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Wednesday, July 15, 2009

Is Inequality a Problem? [Jim Manzi]

Will Wilkinson has a fascinating new paper out at Cato attacking the notion that income inequality is a big problem for America. In it, he seems to me to make three key points: (1) we should care about lifetime consumption, and even beyond this welfare, rather than point-in-time cash income, (2) what matters most about some income distribution is not how relatively equal or unequal it is, but whether it was produced justly or unjustly, and (3) there is not much analytical evidence for the proposition that economic inequality will lead to political dysfunction.

You should read it. Almost every single paragraph is so full of interesting points that I wanted to agree with some of them, disagree with others, but mostly ask further questions. So, while this could therefore be a very long post, I'll limit myself here to what I see as some very high-level questions for Will.

It seems to me that inequality could be a cause for concern in three independent

- 1. It is bad in-and-of-itself
- 2. It is a cause of future political dysfunction
- 3. It is a symptom of a problem

My questions key to these items.

- 1. Let's assume that the social mechanisms that produce some highly skewed income distribution do not violate any norms of justice. Can a sufficient degree of inequality be itself a violation of a norm against very high inequality? If our minds are evolved instruments, and have evolved to regard such an outcome as inherently wrong, then is it valid in Will's philosophy of justice to declare a norm against it?
- 2. Given my views on social science, I think that it would be all but impossible to build a convincing analytical case for any non-obvious phenomenon that can not be subjected to controlled experimentation because it extends across all of society over a long period. So I agree that an analytical proof that sufficient inequality will lead to a political dystopia does not exist and will not be forthcoming. But that is different than saying I do not believe it to be a problem. Is it Will's judgment that, in our current social and political context, current levels of economic inequality are not dangerous?

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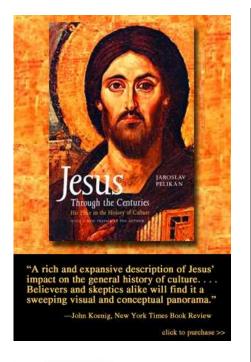
3. To put my cards on the table, I think that inequality, as it interacts with other facts about contemporary American society, is a problem. But, I think that, even more fundamentally, it is an indicator of a much more severe problem. As globalization continues inexorably (in practical terms, this has very little to do with McDonald's in France, and almost everything to do with the economic rise of Asia), U.S. income inequality is a demonstration that many — probably most — Americans don't have the capabilities required to maintain anything like their current standard of living in competition with a global labor force. Does Will think this is accurate, and if so, is it a problem?

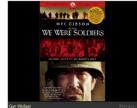
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2 of 4 7/15/2009 3:08 PM





3 of 4 7/15/2009 3:08 PM

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4 of 4 7/15/2009 3:08 PM