what level of inequality is acceptable, and without a level of comparison, today's numbers are basically arbitrary. Further, income inequality alarmists struggle to pinpoint practical, nonpartisan implications of today's level of income inequality. Some will argue that income inequality causes economic instability and even recessions, but this is hardly a settled matter. A study by the Cato Institute, a libertarian organization, point out that most statistics ignore the value of government payments to the poor and increasing workers benefits that have kept reported salaries stagnant while increasing the real value of low and middle income workers' compensation.

But even if the statistics were correct, even if income inequality were increasing at alarming rates, it wouldn't matter, because income inequality statistics do not give any indication of the measure the general standard of living or standard of living disparities in a society. Why does it matter how much the richest person in the country has, so long as the rest of the country lives comfortably? I do not mean to say the whole country currently does live comfortably, though the standard of living in the United States is relatively high compared of the rest of the world. Instead, I mean that unless there is a direct connection between how much the rich have and the poverty level, the gap doesn't matter. If the gap does not hurt the overall economic health of the nation or speak to the level of poverty or the quality of life of the poor, complaining that some

have too much is, at best, a call for blanket redistribution for the sake of some ideological definition of “fairness” and, at worst, a natural human instinct to resent the front-runners in our economic system.

Wealth is not stagnant, and wages are not the product of a zero sum game. There is much more in this country to go around than there was in 1920 or even 1980. Politicians who catastrophize income inequality often come up with solutions that divide the current wealth more equally, ignoring that encouraging growth instead may be the better way to help the poor and raise the real standard of living for everyone.

In measuring inequality, doing so in terms of the standard of living is perhaps more important than in terms of income. Dinesh D’Souza points out in his book, “What’s So Great About America,” that standard of living inequality has shrunk over time, even as such improvements created vastly rich people. There was a time when only the rich could afford refrigerators, phones and computers. As income inequality has grown, standard of living inequality has shrunk. Today, most working Americans have the same basic appliances and necessities as the rich. With globalization and an increase in manufacturing technologies, products for Americans of all income levels are cheaper than ever, and every income bracket has seen the benefits.

The people we can thank for this, people like Bill Gates, Steve Jobs and Jeff Bezos, have become extremely rich, but they have made everyone better off. As income inequality grows, the tangible standard of living inequality is shrinking. People are paid the worth of what they bring into the economy, and those who make their income through honest channels contribute to the creation of wealth that works to lift up all members of our society. We should give capitalism at least part of the credit for encouraging the creation of better and cheaper technology.

All of this begs the question: Is combating income equality really our highest objective? I don’t know about the rest of you, but I would rather live in this country than the economically struggling Japan, despite their shocking level of income equality. I’d skip Pakistan and Vietnam as well. I’d much rather focus on our GDP growth and absolute poverty levels, which are a much better indicator of economic health.

All of this is not to say that opportunity inequality and a lack of social mobility do not matter. However, they are not necessarily connected to income inequality. The alleviation of poverty and extension of economic opportunity is of utmost importance. However, economic growth, technological innovation and good old-fashioned capitalism has done that over the past few hundred years far better than any redistributive program could. Focusing on income inequality doesn’t help the poor. Honestly, I’m not sure what it does to help, other than rallying misguided support for certain Democratic presidential nominees.

You have probably guessed by now that I am a conservative. I don’t pretend that this article is unbiased, nor do I deny that conservatives and liberals have different ideological beliefs that cannot be compromised or reconciled.

If you find any inequality in a civilized society unfair, I won’t tell you you are objectively wrong, even though I would disagree. But I would challenge you to look at statistics and consider that their only real impact is in shock value used for political purposes. I would

challenge you to consider what you think is fair and why. I would challenge you to consider what is really best for the alleviation of poverty and growth of social mobility in the long run. And I would challenge you to consider if Bernie Sanders and all these other politicians using income inequality as their rallying cry aren't perhaps ignoring more important issues.