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Writing Samples

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### Wealth and Income Inequality: Debunking the Myths

Most people have at some point heard the argument, made without citation to authority or context, that the top 10% of people own 90% of the wealth, that the wealth gap gets bigger every year and that institutional bias is to blame. As a solution to this disparity, armchair economists, politicians and local barroom experts propose, *ad nauseam*, the “solution” of redistributing wealth through higher taxes. “Higher taxes!” they cry, “the wealthy must pay their fair share, we cannot allow the rich to get richer while the poor get poorer!”<sup>1</sup>

This paper illustrates why such measures are not only counterproductive, but also, unjust. The following pages draw heavily on the works of economist and philosopher Milton Friedman to lay bare the fallacies of wealth redistribution. They all, however, build on one central idea: “the only way in which you can redistribute [wealth effectively] is by destroying the incentives to have wealth” (“Milton Friedman on Redistribution of Wealth”). Indeed, history has proven that redistributing wealth in order to alleviate wealth and income inequality not only does not achieve the intended outcome, but also, aggravates the economic situation of the intended beneficiaries.

### **The Robin Hood Myth**

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<sup>1</sup> Indeed, at the time of writing this paper, we find ourselves in the midst of the American presidential election of 2016. As anticipated, Hilary Clinton has made populism and wealth disparity a plank of her platform; at a recent speech, she was roundly criticized for wearing a \$12,000 Armani jacket while speaking on the subject. (“Hilary Clinton Wore a \$12,495 Armani Jacket During a Speech About Inequality”)

There is a popularly held belief that government can create programs that benefit the poor at the expense of the rich. Is this belief true or is it a myth? Welfare is one government program that helps show why well-intentioned government interference in the free market often causes unintended and negative effects on the very people it is supposed to help. The main problem with such measures is that they destroy an individual's independence by penalizing employment and incentivizing dependence. Milton Friedman elaborates on this destructive power:

The people who get on welfare lose their human independence and feeling of dignity. They become subject to the dictates and whims of their welfare supervisor who can tell them whether they can live here or there...what they can do with their lives. They're treated like children not like responsible adults. And they're trapped in the system. Maybe a job comes up that looks better than welfare but they're afraid to take it because if they lose it after a few months it may be six months or nine months before they can get back onto welfare. And as a result, this becomes a self-perpetuating cycle rather than simply a temporary state of affairs ("Milton Friedman on Welfare").

Welfare recipients are not to blame; they are simply acting in their rational best interests. Why would a rational actor decline greater money, for not working, in favor of lesser money, for working? No, the true culprit is the corrosive influence of the government program that compels the able-bodied, rational actor to make a choice that eventually corrodes his or her independence and self-worth.

What would happen if we eliminated welfare for all able-bodied and mentally healthy adults? They would find some way to earn a living. It might not be a great living, they may even

have to temporarily rely on private charity, but most would find some job at some wage to earn their own living (“Milton Friedman on Welfare”).

Doing so would achieve two benefits. First, the former welfare recipient would achieve the pride of self-help. And second, it would avoid the injustice and counter-productivity of a government bureaucrat spending dollars they have not earned on programs still other government officials deem to be worthwhile. The reality is that every government program involves “some people spending other people’s money for objectives that are determined by still a third group of people.” (“Milton Friedman on Welfare”). And the problem with this is that “nobody spends somebody else’s money as carefully as he spends his own” (“Milton Friedman on Welfare”).

### **The Wage Gap Myth**

Another rallying cry for those advocating for the redistribution of wealth from the wealthy to the poor centers around alleviating an alleged “wage gap”. The claim, say proponents, is that equal work is not receiving equal pay. Specifically, women are paid less than men for the same type of work.

This argument has endured for decades but is now especially *en vogue* in part due to vigorous promotion by the Obama administration and various celebrities. Indeed, the White House has created a special equal pay website devoted to propagating the myth with the headline “Did You Know That Women Are Still Paid Less Than Men?”

The thoughtful listener must ask three questions in evaluating such a claim:

- Is it *factually* true? In other words, do women *actually* make less than men?
- And, if the answer to the first question is true, is there a rational, innocent explanation for the disparity?

- Even if there is an innocent explanation for the disparity, should the government take action to enforce equality of salaries by enacting equal pay for equal work laws?

In fact, the wage gap myth has been debunked by nearly every reputable economist who has examined the issue. The arguments prove that the myth is at best inaccurate, and at worst, a conscious manipulation of statistics; they note that:

- **The comparison does not compare equal time;** in other words, the statistic that “full time” female workers earn less than “full time” male workers is misleading because “full time” only means a minimum of 35-hours a week. Men typically work more hours than women, therefore a statistic that compares less pay for 35-hours a week with more pay for 40-hours a week and fallaciously concludes it is the result of institutional sexism is absurd (“Don’t Buy Into the Gender Pay Gap Myth”),
- **The fact that men typically make more than women is also a reflection of the career choices they make;** more men than women choose to go into higher paying careers, for example in the science, technology, engineering and math [STEM] fields. Simultaneously, more women choose to enter lower paying fields, such as social work, than men (“Harvard Prof. Takes Down Gender Wage Gap Myth”).  
Indeed, a Department of Labor study concluded that the wage gap “may be almost entirely the result of individual choices being made by both male and female workers” (“Equal Pay Day Revisited: Why the Gender Pay Gap is Still a Myth”),
- **Greater male earnings are also a reflection of differences in the personal choices that men and women make;** women often choose to leave the workforce to birth and raise children resulting in decreased financial earnings.

These are the main problems with attributing a difference in earnings between men and women to institutional sexism. *But, the real lesson in this government sponsored propaganda is how easily statistics can be twisted and manipulated to fool a trusting and uncritical electorate.* To illustrate, consider the statistics that could be used to promote the opposite position: that institutional sexism is forcing men into unfavorable jobs. For example, in 2014 men made up 92.3% of workplace deaths (“Equal Pay Day Revisited: Why the Gender Pay Gap is Still a Myth”). Surely, the sheer extreme disparity of this figure proves that there is a societal prejudice forcing men into jobs that are getting them killed, right? False. The higher death rate is due to the personal choices men make. Men, as a class, typically choose more dangerous professions than women, who, as a general proposition, prefer lower risk occupations with greater safety and comfort (“Equal Pay Day Revisited: Why the Gender Pay Gap is Still a Myth”).

### **Redistribution is Force**

The preceding points and arguments illustrate why forcible redistribution of wealth, whether it be through higher taxes or at the literal point of a gun, is either counter-productive or does not remedy an actual disparity. The root problem of wealth redistribution from which these flaws grow, however, is the immorality of extorting wealth and forcibly redistributing it. Fundamentally, there is a moral repugnance in forcing others to do good at the expense of the dignity and individuality of all fellow men (“Milton Friedman on Socialism is Force”).

Abraham Lincoln once said that “right makes might”; the logical opposite is also true: “wrong” makes weakness. The “wrong” in redistributing wealth is ultimately the use of force that compels an involuntary act, in this case the handing over of wealth. Honest citizens may voluntarily come together and pay 10%, 25% even 40% of their income to fund legitimate government functions: infrastructure, defense, border control, courts and police. But once

government exceeds its legitimate functions, which governments are wont to do, with foreign wars, meddling in other country's internal affairs and "correcting" alleged social wrongs, it gets bloated and inefficient. It now requires more and more of your money to fund its insatiable appetite. Soon, if you are employed, or God forbid own a small business, you are sacrificing more than 50% of your income to fund programs that government bureaucrats have decided are worthwhile. And all while 45% of the electorate pays no federal income tax ("45% of Americans Pay No Federal Income Tax").

At some point, the level of taxation on productive citizens, which is in direct proportion to the level of bloat in government, crosses the line into coercion. The citizen who works hard to earn capital would rather spend it on their family or themselves. And they would, if they did not face legislative repercussions backed up by force for doing so. It may not be the hard coercion of China's Great Leap Forward or the psychotic redistribution of wealth in Pol Pot's Cambodia, but ultimately, make no mistake, redistribution of wealth is force. And force ruins the essential notion of a capitalist society, which is voluntary cooperation ("Milton Friedman on Socialism is Force").

### Conclusion

Ronald Regan once said that "the nine most terrifying words in the English language are: I'm from the government and I'm here to help." Like all pithy quotes, Regan's quote simultaneously communicates the danger inherent in governmental interference while belying the truly destructive potential of this force. Our system, based on a capitalist economy and liberal democracy, is not perfect. In fact, it is deeply flawed. The best do not always win, and the wicked often prosper.

The fact remains, however, that free markets and American style liberal democracy have raised the standard of living of more people than any other system in the history of the world. As Americans, we are born into this system and sometimes take it for granted. It is easy to forget that, as a species, we have just recently managed to claw ourselves out of the swamps of poverty and tyranny. Seen from a global view, both geographically and historically, we live in a profoundly young and delicate golden age. The main threat to this golden age is not foreign powers or external influences. Rather, it is the inertia of success and indifference, the idea that, as William Butler Yeats said: “Things fall apart, the center cannot hold.” Maybe they inevitably do, but how long it takes them to fall apart is a factor largely within our control.

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