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Mind the Gap

What the right wing really thinks about inequality.

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Should we care about economic inequality? That question is the subtext for most debates in American politics. It just remains below the surface because the party that thinks we *shouldn't* care about inequality--I'll give you one guess--has an endless string of obfuscations ("death tax," "small business," "tollgate to the middle class") to avoid admitting that it doesn't care about inequality.

There are, however, some real reasons not to care about income inequality, and right-wingers who don't have to run for public office are happy to admit it. A new paper by the Cato Institute's Will Wilkinson, which compiles all the reasons why we shouldn't worry our pretty little heads about inequality, has drawn a lot of attention. It's a usefully honest and relatively persuasive iteration of the belief system that undergirds right-wing thought.

Alas, it still isn't very persuasive. Wilkinson begins by pointing out that, while the gap between how much the rich and the non-rich earn has exploded, the gap between how much the rich and the non-rich consume has remained fairly stable. And that's true. But Wilkinson misunderstands the implications of this fact. "Suppose you made a million dollars last year and put all but $50,000 of it in a shoebox," he writes. (He must have enormous feet.) "Now imagine you lose the box. What good did the $950,000 do you?"

Wilkinson's point--money only has value if you eventually spend it--may be true. Yet most rich people don't put their money in shoeboxes. They invest it so they, their children, or young trophy wives can one day spend even more of it. And, indeed, the gap in wealth (how much money you have) has grown even faster than the gap in income. Meanwhile, the middle class has tried to keep pace with the rich by spending beyond its means, sending average household debt skyrocketing. Tell me why this should make us feel better about inequality?

Wilkinson's most interesting argument holds that material inequality between the rich and the non-rich lags behind the wealth and income gaps. For one thing, he argues that the luxury goods rich people own offer only marginal improvement over the cheap stuff that poor people own. For instance, he compares the luxurious Sub-Zero PRO 48 refrigerator to a standard IKEA fridge. Despite the vast difference in cost ($11,000 vs. $350), he writes, "The lived difference ... is rather smaller than that between having fresh meat and milk and having none." He also notes that rich people have used some of their increased income merely bidding up the price of positional goods, like fancy real estate or elite college tuition, forcing them to buy the same stuff at higher prices. Wilkinson thinks this goes to show that there's "an often narrowing range of experience" between being rich and being poor, so inequality isn't that big a deal.

In fact, Wilkinson is inadvertently bolstering the strongest liberal argument *against* inequality: it's inefficient. In case you're unfamiliar with this argument--as Wilkinson seems to be; he doesn't rebut or even mention it anywhere in his paper--it runs like this: Taking money from the rich and giving it to the poor helps the latter more than it hurts the former (at least until you create serious work-incentive effects, a point which most liberals think we're not close to). Wilkinson is saying the rich are getting little (in the case of luxury goods like refrigerators) or zero (in the case of real estate and higher tuition) actual benefit from their rising incomes. So why not take some of that income away and use it to buy extremely useful but currently unaffordable things for the non-rich, like, oh, basic medical care?

One liberal complaint about inequality holds that it increases the political influence of the rich, thereby locking in even more inequality. Wilkinson scoffs at this prospect, pointing to rich voters' support for Barack Obama over John McCain. Oddly, Wilkinson confines his analysis to campaigning and pays no attention to governing. While it's true that many rich people used their money to help bring about Democratic control of Washington, every day brings a new example of the rich using their money to ensure that Democrats pose the least possible harm to their interests. Democrats in Congress have abandoned Obama's sensible call to limit deductions for the top bracket, backed away from an upper-income surtax to pay for health care despite favorable polls, shot down bank nationalization, and on and on.

The deeper problem with Wilkinson's argument is that it assumes the natural correctness of all market-based outcomes. This is a premise you either take on faith or don't, and which undergirds most of his argument. Wilkinson assumes that inequalities arising from the market are inherently fair. Therefore, he asserts that just about the only unjust forms of economic inequality are those that spring from non-market circumstances: "[I]t's not enough to identify a mechanism of rising inequality. An additional argument is required to show that there is some kind of injustice involved."

If such injustices persist, he further argues, it's usually because the American people like it that way. Wilkinson recognizes that some liberals blame "wealthy elites," not public opinion, for the persistence of injustice. But he dismisses this complaint as a "'false consciousness'" argument by liberals "frustrated to find that [their] convictions are in the minority." So we should stop whining. Yet, later on in the same paper, Wilkinson blames the state of education on teachers' unions, and hawkish foreign policy on "special interests that stand to benefit from war." Wait, what about that false-consciousness business? Apparently, it's fair to complain about special interests when they subvert the libertarian agenda but not otherwise.

Wilkinson concludes by asserting that people should only care about their absolute well-being, not their relative well-being. But comparisons are among the best measures we have to gauge our material well-being. Ten years ago, I felt perfectly happy with my low-definition television, because high-definition hadn't come out. Today, that same television gives me slightly less enjoyment because I realize that I'm missing out on a better picture.

"How are a poor, inner-city kid's life chances affected," asks Wilkinson, "by the fact that some Web entrepreneur makes billions of dollars as opposed to just millions?" They're not. But if the Web entrepreneur has to pay a slightly higher tax rate so the inner-city kid can afford to attend a decent college, or so the kid's parents can see a dentist, how are the entrepreneur's life chances affected?

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