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New research destroys Bernie Sanders' 'income inequality' narrative

Brad Polumbo

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Sen. Bernie Sanders adamantly believes that economic inequities pose an existential threat to the United States. He has infamously remarked that "A nation will not survive morally or economically when so few have so much, while so many have so little."

The Vermont independent and 2020 Democratic presidential candidate has repeatedly called income inequality the "defining crisis of our time."

It's not. Not even close.

A new paper from the libertarian Cato Institute completely undermines the inequality narrative that has plagued public discourse since the Occupy Wall Street Movement began privatizing public land in crowded downtown areas. It turns out that widely-cited estimates of income inequality are exaggerated and that inequality's consequences are also enormously overstated.

The research most often cited to make the case that rising income inequality is a serious problem is the work of economist Thomas Piketty and his "World Inequality Database." But the Cato Institute study documents a long history of academic criticisms and errors in his work.

For example, Piketty's data rely on tax returns, which the study says only captures 60% of national income. It points out that other, more comprehensive research that accounted for the many other factors affecting distribution found that "the top 1 percent income share increased only slightly, from 7.9 percent in 1960 to 8.5 percent in 2015."

It turns out that the supposedly apocalyptic level of wealth accumulation by the ever-maligned 1% never actually happened — at least, not to nearly the extent that Sanders and his socialist cohorts would have you believe.

More crucially, the researchers argue that "wealth inequality data tell us nothing about levels of poverty or prosperity and thus are not useful for guiding public policy." This is also undoubtedly true. As I've previously written, poverty can only be properly considered as an absolute condition, not a relative one:

Your quality of life is not harmed at all by someone else's great wealth, as their wealth was almost certainly not gathered at your expense. Your cupboard is not any emptier because your neighbor comes home from work with a pay raise. Your iPhone is no less useful to you than it was before when your neighbor gets an upgrade. If you could not afford a car and your neighbor comes home with a new Mercedes, you are not any worse-off than you were before. Your situation has not changed.

The paper's authors, Cato scholars Chris Edwards and Ryan Bourne, confirm this point by noting that “U.S. wealth inequality has edged up in recent years, but the poverty rate has declined. Meanwhile, wages are up and unemployment is low.”

The paper also illustrates the pointlessness of using inequality measures as a gauge for living standards by pointing out how impoverished countries such as Ethiopia, Myanmar, and Pakistan all score as “more equal” than the U.S. on equality statistics because everyone is more equally poor.

Sanders' logic would have us striving to be more similar to ... Ethiopia? Okay.

The Cato report also undercuts the liberal narrative of an undeserving upper class that controls our political system. It finds that “most of today’s wealthy are business people who built their fortunes by adding to economic growth” and “research shows that wealthy people do not have homogeneous views on policy and do not have an outsized ability to get their goals enacted in Washington.”

Yet the study doesn’t just undercut the foundation for Sanders’ narrative, it actually proves his big-government agenda self-defeating. It finds that “the growing welfare state has increased wealth inequality. Government programs for retirement, healthcare, and other benefits have reduced the incentives and the ability of nonwealthy households to accumulate savings and thus have increased wealth inequality.”

Clearly, Sanders’ socialist proposals would just make inequality worse. In fact, that’s what has happened in some of the countries he often points to as examples. In a statement provided exclusively to the *Washington Examiner*, Bourne commented:

There is lots of evidence around the world that the sorts of redistributive government programs Sanders advocates actually increase wealth inequality, by reducing the need for and means of working and middle-class families saving and building up assets (due to taxes and the program benefits not being heritable). Ironically, as a result, Denmark and Sweden — with their huge welfare states — have wealth inequality near identical to the US.

Of course, Sanders is a deeply passionate, principled ideologue, and it’s unlikely that any amount of data or research could sway him from his socialist views. Let’s just hope Democratic primary voters take note of the flaws in his narrative and reject Sanders' socialism at the polls.