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Stop Blaming the One Percent

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It's been a popular theory for decades, gaining steam over the last few years with the Occupy Wall Street movement and through the presidential campaigns of Bernie Sanders and Elizabeth Warren: The wealthy take more than their share and, as a consequence, exert excessive control on government, making the problem of income and wealth inequality even worse.

Recently, however, Chris Edwards and Ryan Bourne, who both write for the libertarian-leaning CATO Institute, made a punching bag out of the Sanders/Warren theory of income and wealth inequality being bad. Instead, they counter with the facts: The problem isn't nearly as bad as leftist hype portrays, hasn't increased at nearly the pace many believe is occurring, and to the extent it exists is made worse by the very types of programs and philosophies favored by the socialist Left.

In his analysis of the Cato findings, the Washington Examiner's Brad Polumbo adds, "Clearly, Sanders' socialist proposals would just make economic inequality worse. In fact, that's what has happened in some of the countries he often points to as examples."

The lengthy white paper by the Cato's economist duo points to six different reasons the socialist axiom of wealth inequality doesn't hold water, beginning with the inaccurate assumptions of economist Thomas Piketty, whose error-riddled book *Capital in the Twenty-First Century* is heralded as a bible by those who subscribe to the inequality theory. The Cato pair point out that Piketty and his cohorts missed a significant piece of the puzzle by relying so much on data from income-tax returns. This misses up to 40% of real income, argue Edwards and Bourne. Also missing: the "wealth" individuals hold with their Social Security and Medicare benefits — benefits that do more for the less well-to-do than the wealthy. Yet Social Security and Medicare also sustain the problem because they serve as a disincentive for those who need to save for retirement.

Another root cause of wealth inequality is a problem most acknowledge, but few take concrete steps to address: cronyism in government. While Edwards and Bourne acknowledge the problem is far worse in other nations where graft is king, the prospect of rent-seeking and other techniques to artificially expand markets and limit competition contribute to the inequality, even in America.

But the best and most cheering reason the “income inequality” crowd is all wet: Wealth in our nation is generally earned, not inherited. Only a small fraction of the “one percent” inherited their fortunes; instead, the large majority made their wealth by working hard and taking the risk to start a small business, creating their own market in many cases. Contrary to popular belief, those who inherited their wealth eventually fall off the “wealthiest people” charts because many huge fortunes are split several ways, and seldom do heirs have the drive to start again on building a fortune.

So rather than leveling the playing field at a low level of prosperity by taxing the wealthy until it hurts, perhaps the better approach is doing our best to encourage entrepreneurship and allowing more value to be added to our resources, such as through fair trade. While that doesn’t make for a system leftists would consider fair, we have no doubt there are many fortunes to be made in America — that is, unless Elizabeth Warren, Bernie Sanders, and a host of other Democrats would take over and make being wealthy akin to committing a crime. We already have the public shaming of wealthy people as society succumbs to the mantra that all rich people are evil, ignoring that those pillars of society often make the nonprofit world go ‘round. Wealth creation is the right model, not a stunted system built on envy fomented by wealthy Democrats.