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Is More Economic Equality Better?

FOR most American intellectuals, the answer is obvious. The question itself would strike them as either frivolous or callously reactionary. For the typical intellectual, including the typical economist, it is clear that more economic equality is better. If pressed, the intellectual might offer some kind of argument to support his position, but normally he simply accepts it as axiomatic.

I disagree. In doing so, I am not maintaining that more economic equality is necessarily worse. I simply insist that the societal distribution of income or wealth is fundamentally a moral issue and that neither an increase nor a decrease in the degree of inequality has any unambiguous moral meaning. Everything hinges on *why* the distribution changes. Once we know, and morally assess, the actions that cause the distribution to change, we need go no further. The change in the distribution itself is a statistical artifact, devoid of any moral implications.

The Prevailing Intellectual Position

WHEN I say that the typical intellectual believes more economic equality is better, I am not thinking about wild-eyed radicals or street-corner revolutionaries. I have in mind some of the most respected and influential social scientists in the land. Consider, for example, the statement of Arthur M. Okun, an economist who taught at Yale before serving on the President's Council of Economic Advisers during the 1960's:

> *Equality in the distribution of incomes...would be my* ethical *preference. Abstracting from the costs and the consequences, I would prefer more equality of income to less and would like complete equality best of all.*[1]

Henry J. Aaron, an economist who taught at the University of Maryland and performed research for the Brookings Institution before becoming an Assistant Secretary at the Department of Health, Education, and Welfare, has said:

> *My own perception is that some additional redistribution [from the richer to the poorer via government] will cost almost nothing in freedom, though it will cost something in efficiency, and that it is worth getting.*[2]

1. *Equality and Efficiency: The Big Tradeoff* (Washington, D.C.: The Brookings Institution, 1975), p. 47.
2. Comments on a paper by Okun in *Income Redistribution*, ed. Colin Campbell (Washington, D.C.: American Enterprise Institute for Public Policy Research, 1977), p. 46.

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Christopher Jencks, a Harvard professor of sociology, has gone much further than Okun and Aaron. Jencks concluded his widely discussed (and partially federally funded) book, *Inequality*, with a remarkable passage urging more governmental intervention in the distributive process, more envy among the poor, more guilt among the rich, and ultimately a revolutionary restructuring of American society:

> *The crucial problem today is that relatively few people view income inequality as a serious problem.... We need to establish the idea that the federal government is responsible for not only the total amount of the national income, but for its distribution...[T]hose with low incomes must cease to accept their condition as inevitable and just....[T]hey must demand changes in the rules of the game....[S]ome of those with high incomes, must begin to feel ashamed of economic inequality....[W]e will have to establish political control over the economic institutions that shape our society. This is what other countries usually call socialism.*[3]

As a final example, consider the statement of Charles E. Lindblom, professor of economics and political science at Yale, in his highly acclaimed treatise on the world's political-economic systems:

> *It is in communist provision of minimum standards of living and some degree of equality in the distribution of income and wealth that the communist claim to approximate the humanitarian vision...seems undeniable. On these fronts communist systems have to be credited with great accomplishments, on the whole probably greater than those of the polyarchies....Inequality in the United States is severe in its [harmful] effects.*[4]

The examples quickly become tedious; their message is clear enough. The prevailing position, not only on the left but also within the mainstream of American social science, is that the existing inequality of income and wealth is unjust. Indeed, most writers routinely employ the words "unequal" and "inequitable" as synonyms, showing no concern for the moral freight borne by this interchange. Hence, not surprisingly, enthusiastic approbation is showered on government policies that promise, either directly or indirectly, to redistribute income from the richer to the poorer.

The Facts about Inequality

OPEN the *Statistical Abstract* and you will find the "facts" upon which most judgments about inequality rest. The lowest fifth of families, according to these data, gets about 5 percent of the total income, the highest fifth about 40 percent. Also, the richest one percent of the property owners holds about one-fifth of all the property. Economics textbooks reproduce these figures. Economists study and debate them at great length. Intellectuals fashion from them the ammunition for politicians to fire in demagogic salvos.

Yet these figures at virtually worthless. Acceptance of them makes economists either the most gullible or the most dishonest guild on earth. To assess the credibility of the data, one must begin by inquiring into their sources. In fact, they come from the information supplied by people on the census forms collected every ten years or in response to a much smaller

3. *Inequality: A Reassessment of the Effect of Family and Schooling in America* (New York: Harper Colophon Books, 1973), pp. 263-65.

4. *Politics and Markets: The World's Political-Economic Systems* (New York: Basic Books, 1977), pp. 266, 268.

population survey conducted by the Census Bureau as an ongoing project. In both cases, we find out only what people choose to tell us. Of course, people have many reasons to dissemble. A desire to conceal illegally acquired income, a cavalier attitude in responding to the survey, a devotion to privacy in their financial affairs—such are the sources of misreporting. It happens among the rich, the poor, and those in between, but how much is anyone's guess.

Even when people want to be honest and try to be accurate, they forget, miscalculate, or misconstrue the questions. "Family income" is by no means a crystal clear concept. Just what is a family? And what qualifies as income? Once the data are in hand, should the statistician make his calculations on an annual basis or average them over a longer time span? What adjustments, if any, should be made for differences in age and family size among the income recipients? How much of the money income reported is taken away in individual income and payroll taxes? The answers to these questions are uncertain. To make matters even foggier, the official data neglect whole realms of real income, such as the income in kind received directly from other persons or indirectly in the form of government transfers. As Edgar K. Browning has said, "we really do not know how much redistribution is going on in the present system....How can we talk sensibly about redistributing more if we do not know how much is already being redistributed?"[5]

Still, the statistical issues are secondary. Even if the figures on the societal distributions of income and wealth were conceptually unambiguous and numerically precise, the question would remain: Is more equality better? And the answer would still be: Not necessarily. To appreciate the basis for this answer, consider some ways in which a more equal societal distribution might come about.

5. Comments on papers by Cohen and Nisbet in *Income Redistribution*, p. 208. For attempts to transform the official data into more meaningful distributions, see Edgar K. Browning, "The Trend toward Equality in the Distribution of Net Income," *Southern Economic Journal* 43 (July 1976): 912-23; and Morton Paglin, "Poverty in the United States: A Reevaluation," *Policy Review* 8 (Spring 1979): 7-24.

Greater Equality: Seven Scenarios

THESE scenarios are all hypothetical, but they are not impossible. Their lessons, like those of parables, are independent of their degree of descriptive historical veracity.

1. The death rate increases abruptly for persons over 35. Because older persons have, among other things, accumulated more property and job experience, their average wealth and incomes exceed those of younger persons. To the extent that (average) younger persons inherit the wealth of (average) decedents, the increased mortality among older persons would tend to reduce economic inequality.

2. Young women suddenly find themselves unable to bear children. Because babies do not produce income or accumulate wealth, their presence in society creates economic inequality. Diminished fecundity would tend to reduce this economic inequality.

3. A new law requires housewives to enter into paid employment. Because housewives are not rewarded for their efforts by explicit monetary payments, their presence in society increases economic inequality—at least as it is now measured. If all housewives were compelled to earn wages in the paid labor market, measured economic inequality would decline markedly.

4. A new law requires every worker to switch occupations at least once a year. Something resembling this has been the policy in Communist China at times during the past 30 years. Because job experience improves the productivity of labor and leads to higher earnings, the distribution of earnings in an economy where no one could ever escape from the entry level would tend to be more equal, other things being the same.

5. Poor robbers increase their plunder of

rich victims. Of course, this reign of Robin Hoods would diminish economic inequality, though the reduction would probably never be detected by the Census Bureau.

6. People develop an aversion to education and training. As in the scenario of annual switching of occupations, the universal refusal to accumulate human capital would tend to place all workers on a more equal footing, and economic inequality would tend to decline.

7. The work week is legally fixed at 20 hours and overtime work is outlawed. This trade union dream come true would, by making the amounts of labor supplied by various workers more uniform, tend to equalize the distribution of earnings.

To sum up, all of the scenarios have two characteristics in common. Each entails increased economic equality, and each in its own way is a disaster. Increased mortality, decreased fecundity, forced labor, forced occupational mobility, increased robbery, mass abandonment of education and training, forced unemployment—surely few decent people would argue in their favor. Any increase in measured societal economic equality that arose from such catastrophic events would certainly be considered a spurious indication of increased social well being *if* one knew its origins.

Yet economists and other intellectuals routinely compare income or wealth distribution between times or places and judge the differences good or bad, depending on whether the measured degree in inequality is less or more, *without giving any consideration to why the differences exist.* This is absolute moral blindness. If inequality increases because—in counter-scenarios of those considered above—older people live longer, women succeed in having the babies they want, more wives choose to work at home, workers switch occupations less frequently, robbery declines, more people acquire advanced education and training, or more workers choose to work full time, can anyone reasonably conclude that society is worse off?

Conclusion

IF individual actions are just, that is all we need to know to make a moral assessment.[6] A supposedly deleterious change in the statistical measure of societal distribution, should it occur, is simply irrelevant. Changes in such aggregative measures have no moral implications whatever. The error of supposing that more societal equality is necessarily better springs in large part from an even more fundamental error: the implicit assumption that societies are moral agents. Obviously they are not and never can be. Society is nothing more than an abstraction, a concept, an intellectual invention. Just as only individuals are economic actors, capable of purposive goal-seeking behavior, so only individuals are moral agents, whose actions we may properly describe as ethical or unethical. Moral individual actions, like immoral individual actions, may produce either more or less societal inequality, depending on their precise character. Some rich individuals steal from some poor persons, and vice versa. Some rich persons voluntarily transfer their wealth to some poor individuals, and vice versa. Any changes in the aggregative statistical profile brought about by this complex and variable individual behavior are wholly uninformative for purposes of a moral assessment. In their simple-minded moral judgments about differences in societal distributions, the intellectuals have committed astonishingly blatant errors. They could have saved themselves from these blunders had they kept their eyes focused on the only true economic and moral agent, the individual human being.

6. For another perspective, see "Justice and the Market," by Ernest van den Haag; *The Intercollegiate Review*, Vol. 10, No. 1 (Winter 1975). Available upon request as IR Reprint, No. 22.