

What's Wrong with Inequality?

By Elise Amyx and Jay Richards

The debate over income inequality is a perennial one, but President Obama has made it the cause du jour with a renewed emphasis in his upcoming State of the Union speech. He has invoked Pope Francis in his renewed campaign to brand inequality as the “defining challenge of our time.”¹ Even New York City mayor Bill de Blasio is getting in on the action.

These men are not lonely voices crying in the wilderness. A 2013 Pew Research Center poll reports almost half of Americans believe the wealth gap is a serious moral problem.²

Poverty is unquestionably a serious concern, but even if poverty were eradicated there would remain an enormous income gap between the family living comfortably on \$100,000 a year and people like Oprah Winfrey, Bono, and Bill Gates. So what exactly is the problem with income inequality? Some think there is a theological problem. Jim Wallis has claimed—when calling for an increase in the minimum wage—“God hates inequality.”³

U.S. cultural values are shaped by the Judeo-Christian tradition, which teaches that everyone is created in the image of God, and so all people, whatever their social status, should be treated with dignity and as equals before the law. There’s a lot about greed in the Bible, but not a single passage that suggests income inequality, in itself, is a moral evil.

So why are so many Americans, concerned about income inequality? One reason is an economic misconception. Many assume that the economy is a zero-sum game, in which Peter’s wealth can only come from Paul’s poverty, thus they tend to view a wealth gap as evidence of theft.

But that’s not how a market economy works. We all know this when it comes to, say, smartphones and groceries. Steve Jobs didn’t become rich by stealing iPads from homeless people. He got rich by creating value for others, including millions of people less

wealthy than he was. Ditto for your local grocer. The farmers grew the food, but the grocer also generates value by orchestrating a service that allows you to acquire a wide variety of food items safely and conveniently.

Wealth, in other words, can be created rather than merely transferred from one account to the other. Do we really want a society in which those who can create the most wealth are punished for doing so?

Though each of us is equal before the law, we have diverse skills, passions and physical attributes. Where this is obvious, and where the contribution of those talents is easily grasped, people are unlikely to complain. Few publicly begrudge the incomes of professional athletes, actors, and high tech entrepreneurs. The greedy one percenters we hear about are invariably Wall Street bankers and corporate CEOs, those doing jobs whose value is difficult to grasp because the contribution is abstract.

There are nations that acted on this animus against finance, labeling the business class as leeches and sending them out into the fields either to be killed or do subsistence farming. Those economies imploded, so apparently high-level business managers actually do perform something useful and hard to replicate.

It would be easy to end there, but there's another wrinkle that when ironed out reveals a legitimate complaint against Wall Street bankers and corporate CEOs. Some seem to have acquired their wealth through political connections rather than value creation. That's cronyism, not capitalism. And many Americans rightly view cronyism as a moral outrage, since it substitutes the voluntary exchanges of a market for the coercive power of the state.

Rather than fixating on income inequality, then, we should focus on the real problems: poverty, cronyism, and the human capacity wasted due to high unemployment. The significant "gap" is not between the homeless and the Tom Bradys of the World, or between the McDonald's employees and all the Fortune 500 CEOs. The real divide is between the cronies in Washington D.C. and

What's Wrong with Inequality?

everyone else, including the poor and unemployed. Vilifying and punishing genuine wealth creation will remedy none of these problems.

Elise Amyx is a writer and student outreach manager at the Institute for Faith, Work, & Economics. Jay Richards is a senior fellow at the Discovery Institute and the author of Money, Greed and God: Why Capitalism Is the Solution and Not the Problem.

This article first appeared in Townhall.com

¹ Jim Kuhnhen, "Obama: Income Inequality is 'Defining Challenge of Our Time'" *Huffington Post*, December 4, 2013.
http://www.huffingtonpost.com/2013/12/04/obama-income-inequality_n_4384843.html

² Mark Trumball, "Is Income Inequality as Bad as Obama Says? In Many Ways, Yes" *Christian Science Monitor*, January 7, 2014.
<http://www.csmonitor.com/USA/DC-Decoder/2014/0107/Is-income-inequality-as-bad-as-Obama-says-In-many-ways-yes.-video>

³ Jim Wallis, "God Hates Inequality," *Huffington Post*, May 25, 2011.
http://www.huffingtonpost.com/jim-wallis/god-hates-inequality_b_40170.html