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Income inequality affects us all

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Whether income inequality is the biggest issue of our time or not is dependent on one's personal opinion. Reasonably, there are many other issues affecting our generation such as racial polarization, immigration and terrorism that could be considered bigger issues of our time. However, to go as far as to say it is not a problem, as Mimi Teixeira said in her column Jan. 27, is ignorant.

Teixeira's piece, "Is Income Inequality That Bad?", brings up the challenging question of what level of income inequality is acceptable. I agree with Teixeira that alarmists fail to determine what exactly is an acceptable level. However, that question is difficult because income inequality can be viewed from a normative or positive perspective. In economics, a normative statement is one that is subjective and value-based, while a positive statement is one that is objective and based on facts. From a normative perspective, the numbers are arbitrary. Looking at the economic data from a positive perspective, the conclusions are clearer.

From a positive perspective, there are some answers as to what is not an acceptable level of inequality, and there are nonpartisan, economic implications of today's level of income inequality. Income equality hampers economic growth as described by recent International Monetary Fund (IMF) studies. A paper published June 2015 from staff writers of the IMF has analysis that suggests income inequality can impact growth. GDP growth actually declines when there is an increase in the share of the top 20 percent. On the other hand, when the income share of the bottom 20 percent increases, there is higher GDP growth. The authors of the paper use the Gini coefficient, which is measured from 0 (full equality) to 1 (full inequality). For the United States, the Gini coefficient is 0.401 after taxes and transfers and is the highest U.S. Gini coefficient since the 1980s.

The Cato Institute claims the real value of low and middle-income workers' compensation is increasing, but the National Academy of Social Sciences has determined that "employer costs have been steadily increasing with the economic recovery, although are still near historic lows. Benefits per $100 of covered wages have been fairly constant since 2006 and at lower levels than at any time since 1980-81." Those fairly constant benefits in workers' compensation pair nicely with mediocre gains in wage growth. In contrast, the compensation of CEOs and high-level executives has skyrocketed. The growth in CEO compensation has to come from somewhere. If wage growth is mediocre and benefits in workers' compensation have stayed fairly constant, then those high-level executive salaries are coming from what would have been the increased wages of the laborers.

The belief that rising income inequality is bad for the economy is not some liberal-spun fairytale. The lower and middle class are not riding on the coattails of successful entrepreneurs such as Bill Gates and Jeff Bezos. Do innovators and successful businessmen in America deserve to earn more than average workers? Absolutely. Do they deserve to earn as much as they have been recently earning? Absolutely not.

Republicans encourage growth, and they believe in cutting both income and corporate taxes regardless of whether it increases income inequality. The analysis from the IMF reveals that significant income inequality causes GDP growth to decline, thus cutting taxes would be counterintuitive to economic growth if it does nothing to address income inequality. To say you do not care about income inequality but that opportunity inequality and a lack of social mobility are significant is contradictory. Income inequality is bad, and it is appropriate for everyone, regardless of political affiliation, to be shocked.