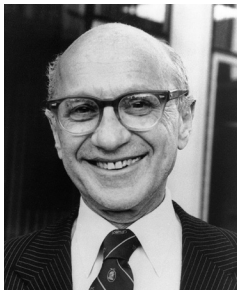


Is Income Inequality a Problem?



Understanding Income Inequality

Milton Friedman, arguably the greatest economist of the 20th century, stated, “A society that puts equality before freedom will get neither. A society that puts freedom before equality will get a high degree of both.” Yet, a common criticism heard on college and high school campuses today is that the free market system is inherently evil and that an economic system based on equality and redistribution is the path forward for America.



Economist Milton Friedman

Have you been attacked on your campus for supporting our free enterprise system? Have your teachers or professors criticized the free market for enriching the “one percent” while leaving behind everyone else? Have your classmates claimed that economic inequality is the greatest problem facing America today?

This guide will teach you how to effectively respond to these inaccurate criticisms.



YAF student activists at Saddleback College participate in the GPA Redistribution initiative, which uses students' GPAs as a case study to dismantle the leftist demand that the wealthy should “pay their fair share.”

Myth: Income Inequality Is the Great Economic and Moral Crisis of Our Time

*By Ron Robinson
President of Young America's Foundation*

At the heart of Progressivism's popularity is its ideologically driven theme that income inequality is an evil in a free society.

The 20th century's most memorable government leaders rose to power attacking income inequality in one form or another. Lenin attacked the old regime led by the czars. He overthrew its replacement government led by social democrat Alexander Kerensky because Kerensky's socialist party tolerated income inequality. Stalin followed with his persecution of the kulaks, who were the relatively more successful, mostly Ukrainian, farmers. Lenin had set the stage for Stalin's purges by labeling kulaks as “bloodsuckers, vampires, plunderers of the people and profiteers, who fatten on famine.”

Hitler and his National Socialists attacked Jewish Germans for their economic success and wealth accumulation. Mao Zedong came to power promising income equality and later led the “Cultural Revolution” to enforce his vision. The Castro brothers and their secret police, the infamous Committee for the Defense of the Revolution, sought to rid Cuba of its successful entrepreneurs, lawyers, and doctors.

Essentially the same vices motivated each of these movements: envy and coveting against the successful hard-working entrepreneurial elements of their societies. Russian peasants and sailors could be taught to vilify the kulaks. Nazis found followers in the 1930s who resented the success of Jewish merchants and professionals. Mao and his Red brigades attacked anyone who wasn't in their “masses.” Castro eliminated or drove away those who had their own farm, sugar, oil-distribution, or entertainment business.

The modern day progressives also rely on envy and coveting to justify raising tax rates. You can seldom find a copy of the *New York Times*, *Washington Post*, or other progressive-leaning publication that does not cite income inequality as a threat to society.

How can vices such as envy, coveting, or as the Irish would say, “begrudgery,” still be such core parts of the progressive agenda in light of the results of 20th century movements that were similarly motivated? As the late economist Milton Friedman famously noted, “A society that puts equality before freedom will get neither. A society that puts freedom before equality will get a high degree of both.”

Basically, it is part of the human condition to resist conceding that someone else is more successful than you are because of different God-given talents, or because he just might be a harder worker, or because he made better decisions. The story of Cain’s resentment and jealousy towards Abel and its horrific consequences, as told in various Jewish, Christian, and Muslim Scriptures, captures how dangerous feeding off resentment can be.

Yet, it is envy, coveting, and begrudgery which are at the core of the modern day progressive belief system.

Ask modern day income redistributionists: Did you do what Kobe Bryant, Aaron Rodgers, Alexander Ovechkin, Katy Perry, Taylor Swift, or even Bill Gates or Warren Buffett did to earn their wealth? I doubt they believe so. Yet, how many Americans get tricked into dehumanizing the “wealthy” sufficiently to take comfort in slapping confiscatory taxes on them?



As shown here, the failed command-and-control economy of the former USSR, which was supposedly developed to “fairly” and “equally” distribute resources, led only to shortages and starving people.

In fact, in American culture today, our films, television shows, academia, and the media produce more ad hominem attacks against successful business people than did all the propaganda machines of the National Socialists, Committee for the Defense of the Revolution, and Red Guards of yesteryear.

Every student knows their fellow classmates get different grades because of differing individual intelligence, attentive ability, hard work, and the level of other distractions in students’ lives. So, you do not have a classroom ideological perspective that insists all grades must be equal and that “inequality” in grades must be eliminated.

You know that your efforts, or your classmates' efforts, merit different rewards. You accept that as fair. Shuffling the grades randomly, or making every grade the same, is not going to encourage scholarship and overall effort.

So, too, this is why conservatives and libertarians are not impressed by ideological claims that income inequality is worrisome, except to the extent that government interferes to choose favorites.

One of Jesus's most memorable parables dealt with three servants receiving three different sets of talents. Jesus did not suggest those talents should be re-distributed to create an equality. He was concerned with each recipient wisely using the talents he was entrusted with. If that meant the one with the most talents used his most effectively, Jesus's parable concluded with the greatest reward for him.

One final note: When progressives discuss security or foreign threats, they often ask, "If you think Al Qaeda or the Islamic State is a threat to the U.S., then why haven't you signed up to join the military?" Well, you should use this rhetorical approach when debating or discussing the "income inequality" issue with



The Trabant was a two-cylinder automobile produced from 1957 to 1990 in Communist East Germany. With a top speed of just under 60 MPH, the car was emblematic of all that was wrong with Soviet-era central planning and restrictions.

a progressive. Why don't they volunteer more of their personal income to the government than they are legally coerced to pay?

If the progressive thinks income inequality is a threat that requires action, then I ask, "Why not begin with yourself and redistribute your income? Your income is wildly unequal to the Third World poor or even the poorest Americans." Of course, the progressive is always reluctant to acknowledge that government cannot give anything to anyone without first seizing someone's wages or earnings. And the progressives seldom volunteer their own resources.

SUMMARY

- Historically, the worst demagogues demonize a group they don't like, such as "the rich," for the purposes of political gain and power lust.
- Hypocritically, many progressives advocate government income redistribution in the name of "equality" but rarely run their own lives that way or spend their own money in accordance with the policies they support.



A marvel of American craftsmanship and entrepreneurial vision, the iconic Ford Mustang was first introduced in 1964 and has gone through six generations. Today, the 5.0 liter GT model has eight cylinders, 460 HP, and a top speed of 155 MPH.

Myth: Equality Serves the Common Good

By Lawrence W. Reed
President of Foundation for Economic Education

**“Free people are not equal,
and equal people are not free.”**

I wish I could remember who first said that. It ought to rank as one of the great truths of all time, and one that is fraught with profound meaning.

Equality before the law—for instance, being judged innocent or guilty based on whether or not you committed the crime, not on what color, sex, wealth class, or creed you represent—is a noble ideal and not at issue here. The “equalness” to which the statement above refers pertains to economic income or material wealth.



In its race to impose “equality” on its citizens, the former Soviet Union only created constant shortages of food and other goods, and made endless lines commonplace.



A typical street scene in Havana, Cuba, with its decayed buildings and ever-present antique cars, exhibits the effects of nearly six decades of enforced socialist policies.

Put another way, then, the statement might read, “Free people will earn different incomes. Where people have the same income, they cannot be free.”

Economic equality in a free society is a mirage that redistributionists envision—and too often are willing to shed both blood and treasure to accomplish. But free people are different people, so it should not come as a surprise that they earn different incomes. Our talents and abilities are not identical. We don’t all work as hard. And even if we all were magically made equal in wealth tonight, we’d be unequal in the morning because some of us would spend it and some of us would save it.

To produce even a rough measure of economic equality, governments must issue the following orders and back them up with fines, penalties, or even prisons or firing squads: “Don’t excel or work harder than the next guy, don’t come up with any new ideas, don’t take any risks, and don’t do anything differently from what you did yesterday.” In other words, don’t be human.



Senator Bernie Sanders, an avowed socialist, tries to indoctrinate students with his leftist views on income inequality, yet he himself owns three homes. (Photographer Daniel Acker/Bloomberg via Getty Images.)

The fact that free people are not equal in economic terms is not to be lamented. It is, rather, a cause for rejoicing. Economic inequality, when it derives from the voluntary interaction of creative individuals and not from political power, testifies to the fact that people are being themselves, each putting his uniqueness to work in ways that are fulfilling to himself and of value to others. As the French would say in a different context, *Vive la difference!*

People obsessed with economic equality—egalitarianism, to employ the more clinical term—do strange things. They become envious of others. They covet. They divide society into two piles:

villains and victims. They spend far more time dragging someone else down than they do pulling themselves up. They're not fun to be around. And if they make it to a legislature, they can do real harm. Then they not only call the cops, they *are* the cops.

Examples of injurious laws motivated by egalitarian sentiments are, of course, legion. They form the blueprint of the modern welfare state's redistributive apparatus. A particularly classic case was the 1990 hike in excise taxes on boats, aircraft, and jewelry. The sponsors of the bill in Congress

presumed that only rich people buy boats, aircraft, and jewelry. Taxing those objects would teach the rich a lesson, help narrow the gap between the proverbial “haves” and “have-nots,” and raise a projected \$31 million in new revenues for the federal Treasury in 1991.

What really occurred was much different. A subsequent study by economists for the Joint Economic Committee of Congress showed that the rich did not line up by the flock to be sheared: Total revenue from the new taxes in 1991 was only \$16.6 million. Especially hard-hit was the boating industry, where a total of 7,600 jobs were wiped out. In the aircraft industry, 1,470 people were pink-slipped. And in jewelry manufacturing, 330 joined the jobless ranks just so congressmen could salve their egalitarian consciences.



Those lost jobs, the study revealed, prompted a \$24.2 million outlay for unemployment benefits. That's right—\$16.6 million came in, \$24.2 million went out, for a net loss to the deficit-ridden Treasury of \$7.6 million. To advance the cause of economic equality by a punitive measure, Congress succeeded in nothing more than making both itself and the rest of us a little bit poorer.

To the rabid egalitarian, however, intentions count for everything and consequences mean little. It's more important to pontificate and assail than it is to produce results that are constructive or that even live up to the stated objective. Getting Congress to undo



the damage it does with bad ideas like this is always a daunting challenge.

In July 1995 economic inequality made the headlines with the publication of a study by New York University economist Edward Wolff. The latest in a long line of screeds that purport to show that free markets are making the rich richer and the poor poorer, Wolff's work was celebrated in the mainstream media. "The most telling finding," the author wrote, "is that the share of marketable net worth held by the top 1 percent, which had fallen by 10 percentage points between 1945 and 1976, rose to 39 percent in 1989, compared with 34 percent in 1983." Those at



Venezuela has oil reserves greater than those of Saudi Arabia, yet the government's years of socialist policies, including forced price controls, have caused endless super market lines (pictured above), increased poverty, and widespread social unrest.

the bottom end of the income scale, meanwhile, saw their wealth erode over the period—if the Wolff study is to be believed.

On close and dispassionate inspection, however, it turns out that the study didn't tell the whole story, if indeed it told any of it. Not only did Wolff employ a very narrow measure that inherently exaggerates wealth disparity, he also ignored the mobility of individuals up and down the income scale. An editorial in the August 28, 1995, *Investor's Business Daily* laid it out straight: "Different people make up 'the wealthy' from year to year. The latest data from income-tax returns . . . show that most of 1979's top-earning 20 percent had fallen to a lower income bracket by 1988."

Of those who made up the bottom 20 percent in 1979, just 14.2



This abandoned auto factory in Detroit reflects the citywide decay caused by decades of socialist-style policies imposed by the leftist-controlled local government.

percent were still there in 1988. Some 20.7 percent had moved up one bracket, while 35 percent had moved up two, 25.3 percent had moved up three, and 14.7 percent had joined the top-earning 20 percent.

If economic inequality is an ailment, punishing effort and success is no cure in any event. Coercive measures that aim to redistribute wealth prompt the smart or politically well-connected "haves" to seek refuge in havens here or abroad, while the hapless "have-nots" bear the full brunt of economic decline. A more productive expenditure of time would be to work to erase the mass of intrusive government that assures that the "have-nots" are also the "can-nots."

This economic equality thing is not compassion. When it's just an idea, it's bunk. When it's public policy, it's illogic writ large.

SUMMARY

- If people are free, they will be different. That reflects their individuality and their contributions to others in the marketplace. It requires force to make them the same.
- Talents, industriousness, and savings are three of many reasons why we earn different incomes in a free society.
- Forcing people to be equal economically may make misguided egalitarians feel better but it does real harm to real people.

Young America's Foundation's Center for Entrepreneurship & Free Enterprise

Young America's Foundation's Center for Entrepreneurship & Free Enterprise popularizes free market principles by training the next generation of America's leaders to understand and champion these ideas among their peers and as they enter their careers. We achieve this important goal through delivering inspiring free enterprise programs and essential free market materials to thousands of students at colleges and high schools across America.

We can support you to host prominent free market advocates and business leaders at your school, attend our Road to Freedom Seminar, and gain access to foundational economics materials that your school is not making available to you. Through our resources, you can address timely topics such as income inequality, wealth redistribution, crony corporatism, the myths of socialism, and others.

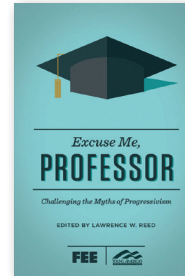
To learn more about YAF's free enterprise programs, please visit YAF.org or contact Young America's Foundation at 1-800-USA-1776.



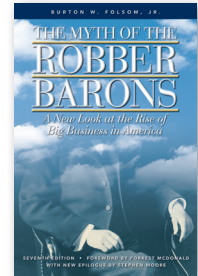
Top YAF student activists at the Road to Freedom Seminar share tactics to effectively advance free market ideas on campus.

Additional Resources

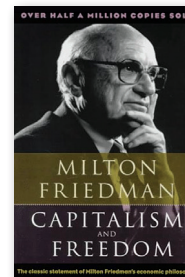
For further guidance to debate your classmates, teachers, and professors on income inequality, refer to the following books!



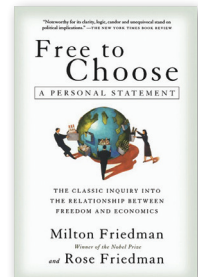
Excuse Me, Professor
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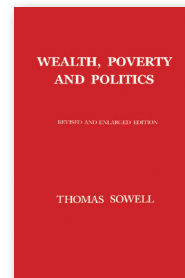
The Myth of the Robber Barons
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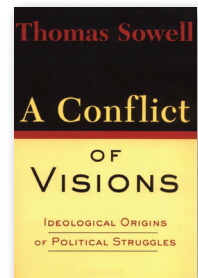
Capitalism and Freedom
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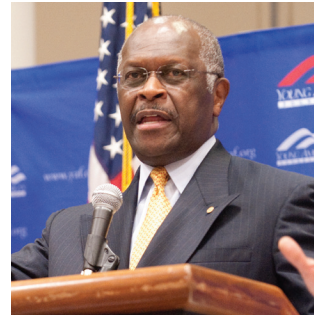
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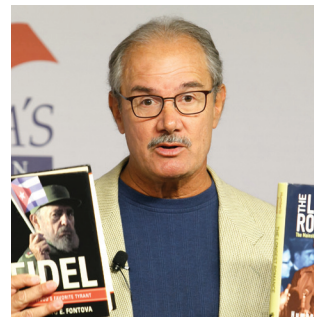
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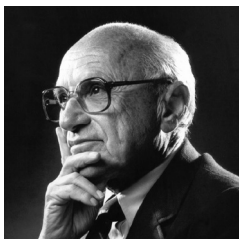
Humberto Fontova



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And many more!

GET STARTED — To host one of these speakers on your campus, visit YAF.org or contact Young America's Foundation at 1-800-USA-1776.



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before freedom will get neither.
A society that puts freedom
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— MILTON FRIEDMAN



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