

Mimi Teixeira

Is Income Inequality That Bad?

[*The Observer*, Notre Dame University, January 27, 2016]

At a rally in Wisconsin in July [2015], Bernie Sanders proclaimed, "The issue of wealth and income inequality, to my mind, is the great moral issue of our time. It is the greatest economic issue of our time, and it is the great political issue of our time." Based on his poll numbers and on current political discourse, many people seem to agree. Even President Obama has called income inequality "the defining challenge of our time."

However, I do not think income inequality is the biggest issue of our time by any means. I would go so far as to say I don't think it's a problem at all.

Capitalism, especially unfettered capitalism, is often presented as an uncontrollable monstrosity, and the numbers seem to support that. How can 1 percent of the population own almost 36 percent of the country's wealth? How is a society with both lavishly rich and ridiculously poor people fair or desirable?

There are a few preliminary problems with the arguments of income-inequality alarmists that I would like to point out. First, the alarmists fail to determine what level of inequality is acceptable, and without a level of comparison, today's numbers are basically arbitrary. Further, income-inequality alarmists struggle to pinpoint practical, nonpartisan implications of today's level of income inequality. Some will argue that income inequality causes economic instability and even recessions, but this is hardly a settled matter. A study by the Cato Institute, a libertarian¹ organization, points out that most statistics ignore the value of government payments to the poor and increasing workers' benefits that have kept reported salaries stagnant while increasing the real value of low- and middle-income workers' compensation.

But even if the statistics were correct, even if income inequality were increasing at alarming rates, it wouldn't matter, because income-inequality statistics do not measure the general standard of living or standard of living disparities in a society. Why does it matter how much the richest person in the country has, so long as the rest of the country

¹ libertarian (para. 4): Subscribing to a political philosophy that promotes political freedom and the protection of private property, among other values

lives comfortably? I do not mean to say the whole country currently does live comfortably, though the standard of living in the United States is relatively high compared to the rest of the world. Instead, I mean that unless there is a direct connection between how much the rich have and the poverty level, the gap doesn't matter. If the gap does not hurt the overall economic health of the nation or speak to the level of poverty or the quality of life of the poor, to complain that some have too much is, at best, a call for a blanket redistribution of wealth for the sake of some ideological definition of "fairness" and, at worst, a natural human instinct to resent the front-runners in our economic system.

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Wealth is not stagnant, and wages are not the product of a zero-sum game. There is much more in this country to go around than there was in 1920 or even 1980. Politicians who catastrophize income inequality often come up with solutions that divide the current wealth more equally, ignoring the possibility that encouraging growth instead may be the better way to help the poor and raise the real standard of living for everyone. 6

In measuring inequality, doing so in terms of the standard of living is perhaps more important than using terms of income. Dinesh D'Souza points out in his book *What's So Great About America* that standard of living inequality has shrunk over time, even as such improvements created vastly rich people. There was a time when only the rich could afford refrigerators, phones and computers. As income inequality has grown, standard of living inequality has shrunk. Today, most working Americans have the same basic appliances and necessities as the rich. With globalization and an increase in manufacturing technologies, products for Americans of all income levels are cheaper than ever, and every income bracket has seen the benefits. 7

The people we can thank for this, people like Bill Gates, Steve Jobs and Jeff Bezos, have become extremely rich, but they have made everyone better off. As income inequality grows, the tangible standard of living inequality is shrinking. People are paid the worth of what they bring into the economy, and those who make their income through honest channels contribute to the creation of wealth that works to lift up all members of our society. We should give capitalism at least part of the credit for encouraging the creation of better and cheaper technology. 8

All of this is not to say that opportunity inequality and a lack of social mobility do not matter. However, they are not necessarily connected to 9

income inequality. The alleviation of poverty and the extension of economic opportunity remain of utmost importance. However, economic growth, technological innovation and good old-fashioned capitalism over the past few hundred years have done far better than any redistributive program could. Focusing on income inequality doesn't help the poor. Honestly, I'm not sure who it does help.

You have probably guessed by now that I am a conservative. I don't pretend that this article is unbiased, nor do I deny that conservatives and liberals have different ideological beliefs that cannot be compromised or reconciled. 10

If you find any inequality in a civilized society unfair, I won't say you are objectively wrong, even though I would disagree. But I would challenge you to look at statistics and consider that their only real impact is in their shock value used for political purposes. I would challenge you to consider what you think is fair and why. I would challenge you to consider what is really best for the alleviation of poverty and growth of social mobility in the long run. And I would challenge you to consider if Bernie Sanders and all these other politicians using income inequality as their rallying cry aren't perhaps ignoring more important issues. 11

Natasha Reifenberg and Patrick LeBlanc

Yes, Income Inequality Really Is That Bad

[*The Observer*, Notre Dame University, February 1, 2016]

This is a response to Mimi Teixeira's viewpoint "Is Income Inequality That Bad?" published January 27 [2016]. In her article, Teixeira argues that concerns surrounding income inequality are overblown and serve only as a political talking point. She contends that "even if income inequality were increasing at alarming rates, it wouldn't matter." 1

Income inequality is increasing at an alarming rate — the bonuses Wall Street employees received last year alone are double the combined annual salary of 1,007,000 full-time minimum wage earners, despite a decline in profits. The 400 richest individuals in our country hold more wealth than the poorest 150 million Americans combined. In other words, the top 0.1 percent is worth more than the entire bottom 2

90 percent. But these statistics alone are perhaps not enough to decry income inequality — although they can arouse a visceral feeling of injustice. A depression of GDP [gross domestic product], a deficit of opportunity, and a severe decline in social mobility are, however, enough.

Teixeira claims “economic growth . . . [has done] far better than any redistributive program could. Focusing on income inequality doesn’t help the poor.” Capitalism works because of incentives, and these incentives must naturally give rise to income inequality. Even though inequality rises, all members of society are better off.

We neither dispute the nature of this process nor seek to dissolve the “uncontrollable monstrosity” of capitalism and replace it with a “redistributive program.” Instead, we acknowledge the positives of capitalism as an economic system as well as the necessity of some level of income inequality. However, the potential for extreme levels of income inequality is a flaw of capitalism, which can be addressed.

The current level of income inequality is beyond what is required by growth. A 2014 OECD [Organization for Economic Cooperation and Development] study found that the extreme level of income inequality in the United States has led to the loss of approximately 0.3 percentage points worth of GDP growth per year for the last twenty years. While some level of inequality is the natural result of economic growth, the current level serves only to depress economic growth by degrading educational opportunities and social mobility.

Teixeira also says, “There was a time when only the rich could afford refrigerators, phones and computers. As income inequality has grown, standard of living inequality has shrunk.” Although we can all appreciate the wonders of indoor plumbing, refrigerators, cable television — to name a few — and how widely available these commodities now are, we cannot equate certain material possessions with opportunity. Teixeira points out that “most working Americans have the same basic appliances and necessities as the rich.” Although a CEO and a public school teacher both own phones, only one of them can afford a college education for his or her child. Education is supposed to be the engine of opportunity, but studies show “increasing gaps in academic achievement and educational attainments have accompanied the growth in income inequality.” When you lack the resources to invest in your children’s futures or summit mountains of college loans, a refrigerator loses relevancy.

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It is hard to say the United States is a meritocracy when government policies, tax cuts and special interests help the rich get richer and the poor get poorer. For example, the Federal Reserve has created “economic distortions,” according to a leading Wall Street bond expert, that result in a transfer of wealth to those seeking short-term gains and who need it the least. It’s easy to see the world only through the lens of our own experience, but we have to realize that people face different barriers than our own if they do not win the lottery of birth and circumstance. Without firsthand experience of the effects of the deleterious effects of income inequality, we should not be so quick to declare it nonproblematic.

Further, a general lack of opportunity affects the ability of the less well-off to live up to their full potential. Often disadvantaged for reasons beyond their control, they are forced to live life dreaming of what might have been had the circumstance of their birth been different. Opportunity lies at the crux of the American Dream — in its absence the free-market system is rigged from the start. Not only is this fundamentally unfair, but it violates the principles of equality of opportunity and the pursuit of happiness we hold sacrosanct as a nation. To stand by and do nothing while income inequality threatens these values would be irresponsible.

At some point we have to ask ourselves: Is this really the society we want to live in? Teixeira says she wants to “challenge you to look at statistics and consider that their only real impact is in their shock value used for political purposes.” The “shock value” of income inequality is not so much its usage as a political soundbite, but rather its negative impact on everyday Americans. The entrenchment of wealth at the top, and the deficit of opportunity at the bottom — that’s the real impact of economic inequality. We challenge you not simply to discard the issue of income inequality because it does not directly affect you, but rather to remember Pope Francis’s words: “Human rights are not only violated by terrorism, repression or assassination, but also by unfair economic structures that create huge inequalities.”

VOCABULARY/USING A DICTIONARY

1. What is a *monstrosity* (Teixeira, para. 3)?
2. How might you guess the meaning of *crux* (Reifenberg and LeBlanc, para. 8), even if you didn’t know the definition or the context in which it was used?
3. What part of speech is *overall* (Teixeira, para. 5)? Can you think of a synonym for *overall*?

RESPONDING TO WORDS IN CONTEXT

1. What do the authors mean when they use the term *redistributive* (Teixeira, para. 9; Reifenberg and LeBlanc, para. 3)?