

The Washington Times

EDITORIAL: The inequality playbook

How the Democrats hope to win in 2014 running on poverty

By the Washington Times

Sunday, December 22, 2013

The Democratic playbook for 2014 is out, and to nobody's surprise Obamacare has been relegated to the back pages. The year's hottest topic will be income inequality, which the left hopes to use to create a wedge between go-along-to-get-along Republicans and limited-government [Tea Party](#) types. President Obama calls it the "defining issue." Senate Majority Leader [Harry Reid](#) says "there's no greater challenge this country has than income inequality, and we must do something about it."

It's difficult to treat seriously lugubrious complaints about the rich getting richer and the poor getting poorer when they come from a senator who lives in the luxury of the [Ritz-Carlton Hotel](#). The old saw doesn't stand up under scrutiny. The [Cato Institute's Alan Reynolds](#) calculates that, once transfer payments such as welfare, food stamps and housing benefits are taken into account, income inequality in the United States has been remarkably stable. The incomes of both the rich and poor rise and fall together through good times and bad. In a 2011 study for the American Enterprise Institute, [Bruce Meyer](#) and [James X. Sullivan](#) found that tax credits and noncash benefits substantially increased the "material well-being" of Americans of the bottom 20 percent of the income ladder.

Of course, the left is prepared with an armful of charts of its own to illustrate its message of class envy. They're usually supplied by economists [Thomas Piketty](#) of the [Paris School of Economics](#) and [Emmanuel Saez](#) of the [University of California at Berkeley](#), whose widely cited income inequality study rests on a common flaw. Their study counts incomes before they're adjusted by tax credits and other transfers. That is a sizable error. The Internal Revenue Service is one of the nation's foremost income redistributors, with the net total of federal transfers reaching \$2.3 trillion — up 68 percent from 2000, according to the Reynolds study.

The group being squeezed the most is the one at the middle. Families who work and earn just enough to pay taxes, but not enough to qualify for subsidies or tax credits are worst off in the era of big government. They saw their incomes fall in the Great Recession of 2009, yet Washington's backroom deals continue to offer tax increases, not tax relief.

For the middle class, incomes are stagnating while taxes and health-insurance premiums soar. Retirees who saved to guarantee a satisfactory future get no dividends because the Federal Reserve has primed

the money pumps to keep interest rates at zero. These are people stuck paying for overpriced light bulbs laced with deadly mercury, gasoline adulterated with corn to please Midwestern politicians, and appliances redesigned by Washington bureaucrats to be less effective and more expensive.

This is the true war on the middle class, and it's not a war waged by "the rich." It's waged by the people waving that income-inequality playbook as if it were holy writ. The middle class is stuck with the bills for the free health care, free lunches and other goodies with which the Democrats hope to purchase re-election. If Republicans hope to win over the middle class next year, they'll have to stand for relief from government.