



Inequality: The Eternal Wellspring of Collective Power

by **John Hayward** ([more by this author](#))

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Writing in the [Wall Street Journal](#) this week, Alan Reynolds of the Cato Institute made a very interesting point about “income inequality.” He notes that the ostensibly shocking Congressional Budget Office report that concluded “The share of income received by the top 1% grew from about 8% in 1979 to over 17% in 2007” has been presented in a profoundly disingenuous manner, because if the report hadn’t abruptly terminated in 2007, it would have noticed “the share of after-tax income of the top 1%” had dropped right back to 11.3% by 2009. “The larger truth,” Reynolds notes, “is that recessions always destroy wealth and small business incomes at the top.”

Furthermore, a great deal of the increased income reported by the “One Percent” was exactly that: an increase in *reported* income. They responded to lower tax rates by shifting more of their income into taxable categories. “In short, what the Congressional Budget Office presents as increased inequality from 2003 to 2007 was actually evidence that the top 1% of earners report more taxable income when tax rates are reduced on dividends, capital gains and businesses filing under the individual tax code,” explains Reynolds.

Huge tax increases on the Evil Rich would reverse this process... to the inevitable detriment of everyone who depends upon their investments. Which, for those of you who still take the Occupy movement seriously, means “everyone else.”

But Reynolds’ article inspired me to ask another question about “income inequality.” The core thesis of Democrat Party politics, as retailed endlessly by President Obama, is that the rich are getting richer, while avoiding their “fair share” of taxes. In 1979, the One Percent claimed an 8% share of all income, while a [Tax Foundation](#) table (which begins in 1980) shows them paying 19% of income taxes. By 2009, they earned 11.3% of the income... but they paid **36.73% of income taxes**.

Bearing in mind that the Tax Reform Act of 1986 changed the definition of Adjusted Gross Income enough to make the comparison inexact, it seems clear that the One Percent are paying far more than a proportionate share of income taxes, and the percentage they pay has been increasing much more quickly than their share of the income.

Also, consider that the [top marginal tax rate](#) in 1979 and 1980 was an incredible **seventy percent**, while it was down to 35% by 2007, and remains at that level to this day. The top rate is much lower... but the One Percent cover a far larger percentage of the income tax burden.

So, to repeat the question defenders of economic liberty have been asking socialists for over a century: what percentage of tax paid by the Evil Rich would be “fair?” It’s obviously not a tax burden equivalent to their share of income, because they’re paying *two or three times that much* now. Why don’t we isolate that number, according to some logical formula, and put it on the table for consideration?

The answer, of course, is that “inequality” is the eternal wellspring of collectivist power. It is the dragon that can never be slain, the Grail that can never be seized. It will always dance just out of reach... and there will always be socialists leaning over our shoulders and whispering that we must hand over more control of our lives, so they can get us just a little bit closer. They’ll never tell us exactly what “fairness” would be, because then we would know if we had achieved it. Blindness is an important tool of control.

What if “income inequality” invariably *increases* with general prosperity? It’s not an unlikely notion. Prosperity requires goods and services to be sold at a profit, on a widespread scale. No one would imagine a land in which everything was sold at cost to be “prosperous,” and you most certainly would not want to live there, unless you are fond of whips, and confident you’d be on the less painful end of them.

Profit tends to accrue more heavily to those who make a greater investment. That’s easy enough to understand without a detailed study of capitalism. If you invest more time in school to earn an advanced degree, don’t you expect your labor to be more valuable? If you owned ten stores, wouldn’t you hope to earn more profit than someone who owned only one... and wouldn’t that hope be your primary motivation for opening an eleventh?

If the economy is booming, top income earners will be more likely to re-invest their profits. We should *want* them to do so, shouldn't we? How else will there be more jobs, and therefore more competition for labor – which is the only healthy and sustainable way for less wealthy people to earn more profit for themselves? It's not hard to see this process *unavoidably* increasing the “income inequality” gap, especially when discussing *reported* taxable income, even as every income level prospers. When everyone gets richer, the rich invest more of their money, and get richer faster. Is there really any way for everyone to get richer without this being true?

We should have matured far past the point of believing that Big Government wealth re-distribution is the answer. It might collapse the “income inequality” gap, but it always collapses the economy, too. In the end, only poverty is re-distributed. And much of that reduction in “inequality” comes from the rich sequestering their income. In extremes, they'll move it out of the country entirely. The socialists will then produce figures showing the income gap declining, and tell the unemployed, impoverished remains of the middle class to be happy... while reminding them how much work is left to be done before true “equality” is achieved, of course.

The only place in which everyone is totally “equal” is a prison, and that's assuming you're willing to forget about the guards. Otherwise, there will always be some degree of “inequality,” and if you concede the government enough power to “fix” it, you will also be giving them the privilege of *defining* it. Those definitions will always be vague enough to preclude a moment of definitive success... and conceal a vast amount of failure. The long march to ultimate “fairness” will *never* be over, and no whip you give the drovers will ever be long enough. Knowing this, why should any free man choose to place his head in the yoke?