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Gov't Can't Override Inequality of Market Forces

By George Will

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Tight labor markets shrink income inequality by causing employers to bid up the price of scarce labor, so policymakers fretting about income inequality could give an epidemic disease a try. This might be a bit extreme but if increased equality is the goal, Stanford's Walter Scheidel should be heard.

His scholarship encompasses many things (classics, history, human biology) and if current events are insufficiently depressing for you, try his just-published book "The Great Leveler: Violence and the History of Inequality from the Stone Age to the Twenty-First Century."

Judge this book by its cover, which features Albrecht Durer's woodcut "The Four Horsemen of the Apocalypse."

The tendency in stable, peaceful and prosperous societies is for elites to become entrenched and adept at using entrenchment to augment their advantages. The most potent "solutions" to this problem are unpleasant. They are disruptions such as wars, revolutions and plagues that have egalitarian consequences by fracturing society's crust, opening fissures through which those who had been held down can rise.

Scheidel says that mass-mobilization wars give the masses leverage and require confiscating much wealth from the comfortable. Revolutions can target categories of people considered impediments to the lower orders, e.g., "landlords," "the bourgeoisie."

And the Black Death century was particularly helpful.

By killing between 25 percent and 45 percent of Europeans in the middle of the 14th century, Scheidel explains, the bubonic plague radically changed the ratio of the value of land to that of labor, to the advantage of the latter. The well-off were not amused. In England, the Chronicle of the Priory of Rochester noted that "the humble turned up their noses at employment, and could scarcely be persuaded to serve the eminent for triple wages."

The king decreed wage controls but the canon of Leicester dourly noted that "the workers were so above themselves and so bloody-minded that they took no notice of the king's command."

Today's milksop egalitarians probably will flinch from such a robust attack on inequality, assisted by the rats that carried the fleas whose intestines carried the bacterial strain. But, then, what really is the problem of inequality?

The Cato Institute's Michael Tanner, noting the "highly redistributive" nature of America's economy and government, refutes four myths about economic inequality.

The first, that inequality has never been worse, ignores taxes, transfer payments, and changes in household composition. In 2013, America's top 1 percent of earners paid 25.4 percent of all federal taxes, which fund more than 100 anti-poverty programs, dozens of which provide direct cash or in-kind grants to individuals.

Combined spending by federal, state, and local programs approaches $1 trillion.

In 2012, families in the bottom income quintile (less than $17,104 in earned income) received net government benefits of $27,171. According to the Congressional Budget Office, accounting for taxes and transfer payments reduces inequality almost 26 percent.

The second myth, that the rich inherit rather than earn their money, is true of less than three in 10 American billionaires, a third of whom are either first-generation Americans or were born elsewhere.

And the percentage of the Forbes 400 list of richest Americans who grew up wealthy has fallen from 60 percent in 1982 to 32 percent today. Of America's "one-percenters," fewer are in banking or finance (14 percent) than are doctors or other medical professionals (16 percent).

The third myth, that the rich stay rich and the poor stay poor, is refuted by this historic trend: 56 percent of those in the top income quintile will drop from it within 20 years. Barely one-half of the top 1 percent of earners are in that category for 10 consecutive years.

And, says Tanner, "One out of every five children born to parents in the bottom income quintile will reach one of the top two quintiles in adulthood."

The fourth myth is that more inequality means more poverty. For example, in the mid-1990s, inequality was unusually high but basic measures of poverty showed significant decreases.

The fact of inequality is a hardy perennial; inequality is a problem when, and to the extent that, a critical mass of people decide that it is. When developed nations live in what Scheidel calls "a world without horsemen" — without revolutions, mass-mobilization wars, epidemic diseases — reducing inequality is the province of governments, which know, or by now should know, how little leverage their policies have on income distributions driven by vast economic forces.