

The Inequality Problem

Suddenly the whole world is talking about income inequality. But, as this debate goes on, it is beginning to look as though the thing is being misconceived. The income inequality debate is confusing matters more than clarifying them, and it is leading us off in unhelpful directions.

In the first place, to frame the issue as income inequality is to lump together different issues that are not especially related. What we call "inequality" is caused by two different constellations of problems.

At the top end, there is the growing wealth of the top 5 percent of workers. This is linked to things like perverse compensation schemes on Wall Street, assortative mating (highly educated people are more likely to marry each other and pass down their advantages to their children) and the superstar effect (in an Internet economy, a few superstars in each industry can reap global gains while the average performers cannot).

At the bottom end, there is a growing class of people stuck on the margins, generation after generation. This is caused by high dropout rates, the disappearance of low-skill jobs, breakdown in family structures and so on.

If you have a primitive zero-sum mentality then you assume growing affluence for the rich must somehow be causing the immobility of the poor, but, in reality, the two sets of problems are different, and it does no good to lump them together and call them "inequality."

Second, it leads to ineffective policy responses. If you think the problem is "income inequality," then the natural response is to increase incomes at the bottom, by raising the minimum wage.

But raising the minimum wage may not be an effective way to help those least well-off. Joseph J. Sabia of San Diego State University and Richard V. Burkhauser of Cornell looked at the effects of increases in the minimum wage between 2003 and 2007. Consistent with some other studies, they find no evidence that such raises had any effect on the poverty rates.

That's because raises in the minimum wage are not targeted at the right people. Only 11 percent of the workers affected by such an increase come from poor households. Nearly two-thirds of

The
real source
of social decay.

such workers are the second or third earners living in households at twice the poverty line or above.

The primary problem for the poor is not that they are getting paid too little for the hours they work. It is that they are not working full time or at all. Raising the minimum wage is popular politics; it is not effective policy.

Third, the income inequality frame contributes to our tendency to simplify complex cultural, social, behavioral and economic problems into strictly economic problems.

There is a very strong correlation between single motherhood and low social mobility. There is a very strong correlation between high school dropout rates and low mobility. There is a strong correlation between the fraying of social fabric and low economic mobility. There is a strong correlation between de-industrialization and low social mobility. It is also true that many men, especially young men, are engaging in behaviors that damage their long-term earning prospects; much more than comparable women.

Low income is the outcome of these interrelated problems, but it is not the problem. To say it is the problem is to confuse cause and effect. To say it is the problem is to give yourself a pass from exploring the complex and morally fraught social and cultural roots of the problem. It is to give yourself permission to ignore the parts that are uncomfortable to talk about but that are really the inescapable core of the thing.

Fourth, the income inequality frame needlessly polarizes the debate. There is a growing consensus that government should be doing more to help increase social mobility for the less affluent. Even conservative Republicans are signing on to this. The income inequality language introduces a class conflict element to this discussion.

Democrats often see low wages as both a human capital problem and a problem caused by unequal economic power. Republicans are more likely to see them just as a human capital problem. If we're going to pass bipartisan legislation, we're going to have to start with the human capital piece, where there is some agreement, not the class conflict piece, where there is none.

Some on the left have always tried to introduce a more class-conscious style of politics. These efforts never pan out. America has always done better, liberals have always done better, when we are all focused on opportunity and mobility, not inequality, on individual and family aspiration, not class-consciousness.

If we're going to mobilize a policy revolution, we should focus on the real concrete issues: bad schools, no jobs for young men, broken families, neighborhoods without mediating institutions. We should not be focusing on a secondary issue and a statistical byproduct. □