“Winner-Take-All Economics”

Professional Inquiry and Public Discourse on Material Inequality

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Abstract

What can account for the failure of economists to extend a firm guiding hand into the public discourse on material inequality in contemporary America? This paper reviews historical and modern economic literature and then extends its focus to the debates in the public sector, private opinion, “think tanks,” the news media, the private sector, special interest groups, and popular culture. The intractable social, political and economic complexity of the problem and the influence of competing interests deter attempts at economic interpretation. Economists should respond to the public need by devoting greater attention to descriptive and prescriptive analyses, developed with an appreciation of the competing interests and activities of the various sectors that must accept any response.

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Winner-Take-All Economics: Professional Inquiry and Public Discourse on Material Inequality

I. Motivation

I submit this work as my final undergraduate economic inquiry. During my study of the fundamental principles of economics, I have seen time and again the discipline's dual capacity to illuminate the mechanisms and relationships that underpin economic phenomena and to articulate guiding standards and policies. From questions of regulation and international trade to unemployment and inflation and a myriad of other topics, the rigorous and often pathbreaking work of economists has deeply influenced popular attitudes and public policy. Professional approaches have varied with time, of course. It must also be conceded that many models rely on stringent assumptions, and that economists continue to face challenges to their explanations and policy prescriptions. Yet whatever the imperfections of the field, all of these processes speak to an active and pragmatic engagement with pressing issues.

I have been struck by the comparative poverty of mainstream economic thought concerning material inequality. As many measures of material inequality in America push past thresholds not seen for nearly a century, ever-broader swathes of society feel the impact painfully and the tone of public discourse has sharpened. Economists have supplied no compelling standard by which to resolve the growing tensions. I was not taught such a standard as a part of my formal coursework, and I do not detect one operative in the mainstream debate. Unlike past disputes over labor policies, or trade barriers, or government spending (to name a few salient examples), the present debate is not guided by economists, who have been largely relegated to the sidelines of what may become the most urgent social issue of this generation.

A review of the professional economics literature confirmed my initial concern. Rudimentary though my understanding of the relevant sub-disciplines may be, I have found that economists studying welfare and distribution are fewer in number and far more tentative than one might hope. Economists struggle to explain the forces that guide the present distribution of income. Strong judgments, let alone policy proposals, are rare in the literature. Concern is growing and more recent descriptive studies offer hope of a resurgence of study, but for my taste the published academic discussion is far too timorous and marginal given the gravity of the problem. I found a similar ambiguity in the historical literature.

Public discourse has not waited for economists to develop a dominant ideology or prescription. I have reviewed the major constituencies, arguments, and styles of the key sectors of the broader discussion: the government, private citizens, "think tanks," the news media, the private sector, special interest groups, and finally popular culture. I have synthesized my findings, seeking a greater understanding of the dynamics of the debate and particularly of the role of economics and economists within it. Is a resolution to ever widening material inequality advisable, and possible? And if so, what role could the discipline of economics play in its conception and implementation?

II. Introduction

The current degree of material inequality in America is unprecedented. Measures of inequality have risen at varying rates for most of the past century, save for an exceptional period of income convergence between the Great Depression and the mid-1950s.[i] Roughly half of America's wealth is now concentrated in the hands of the wealthiest one percent of Americans, and eighty percent is held by the wealthiest quartile.[ii] The incomes of the highest earners have surged while most Americans' wages have grown at a modest rate or stagnated (See figures 1 and 2 in appendix). The top incomes rise ever farther out of reach for most: Piketty and Saez (2006) and Kopczuk, Saez and Song (2010) report that long-term income mobility for men has worsened since the 1950s, and that observed gains for women have been from a relatively low base.[iii]

This is fundamentally a problem of distribution, and economists have studied it as such for centuries. Inequality, or "dispersion," is typically framed in terms of "wealth inequality," "income inequality," or "economic inequality." These terms are often conflated in popular discussions, but the distinctions are important. "Wealth inequality" refers to discrepancies in net assets, often a cumulative effect. Income inequality is sensitive to macroeconomic trends and is a measure largely of differences in pay and capital gains less taxes. "Economic inequality" stresses the welfare of individuals and is less often employed due to its inherent subjectivity, but in many ways it is the relevant standard of inequality, for which "income" and "wealth" statistics are only proxies. This paper uses each term as appropriate, and favors "material inequality" as a generic term.

Material inequality is unusual among the many forms of inequality (e.g. social inequality, healthcare inequality) in that it is relatively difficult to condemn and even more difficult to resolve. Many forms of inequality, once identified as a social ill, are well addressed by attempts to create absolute equality—one agitates for a complete end to racial discrimination, or a government guarantee of equal access to healthcare. But even after arguing that material inequality itself is worthy of remediation, an activist must debate the optimal degree of inequality, and the means of producing greater equality. Karl Marx's proposal to abolish private ownership for the benefit of the lower classes has been historically unsuccessful and is unpalatable to most modern societies. On the other hand, even in capitalist economies many are also uncomfortable with the uneven allocations of wealth that create classes of "haves" and "have-nots."

Treatments of economic inequality by early economists often appear as important but secondary considerations in broader texts. Adam Smith (1759, 1776), David Ricardo (1817, 1821) and John Stuart Mill (1848) are concerned to varying degrees by the penury of the lower classes, but none proposed a credible mechanism by which these economic disparities could be reduced in the future. In the late nineteenth century, Alfred Marshall (1890) meditated upon the mechanism by which inequality of opportunity could persist over generations. John Bates Clark (1899) argued that wages were proportional to output, and believed that studies of distribution merited the serious attention of future economists.

Neither the hoped-for natural correction nor the appeals to resolution have been satisfied. Unequal access to resources and opportunities remains a defining characteristic of America. Modern economists do not endorse this development, but few are outspoken against it and there is no broadly endorsed proposal to arrest or mediate the trend. Even the most recent models struggle to explain the contributing factors and pattern of distribution, and attempts to predict the impact of redistributive policies face still greater challenges.

This paper does not propose a novel model to explore the origins of inequality and the pattern of distribution. Nor does it focus on the technical features of current scholarly research. Instead, this paper interprets the conspicuous absence of a strong and compelling consensus position among economists as an indication that forces external to formal academia must be considered. Economics is treated as an element of the broad exchange between the public and private constituencies that determine the allocation of resources and which must collectively mediate, originate and accept any redistributive mechanism.

The government might act even without firm guidance from economists. Yet long-term inconsistencies suggest that broader and conflicting forces are operative here as well as in the economics discipline. State-sponsored redistributive programs have expanded enormously since classical economists first addressed the issue, but in many ways the government has supported the dispersive trend indirectly. Simon Kuznets (1954) bemoaned the lack of governmental data on income and wealth distribution. The federal government belatedly began household income surveys only in the 1950s and did not keep comprehensive records of top incomes until the 1970s.[iv] Since the 1980s, successive presidential administrations and congresses have sharply reduced the tax burden of wealthy Americans. It will be shown that government policy reflects a tension that can be attributed in part to the desire of many politicians to preserve private income and wealth even amid growing recognition of the inequalities of opportunity for many Americans as well as the enormous degree of wealth and income concentration.

Material inequality is an issue in which all Americans have an immediate personal stake. It engenders fierce controversies among all sectors of public discourse. As the ultimate redistributive agent, the government is a nexus of competing claims not just by economists but also by the American public, the mass media, “think tanks,” private corporations, and special interest groups. In each case, it will be shown that a multitude of perspectives and approaches produce disagreement between and within each sector. Arguments range in tenor from theoretical abstraction to rancorous condemnation, and feature economic reasoning amid a host of alternative styles. Economists participate in all of these sectors, and their contributions in these arenas often differ in argumentative style and content from their formally published work. The review of public discourse concludes with a brief consideration of popular culture, an encapsulation of America’s conflicting values and attitudes and a powerful force in itself.

This paper finds that conflicting pressures and agendas collectively ensure little net deviation from the underlying trend of increasing divergence in private resources and welfare. The economic and social forces driving this trend, dominant for most of the past century, cannot be expected to spontaneously orient themselves for the sake of social convenience. Yet despite the ever-greater magnitude of material inequality in America, civil society or the government are only likely to mount a persistent and effective response if a shift occurs in the balance of forces surrounding the issue.

One such impetus could come from the discipline of economics, which has thus far pulled its punches. The lack of a compelling explanation and consensus position among economists is due in large part to the social complexities and diversities of outlook and agenda that attend resource distribution. Struggling to gain attention in a crowded public debate and lacking a unified and convincing response to the conflicting demands of the constituencies, economists hone their descriptive models but largely abdicate their roles as policy advisors. It is time that they engaged more fully with the vital question of material inequality.

III. The Early Literature of Economics

Classical economists surveyed poverty and development in their societies. Their economic responses are shaded with moral and political convictions and range from Adam Smith’s sympathy for the poor and David Ricardo’s doctrine of self-reliance, to John Stuart Mill’s uneasy enthusiasm for socialism. The neoclassical economist Alfred Marshall emphasized the importance of education and social pressures in the pursuit of wealth, while John Bates Clark concluded that wages were absolutely determined by the value of the product that a worker contributed to society.

Adam Smith's writings suggest sensitivity toward the challenges faced by the poor in a highly stratified society at an early stage in England's industrial development. In his treatment of "sympathy" in The Theory of Moral Sentiments (1759), he describes the pang that one might feel when looking "on the sores and ulcers which are exposed by beggars in the streets."[v] Smith does not propose that the poor beggar is fundamentally inferior to more affluent passersby. Quite the contrary: in a revealing passage of The Wealth of Nations (1776), he writes: "The difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature, as from habit, custom, and education."[vi] As these characteristics are shaped by society and opportunities from birth, one's position is necessarily determined by some degree of chance and circumstance.

The drive to gain wealth and the tendency to exalt and please the wealthy stem from the same natural urge: "it is because mankind are disposed to sympathize more entirely with our joy than with our sorrow…that we pursue riches and avoid poverty."[vii] If all men naturally cherish and aspire to wealth, which ones are worthiest of privilege and mass approbation? Smith treats the many men of "middling and inferior stations of life"[viii] as possessing varying degrees of what he would later describe as "skill, dexterity and judgment."[ix] "Flattery and falsehood"[x] notwithstanding, he lays out two choices for ambitious men: one may attain distinction by wisdom and virtue, or seek the mob's adoration of wealth and prominence.[xi] While most men cannot "reasonably" expect to become particularly wealthy or powerful, a wise, humble, diligent and socially supported individual can improve his station and gain the respect of the few men who are able to discern and appreciate true quality.

Smith's project in The Theory of Moral Sentiments is not to advocate redistribution or even greater social mobility, but rather to present a framework through which one can understand and critique the social order in light of man's hard-wired attitudes towards riches and the rich. Smith insists, "the wages of the meanest labourer can supply" the means to sustain the life of a worker and his family[xii] and that even the poor spend much of their income on mere "conveniences." Reluctant to call for redistribution, he goes so far as to contend that a cottage is as serviceable as a palace.

Smith dedicates long passages of The Wealth of Nations to issues of material disparity. He reviews the history of property laws, and highlights the tensions between rich and poor in the classical world: "…The people became clamorous to get land, and the rich and the great, we may believe, were perfectly determined not to give them any part of theirs."[xiii] He draws parallels to contemporary England as he progresses through the feudal age and to his own time.[xiv]

Late eighteenth century English society was highly stratified, with an estimated average GDP per capita of only $2,700 (US 2009, PPP adjusted)[xv] and a significant portion of the nation's wealth controlled by the landed gentry. Smith comments,

> Wherever there is great property there is great inequality. For one very rich man there must be at least five hundred poor, and the affluence of the few supposes the indigence of the many. The affluence of the rich excites the indignation of the poor, who are often both driven by want, and prompted by envy, to invade his possessions.[xvi]

The law protects the wealth and property of the rich from seizure by the poor; indeed, this is one of government's primary functions.[xvii]

The rich and poor exist in constant tension over wages. Landowners claim the very soil from which farmers earn their living, and urban "masters" control the capital which workingmen need to purchase materials and to support themselves between payments. This concentration of wealth in the hands of a few denies laborers the ability to profit from the whole output of their work. In the countryside, "the landlord demands a share of almost all the produce which the labourer can produce,"[xviii] and "in every part of Europe, twenty workmen serve under a master for every one that is independent…"[xix] The same legal system and social institutions that allow the rich to retain their wealth help them to maintain their bargaining power over labor. Smith remarks critically, "We have no acts of parliament against combining to lower the price of work; but many against combining to raise it."[xx]

The working classes are in a difficult position. In a society without redistributive government services, even a month's unemployment would reduce most laborers to destitution.[xxi] The "masters are always and everywhere in a sort of tacit, but constant and uniform combination"[xxii] and resist constant pressure from "desperate men" to raise wages above the bare standard of survival at which they tend to settle.[xxiii]Smith is sympathetic to this inequity; he spends several pages discussing horrifying poverty in China and, closer to home, in the Scottish Highlands, where "It is not uncommon… for a woman who has borne twenty children not to have two alive."[xxiv]

These disparities are striking, but Smith suggests that there are some limited means of distributing the wealth held by the fortunate few. Taxation is the most expedient: in the case of carriage tolls, for instance, "the indolence and vanity of the rich is made to contribute in a very easy manner to the relief of the poor…"[xxv] Taxes on houses and luxuries, similarly, "generally fall heaviest upon the rich… It is not very unreasonable that the rich should contribute to the public expense, not only in proportion to their revenue, but something more than in that proportion."[xxvi] Here Smith comes close to advocating a progressive income tax. Such taxes, whether upon imported goods[xxvii] or more quotidian items, should be designed so as to place a burden upon the wealthy, and not upon the "necessaries of life," which "occasion the great expense of the poor…[who] find it difficult to get food…"[xxviii] Smith is no redistributionist, but his pointed depictions of the plight of the lower classes, together with his repeated references to the "expensive luxuries" and "costly trinkets which compose the splendid but insignificant pageantry"[xxix] of the wealthy and powerful, do suggest a sensitivity to the harsh inequalities of his time.

A generation later, David Ricardo's Principles of Political Economy and Taxation [xxx](1817; 3rd ed., 1821) expanded upon many of the themes of Smith's work. In Ricardo's models, the "natural" wage is a subsistence wage,[xxxi] and the constant pressure of population growth threatens to drive down average wages as capital accumulation falls behind labor force growth.[xxxii] Ricardo's concern with development, with a focus on unskilled labor, farm work and subsistence wages, underscores the relatively low level of development of contemporary England.

Yet Ricardo's faith in the market as a long-term remedy to poverty is evident. Regulations to boost wages beyond the market rate are misguided: "instead of making the poor rich, they are calculated to make the rich poor,"[xxxiii] and the lower classes soon become dependent upon unaffordable subsidies.[xxxiv] He simultaneously advocates paternalistic policy on the part of the government and self-sufficiency on the part of the poor: the government should act to slow the rate of reproduction among the poor, but should also encourage them "to look to their own exertions for support."[xxxv]

Ricardo's views on taxes are nuanced. Of the redistributive potential of taxation, he writes simply, "There are no taxes which have not a tendency to lessen the power to accumulate."[xxxvi] He favors taxes on luxuries.[xxxvii] Intriguingly, he is not without reservations about the advisability of an inheritance tax, worrying that it would reduce the wages fund and thus impoverish the country.[xxxviii]Like Smith, Ricardo treats taxes chiefly as a means of financing public expenditures, and considers their redistributive potential as a relatively minor side effect. Ultimately, Ricardo concludes, the best policy is to spend little and to tax little.[xxxix]

John Stuart Mill holds that the distribution of wealth and income is shaped by heritable advantages to a large degree. He opens the second work of his Principles (1848) by contrasting the outcomes of economics and social conventions

> The laws and conditions of the production of wealth partake of the character of physical truths… it is not so with the Distribution of Wealth. That is a matter of human institution solely.[xl]

He coyly declines to dissect the "more difficult subject" of the "intellectual and moral culture"[xli] that underpins this question, and maintains that his economic inquiry concerns the consequences, not the causes, of the "rules" that govern distribution.

In Mill's model, landowners, capitalists, and productive laborers control the means of production and thus all output. Three generations after the first publication of Smith's Wealth of Nations, the division between the three classes is complete wherever market conditions allow. The well-paid capitalists, he writes, are managers, "contributing no other labour than that of direction and superintendence."[xlii] For the less fortunate, wages "depend mainly upon the demand and supply of labor…on the proportion between population and capital."[xliii]

Having cast distribution as the outcome of the human conventions and preferences that allow individuals to control resources, Mill discusses socialism, then a novel and untested system of political economy. He suggests that a shift towards egalitarian communal property rights is possible, and could prove beneficial. "Mankind are capable of a far greater amount of public spirit than the present age is accustomed to suppose possible,"[xliv] and could flourish in a less miserly economic regime.

A particularly effective way to reduce the property of the upper classes is to limit intergenerational transfers. Mill supports restrictions on inheritance, and commends the inheritance laws of the United States as "unusually rational and beneficial [to the public interest]"[xlv] in this regard. Mill excoriates landed aristocrats who abuse their control of natural endowments. In a particularly impassioned passage, he fumes that "With individual exceptions…the owners of Irish estates do nothing for the land but drain it of its produce."[xlvi]

Yet the Principles is no jeremiad, and Mill does not condemn private wealth. While "the foundation of [property rights] is the right of producers to what they themselves have produced,"[xlvii] this philosophically appealing concept is unworkable in a modern economy and Mill freely makes allowances for the right to own property produced under contract or purchased from other producers. He supports limits on inheritable sums, but considers it a "just ground of a complaint" for a young nobleman to appeal for greater riches from his father so that he might enjoy the elegant lifestyle to which he has become accustomed.[xlviii] Similarly, though he decries unproductive possession of land, he insists that if the state should repossess and redistribute aristocratic holdings, it must immediately compensate the owners of the land for their loss.[xlix] He discusses the benefits of taxation, but maintains that no matter how much the government ultimately takes, it must guarantee the right of all citizens to spend the remainder as they wish, with absolute security of property.[l] A failure to guarantee this right would erode the motivation to work and to amass profit, and thus undermine the economy and society.

Mill sounds a tentatively optimistic note, although he envisages struggles to come. The future, he hopes, "will bring social and economic progress …and even, in some respects, a better distribution [of aggregate wealth]".[li] In time, the rich may gain wealth, but so too will the poor, and the "intermediate classes might become more numerous and powerful."[lii] Society will determine its own fate: like Ricardo and Smith, Mill opposes artificial wage supports, fearing that they only deplete the wages fund and thus increase unemployment.[liii] Instead, the public must come to prioritize the well-being and prosperity of the lowest classes, as "No remedies for low wages have the smallest chance of being efficacious, which do not operate on and through the minds and habits of the people."[liv]

Alfred Marshall's Principles of Economics (1890), a seminal neoclassical text, offers insights that ring true today. Marshall does not dwell on taxation or redistributive measures to the same degree as Ricardo or Smith, and he shares Mill's preference for description over prescription. Perhaps in reference to Mill's optimistic appeal to man's ability to change social conventions, Marshall bluntly acknowledges, "It has now become certain that the problem of distribution is much more difficult than it was thought to be by earlier economists, and that no solution of it which claims to be simple can be true."[lv]

Marshall is hesitant to advance a concrete theory of wages, and offers no categorical principle governing income. He appreciates that greater efficiency of output lowers prices throughout the economy and increases real wages,[lvi] but the factors governing nominal wages are more elusive. In general, a worker's "strength and energy"[lvii] are closely related to his wage, and of course one's education is an essential factor. Yet these principles govern only average wages across a trade or geographic region, and are not the only operative forces. He carefully notes, "Each of a hundred or more groups of workers has its own wage problem…"[lviii]

Marshall gradually constructs a simplified model of production and distribution and deliberately introduces the complexities that bring his qualitative experiment closer to reality. He begins with a nation in which everyone is of equal willingness and capacity to work: under these conditions, all can claim an equal portion of the "national income."[lix] With all trades (improbably) "equally agreeable and equally easy to be learnt," labor mobility is perfect and the value of a good can be roughly equal to the labor spent producing it. The overall wage level closely is tied to a country's level of development.

The first challenge to this egalitarian economy arises when Marshall introduces population growth. Like classical theorists before him, he highlights the danger that a rate of population growth that outpaces the rate of capital accumulation will lower average productivity and thus lead to a decline in average wages. Marshall also discards the initial assumption of worker mobility: he proposes that parents will raise their children "to an occupation in their own grade; that they have free choice within that grade, but not outside it."[lx]

This critical feature brings Marshall's thought device out of the "imaginary world." Marshall's analysis of inequality is driven by wages to a far greater degree than those of Smith and Ricardo, or even Mill. Whereas the slowly accumulated fortunes of an agrarian class formed the golden standard of wealth in the late eighteenth century, by the late nineteenth century wealth gained quickly through income had gained a new prominence. The related problems of productivity, wages, labor mobility and distribution are problems of "the relations of labor and capital."[lxi]

Among the wealthier and more educated classes, "There is a continuous transition from the father who works and waits… in order that his son may stay long at school; and may afterwards work for some time almost without pay while learning a skilled trade…"[lxii] These educated individuals are analogous to the expensive and specialized machines that power modern industry in that they require capital investment (and, Marshall slyly suggests, in that they slowly depreciate). Thus a clever young man without a good education is akin to a fertile plot of land that lies fallow and unimproved, producing below his potential output for lack of investment.

Given the steep investment ordinarily required to create a highly productive worker, socioeconomic mobility, or "substitution," is a limited phenomenon. Marshall likens the relationship between two classes of laborers to separate tanks of fluid connected with a pipe. Imbalances in the level of fluid will create opportunities for a trickle to run from one tank to another.[lxiii] The current system of unequal education is pernicious: "in conjunction with the tendency to increasing return, it strengthens those who are strong…"[lxiv] New opportunities to create fortunes do arise,[lxv] but autonomous socioeconomic advancement is not feasible for most.

On the whole, Marshall suggests, individuals earn wages commensurate with their contribution to society. Marshall does not suggest that business managers are dramatically overpaid:[1] to the contrary, if management were given to less educated or skilled people simply because they demanded a lower wage, "it would be as wasteful... as it would be to give a valuable diamond to be cut by a low waged but unskilled cutter."[lxvi] Nevertheless,

> …Business management is done cheaply—not indeed as cheaply as it may be in the future when men's collective instincts, their sense of duty, and their public spirit are more fully developed; when society exerts itself more fully…[to improve public education], and to diminish the secrecy of business; and when the more wasteful forms of speculation and of competition are held in check.[lxvii]

Like Mill, Marshall hopes that future social developments will lead the elites to offer their services to society at a lower rate of compensation. The wealthy owe their incomes and fortunes to the rest of society: whatever their income level, "there is no field of employment for any one, except in so far as it is provided by the others."[lxviii]

Marshall also identifies characteristics of people and society that unfortunately make a selfless collective gesture by the educated elites unlikely. First, it is a prudent business practice for certain employers to raise salaries and attract the brightest employees or those who can best make use of expensive fixed capital.[lxix] In a telling aside, he comments that "In all matters of this kind the leadership of the world lies with America, and it is not an uncommon saying there, that he is the best business man who contrives to pay the highest wages."[lxx] Marshall also recognizes, as Smith did, the significance of human aspirations. "Young men of an adventurous disposition" will seek out the most lucrative positions, and "if an occupation offers a few extremely high prizes, its attractiveness is increased out of all proportion to their aggregate value."[lxxi]

The American marginalist John Bates Clark advanced an even stronger defense of market-driven wage rates. In The Distribution of Wealth[lxxii](1899, 1931) he proposes a "deep acting natural law at work amid the confusing struggles of the labor market."[lxxiii]He concedes that local customs and negotiations between employers and employees-- central to Smith's conception of wages-- can influence wage levels, but "only in a local way and within narrow limits."[lxxiv] Reasoning qualitatively and with use of hydraulic

[1] Managers of the time were far less well paid than today's average CEO. As late as 1965, the ratio of average CEO total direct compensation to average production worker compensation was under 25; the ratio reached 298.5 in 2000 and 277.3 in 2008 before dropping to 185.3 in 2009, the most recent year for which data is available. Source: Economic Policy Institute, The State of Working America, "Feature: Inequality." [Cited in NGRI segment].

analogies favored by centuries of economists, he concludes that wage levels are absolutely limited by “the productive power that resides in labor.”[lxxv] The distribution arising from the cumulative effects of each laborer claiming the value of his “virtual product”[lxxvi] is of such complexity and importance that Clark feels it merits its own branch of economics, to be known as “catallactics” and which would “occupy generations of [academic] workers.”[lxxvii] This sub-discipline has not materialized, but modern economists’ reverence for Clark’s contributions is embodied in the prestigious Clark Medal, given annually to the most promising economist under the age of forty.

The five seminal economists considered in this segment took nuanced and distinctive positions, influenced both by their economic philosophies and by their own social contexts and convictions.[2] Crucially, each one sought to influence a broader audience of economists, policy makers, and educated readers. Their struggle to understand the causes and implications of wealth and income dispersion, and their appeals to future corrections by unspecified mechanisms, signal the intractability of the inequality embedded in the socioeconomic fabric that they confronted.

IV. Modern Economics Literature

It is helpful to divide the modern literature into several broad categories along a spectrum from description to prescription. The segment therefore begins by considering largely descriptive studies of trends in inequality, as well as model-driven explanations of the factors underlying these trends. Turning to the question of responses to inequality, this paper assesses the contributions of political economics and economic modeling to the treatment of “fairness” and voter self-interest and agency. Finally, this paper considers prominent economists’ positions on methods of redistribution, expressed in a body of work that is largely descriptive but often inherently prescriptive as well. Ultimately, the survey reveals that the literature lacks a firmly articulated and supported consensus position regarding the impact of redistribution and the advisability of redistribution.

Mainstream interest in questions of inequality predates the dramatic modern trend of dispersion of incomes in the United States. The Great Depression and Second World War contributed to a convergence in incomes, a trend which persisted for a generation before reversing in the late 1970s.[lxxviii] Yet as early as 1954, Simon Kuznets, then president of the American Economic Association, dedicated his annual address to “a field of study that has been plagued by looseness in definitions, unusual scarcity of data, and pressures of strongly held opinions.”[lxxix] Kuznets detailed five specifications that he felt would clarify future work on this “focal point”[lxxx] of the economic system and the human beings who operate it. At the time, the data needed for a rigorous study were the stuff of “a statistical

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[2] The contributions of Vilifredo Pareto, particularly in his *Cours d’economie politique* (1897) and *Manuale d’economia politica* (1906), are more ambiguous and less completely expressed than is often supposed by modern economists and commentators who invoke the concepts of “Pareto optimality” or “Pareto distribution.” It is interesting to note, however, that Pareto’s work was likely motivated in part by his desire to challenge contemporary socialist calls for redistribution. See Alan Kirman, "Pareto, Vilfredo (1848–1923)." The New Palgrave Dictionary of Economics. Second Edition. Eds. Steven N. Durlauf and Lawrence E. Blume. Palgrave Macmillan, 2008. In The New Palgrave Dictionary of Economics Online. Palgrave Macmillan. Accessed 23 March 2011

economist's pipe dream,"[lxxxi] and greater efforts were needed to gather it. Kuznets called for cooperation between economists and scholars in other disciplines, "uncomfortable as are such ventures into unfamiliar and perhaps treacherous fields…"[lxxxii]

In the late 1970s, enhanced government surveys began to provide the missing data that Kuznets called for. A body of descriptive literature has developed, in which economists seek explanations for the dispersion and assess the social and economic impacts of the phenomenon.[lxxxiii] They often focus on the shifting demand for labor (e.g. technological change or trade competition), shifting labor supply (e.g. low-skilled immigrants) and institutional factors (e.g. deunionization, minimum wages, and tax laws).[lxxxiv]

This literature is generally painstaking, and emphasizes the nuanced complexity of the issue. Darity, Dietrich and Guilkey (1997) disaggregate the national data and focus on racial and ethnic inequality.[lxxxv] Feenberg and Poterba (2000)[lxxxvi] voice concerns, widespread among economists, that cavalier popular reports obscure deeper trends and distract from important statistical work.[lxxxvii] They end their brief, meticulous analysis of tax return data for high-income households between 1960 and 1996 with a cautionary note about the "difficulty of drawing inferences" about the relative weights of capital and wage incomes for high earners.[lxxxviii] Piketty and Saez (2006) build a new database on the income profiles of high earners around the world, partially answering the call of Feenberg and Poterba for greater distinction between capital and wage income. They suggest that inequality may promote growth in some economies, including the United States.[lxxxix] Kopczuk, Saez, and Song (2007) use five data sets[xc] and emphasize the importance of studying both inequality and individual mobility. Heathcote, Perri, and Violante (2010) use three national surveys[xci] and stress the importance of factors such as experience and education premiums, dispersion of hours worked, regulatory changes, and shifting marriage preferences.[xcii] Auten and Gee (2009) report significant individual mobility in income tax records between 1987 and 2005.[xciii] These descriptive papers, and many others like them, are important attempts to identify and disentangle the many complex factors that underpin inequality. Yet their authors are largely focused on presenting and analyzing datasets, using the tools of econometrics and modern (largely neo-classical) economics. They are conspicuously silent on controversial questions such as the justifications for the ultra-high wages paid to CEOs and other high earners.[xciv]

Moving a step beyond statistical analysis of datasets, a number of economists propose models to explain the observed divergence in incomes.[xcv] Cagetti and De Nardi (2006) survey the work to date, much of which is based on models in general equilibrium with heterogeneous agents and consideration of life-cycle trends and intergenerational links between agents.[xcvi] They stress that although the overall quality of the common models has improved over time, discrepancies persist between observed and predicted trends and magnitudes. An enhanced model, they suggest, would be especially useful for studying the impact of government policies and tax structures.[xcvii]

Pitfalls abound. Cagetti and De Nardi note in passing that "little work has been done so far" to understand historical trends.[xcviii] Indeed, despite the careful statistical work presented above, and the modeling work on which they comment, the relationships between wealth, income and wages – the three commonly measured forms of inequality—are still unclear.[xcix] Guvenen (2007) evaluates the two core lifecycle models and recommends that economists focus on consumption data when measuring inequality, instead of incomes.[c] Sun (2009) emphasizes the discrepancy between observed data and the predictions of two of the most commonly employed life-cycle models, both of which are nearly thirty years old.[ci] Connecting these models to reality remains a challenge. "Unfortunately," Sun determines, "there is no consensus" about values for key parameters even within the core models.[cii]

Though not conclusive, the evidence provided by the models to date does support intuitive arguments that much of the observed inequality is due to differences in endowments and starting conditions between individuals. Huggett, Ventura and Yaron (2010) find that variations in human capital (largely education and training) at age 23 explain nearly two-thirds of lifetime variation in earnings, utility and wealth.[ciii] Sun creates a "toy model,"[civ] calibrated with empirical data, and finds that fully 96% of life-time inequality in welfare can be explained by differences in initial conditions between agents.

The rise in inequality in the United States is due largely to the dramatic rise in top-percentile incomes, and some economists address the case for redistributing wealth from these earners to others. In a democracy, redistributive policies are governed by individual and societal conceptions of fairness, by the self-interest of individual agents, and by the ability and motivation of these agents to realize their preferences. Economists therefore study attitudes towards inequality and the relationship between voters' self-interest and realized policies.

Although the literature on this subtopic is less removed from controversial policy questions than the studies of inequality surveyed above, there is relatively little apparent controversy on redistribution in principle. Mainstream economists take a cautious approach and support redistribution indirectly. Controversial Marxist arguments are almost entirely absent from the literature[cv] and authors rarely argue that redistribution would produce an optimal allocation of wealth. It is likely that most dissenting economists simply decline to engage with the literature on the topic.

Feldstein (1998) is notable for his aggressive challenge to politically correct posturing.[cvi] He propounds Pareto optimality, asserting "I find it hard to disagree with such a principle."[cvii] He goes so far as to suggest that supporting redistribution in the absence of unambiguous evidence that high incomes come at the expense of others is merely "spiteful egalitarianism."[cviii] He cites four explanations for rising high-level incomes, all based on fundamental principles of output and productivity,[cix] and insists that the "real problem" is poverty, study of which is neglected due to the undue focus on inequality and distribution.[cx] Kaplow (2002) concurs that outside of a few descriptive objectives,[cxi] "there is little need to measure inequality per se"[cxii] and argues that "it is best to measure welfare directly"[cxiii] when arguing for policy measures.

As Feldstein's contrarian argument demonstrates, the standard of "fairness" is unclear, and the policy decisions of a democratic government even less so. The literature on fairness and voter interest and influence is inherently related, although some work can be sorted clearly into one strand. Because voter activism is partially derived from conceptions of fairness, it makes sense to survey that literature first. Alesina, Cozzi and Mantovan (2009) treat a society's tolerance for inequality as an "ideology," and create a model of a political economy in which the ideology of voters guides the policies of a country's government, with persistent effects on redistribution and by extension inequality and economic growth.[cxiv] Konow (2000) adds the important caveat that "fairness is treated as a genuine value, but there also exists an incentive and a potential for changing beliefs about it."[cxv] This principle helps to account for the competing claims of policy makers and pundits, and adds an element of dynamism to attitudes that other economists see as persistent.[cxvi]

Taking a game-theoretic approach to selfishness and fairness, Fehr and Schmidt (1999) grapple with a "bewildering variety of evidence,"[cxvii] encompassing much disagreement, from the economic literature. They test standard models and suggest that social outcomes—whether people cooperate for public benefit or act selfishly for greater personal benefit—are determined in part by the proportion of agents who act in the interest of the public good despite personal incentives to act selfishly.[cxviii] The concept of social justice helps to distinguish “just” social outcomes from what Feldstein terms “spiteful egalitarianism.”[cxix]

Whatever their motivations, voters may act collectively to reduce inequality. The classic model of voter-driven redistribution is the Median Voter Hypothesis (MVH), introduced by Meltzer and Richard in the early 1980s.[cxx] Essentially, a majority of voters in societies in which the mean income is substantially higher than the median are incentivized (based purely on self-interest) to rationally vote for higher taxes and other redistributive policies. This mechanism, however intuitively appealing, is clearly imperfect in practice. Introducing a note of urgency, Benhabib and Prezeworski (2006) argue that “if no redistribution simultaneously satisfies the poor and the wealthy… democracy cannot be sustained.”[cxxi] They create a model populated with poor and wealthy “pivotal agents” and median voters, and alter the value functions between the three groups only with respect to taxation.[cxxii] Reassuringly, they find that “democracies survive in wealthy countries.”[cxxiii]

Benabou (2000) and Alesina and Angeletos (2003) study the difference in attitudes towards redistribution in the United States and Europe. Through empirically grounded models, Benabou finds that both societies are in “steady states.”[cxxiv] Benabou declines to take an explicit position with regard to inequality in the United States, remarking obliquely that the European and American steady states are “not Pareto rankable.”[cxxv] Alesina and Angeletos introduce a new element into their working definition of “fairness,” defining it as “a social preference for reducing the degree of inequality induced by luck and unworthy activities, while rewarding individual talent and effort.” Societies can therefore tolerate more inequality if they believe that the affluence of the wealthy is the product of effort and aptitude, and will tolerate less equality if they believe that upward mobility is impossible and the gains of the rich are not deserved or available in theory to all.[cxxvi]

The origins of these preferences remain unclear. In the end, Alesina and Angeletos conclude “it remains an open question why societies consider some sources of income as ‘fair’ and others as ‘unfair.’”[cxxvii] They do not explicitly call upon scholars in other fields, although it is clear that this is a question that invites cross-disciplinary study. Nor do they offer their own judgments. Kaplow (2003) suggests that individuals’ true preferences are not intuitively obvious, and calls for more careful consideration of “f work” related to individuals’ preferences in “calibrating overall social judgments concerning income inequality.”[cxxviii]

Amartya Sen is a prominent and outspoken critic of the arcane academic exercises of many of his colleagues. His sensitive and insightful comments advocate a return to more holistic and personally oriented treatment. From a largely qualitative perspective, he warns (1997) that in the public debate over inequality, “income equality” (the study of the distribution of incomes) has become conflated with “economic inequality,” a measure that focuses on a wider range of outcomes and indicators. Sen laments this loss of nuance, and sees a “need for going beyond income inequality” to more holistically address individual welfare.[cxxix] Individual needs vary, and people make different uses of the commodities and opportunities available to them. He insists that economists cannot study human utility indirectly: “the work of public evaluation cannot be replaced by some ‘super clever’ assumption.”[cxxx] The goal is not to construct a regime that “gets the level of inequality ‘just right,’” but rather one of “avoidance of substantial inequalities and serious justice.”[cxxxi]

Sen (1995) promotes demographics as a tool to achieve a more realistic and meaningful understanding of economic inequality. He notes that most early economists, from Graunt and Petty to Smith, Ricardo, Marx and Mill relied heavily on available statistical characterizations of populations.[cxxxii] Sen suggests a return to these tools, long abandoned through a change of fashion in the “somewhat tortuous history of welfare economics."[cxxxiii] Sen grounds his appeal in qualitative terms, echoing Feldstein's concern (1998) with poverty and real welfare as opposed to simplistic parameters such as "net assets" and "income." He muses,

> Some of the demographic variables have a greater claim to intrinsic interest and importance [than commodities and incomes]. When Buddha left his princely home two and a half millennia ago, troubled by human misery, he was responding not to the smallness of commodity holdings per person at the foot of the Himalayas, but to the sight of illness, old age, and death—all matters of immediate interest to demographic investigations.[cxxxiv]

Sen calls for sensitivity, not redistribution, but much of his argument implies strong support for greater equality. He cites a 1990 finding that Bangladeshi men have greater life expectancy than African American males in Harlem after age 40.[cxxxv] Further illustrating his thesis, he uses demographic data to show that the greatest increases in life expectancy in the United Kingdom in the 20th century actually came during the decades of the First and Second World Wars—presumably because of the "more equal distributions of basic means of living during war-time Britain" and the "sharing spirit" engendered by the common struggle. He closes with an appeal for greater "public discussion and social concern."[cxxxvi]

The final branch of the economic literature on inequality treated in this paper deals with concrete policy measures. This work is inherently more prescriptive of policy positions, but the economists often approach their studies from a purely descriptive perspective and refrain from explicitly endorsing or rejecting policies. Much of the literature focuses on taxation and education finance (a major government expenditure and tool of upward mobility). Yet causal relationships between inequality and social ills remain difficult to demonstrate and thus the evidence for remedial measures remains tentative. [cxxxvii]

Corcoran and Evans (2010) study public education as a means of redistribution.[cxxxviii] They note that the evidence concerning the relationship between inequality and the magnitude of redistribution is ambiguous. Some studies have found increasing redistribution as inequality rises (consistent with the MVH), and others have found the opposite trend.[cxxxix] They find that on the level of individual school districts, per-student spending rose as local inequality grew from 1970 through 2000. The magnitude of the redistributive trend is unclear—it varies locally and depends on the data, parameters and model used—but Corcoran and Evans argue that it is likely positive in general.[cxl] They are hesitant to endorse increased public school spending, stating only that it can "counteract" "some of the potentially negative consequences of rising social inequality."[cxli] They defer judgment: "…The long term benefits of such a transfer are beyond the scope of this paper…"[cxlii]

Boustan et al (2010) likewise find that school districts raise and disburse more money as income disparity increases. They suggest that previous work, which draws upon cross-country and cross-state comparisons and which contradicts this finding, suffers from statistical complications that are eliminated at the district level.[cxliii] They note that increased spending does not necessarily ensure enhanced educational outcomes, but conclude, "it is unlikely that the social ills correlated with inequality are due to a weakening of the public sector."[cxliv]

Nearly all economists accept that government policies such as taxes and minimum wages influence the economy, and it can be argued that there are strong institutional factors beyond education underlying observed inequality. Altig and Carlstrom (1999) adapt a general-equilibrium framework with heterogeneous life-cycle agents and use it to study the impact of changes in marginal tax rates on the national distribution of income.[cxlv] Their model's estimates agree in sign but differ significantly in magnitude from observed results. Still, their findings point to a relationship between government policy, individual labor-supply and consumption decisions, and national inequality.[cxlvi] Lee (1999) examines the relationship between minimum wage laws and wage dispersion, drawing on records from the 1970s and 1980s. He finds that the aggregate data conceal a wealth of nuanced trends.[cxlvii] The erosion of the real minimum wage due to inflation during the 1980s led to increased dispersion in the lower percentiles of the wage distribution, although the effect is muted in aggregate.[cxlviii] Disemployment effects from changes in the minimum wage, he suggests, are of greater significance—but that research is beyond the scope of his paper. Saez (2002) critiques common analytical approaches to estimating labor supply responses to changes in redistributive policies. He offers extensive criticism of the prominent models and emphasizes the need for further research into the complicated dynamics of individual decisions, particularly along the boundary between entering and leaving the workforce.[cxlix]

Taking an almost explicitly prescriptive approach, Janeba (2000) and Benabou (2002) weigh the cases for educational subsidies and tax-based wealth transfers, searching for "optimal" policies. Janeba creates a simple model in which the government taxes high-wage individuals and chooses either transfer wealth to low-wage individuals, or to subsidize education.[cl] Lump sum payments reduce disparity in the short term but disincentivize low-wage workers from improving their future earnings prospects. Education subsidies increase overall human capital, but concentrate the gains among those who utilize the subsidy and thus introduces a regressive bias.[cli] He cautions that "simple policies have complicated effects" and finds that "education subsidies do not lead to less income inequality."[clii] Echoing the discussion of 'fairness,' he highlights "inequality aversion" as a critical variable.[cliii]

Benabou (2002) focuses on progressive income taxes and redistributive education finance,[cliv] and finds them "equally effective," although education subsidies are less distortive.[clv] The optimal rate of redistribution, he concludes, depends on the specific nature of the redistributive measure(s) and on variables like external shocks, labor elasticity, and the many other complexities confounding the field. Yet although the specific magnitude may be unclear, the optimal rate is "strictly positive," and here it is evident that Benabou supports redistribution in principle.[clvi]

Economists focus on questions arising from the allocation of scarce resources, and material inequality in the United States is a vital topic for study. Questions of redistribution are inextricably intertwined with descriptive approaches to the sources, types and impacts of inequality. Yet formal attempts to recommend optimal policies to reduce inequality are confounded by difficulties in definitively describing and quantifying the many factors that underpin and influence observed trends. Furthermore, the paucity of the literature relative to the importance and prominence of the phenomenon and the lack of open controversy and cross debate between economists suggest that many economists consider themselves ill-advised to take a strong and potentially controversial stance on such a sensitive topic. Although the literature has made important progress over the past thirty years, much work remains to be done and greater attention from mainstream economists would likely advance the work and inform public debate and policy. This paper will now turn its attention to the broader context of economic debate and the sources of tension that complicate economists' collective efforts.

V. The Public Sector

Inequality of wealth and opportunity is a major issue in America, but many appointed government officials and elected politicians are wary of speaking at length on the topic. Politicians routinely pay homage to the long, expansive tradition of an "American Dream," the promise that all can feasibly strive to create wealth and gain fortunes. Those challenging the current divergence in incomes typically focus on the sources of the problem and propose remedies to unequal access to opportunities. Redistribution is scarcely mentioned, save in the guise of taxes proposed with other justifications. Statements from public figures that can plausibly be termed candid are rare. Rigorous economics is largely absent. Political expediency, couched in terms of morality, fairness, and "American values," is the chief concern of many politicians.

Economic policymakers and advisors rarely comment openly on the issue while in office. Politicians commonly discuss "ordinary Americans," "middle-class Americans" and "wealthy Americans," but the Census Bureau declines to delineate the middle class even as it tracks income distribution.[clvii] The homepage of the Council of Economic Advisers, housed within the White House's main website, offers no readily apparent resources or commentary on the topic. The 2010 Economic Report of the President, described income disparity—how could it not? —but conspicuously offered no policy recommendation. When pressed on this omission by a White House correspondent, CEA Chair Christina Romer said only, "I think that is an issue that I know the President feels deeply about," and cited education reform as a means to address the issue in the long term.[clviii]

Although the commentary from public-sector economists has been muted, the topic has not been entirely "off limits." The economists employed by the Federal Reserve System, for example, have drawn limited attention to the issue.[clix] Alan Greenspan, the Chairman of the Federal Reserve from 1987 to 2006, testified at a Joint Economic Committee hearing at the end of his term, "As I've often said, this is not the type of thing which a democratic society—a capitalist democratic society—can really accept without addressing."[clx] Ben Bernanke, whose term as Chairman began in 2006 and has encompassed the subprime mortgage crisis and deep recession that accompanied it, is more circumspect. Nevertheless, in a December 2010 interview that the New York Times termed a "rare foray outside the strict boundaries of the Fed's mandate," he confessed,

> I think it's a very bad development. It's creating two societies. And it's based very much, I think, on educational differences… it leads to an unequal society, and a society which doesn't have the cohesion that we'd like to see.[clxi]

Both Bernanke and Greenspan couch their disquiet in terms of social cohesion and the functioning of American democracy. Bernanke and Romer's comments suggest that they ascribe the trend in part to institutional factors such as education.

The comments of elected officials are often far more rancorous. Broadly speaking, Democrats are more often seen calling for more even distribution of wealth. Republicans tend to criticize redistribution as punitive and argue that success should be rewarded. They argue that those with less wealth or income should be encouraged and enabled to create wealth.

Leading candidates in the 2008 presidential election struggled to address inequality without damaging their election hopes. Barack Obama largely refrained from commenting, but Republican nominee John McCain found an obscure pretext to brand then-Senator Obama as "Barack the Redistributor" and allege in the closing weeks of the campaign that

> [For Mr. Obama]…change means…taking your money and giving it to someone else. He believes in redistributing wealth, not in policies that grow our economy and create jobs. He is more interested in controlling wealth than in creating it, in redistributing money instead of spreading opportunity."[clxii]

The Obama administration swiftly countered Senator McCain's "false, desperate attacks," but conservative voices have not been silenced. Eric Cantor (R-Va.), then House Minority Whip and now House Majority Leader, commented in October 2010, "The administration believes that we ought to pit one group of people—those who have less—against those who have more and vilify those who have been successful. That's not what America means to me."[clxiii] The Republicans' statements do not reflect a considered strain of economic thought, nor a dedication to Pareto optimality, but rather a visceral and popular aversion to redistribution. They argue that the government would better serve the people by equalizing opportunity than by implementing post-hoc policies to equalize welfare.[clxiv]

Nancy Pelosi (D-Ca.), Speaker of the House of Representatives during the first half of President Obama's term, is an outspoken critic of disparities of income and opportunity. Speaking on the day of the passage of a landmark health-care reform bill, she told the media, "This is indeed a happy day, for today we are introducing… a health insurance act for the great middle class of America."[clxv] Widespread confusion among politicians over the meaning of the rhetorically convenient term "middle class" notwithstanding,[clxvi] Representative Pelosi comments that the legislation—paid for in part by increased taxes on high earners—will equalize access to healthcare, a major source of inequality in America. In an October 2010 address to the union leaders, she expanded upon this theme:

> …So we're talking about the creation of jobs. We're talking about addressing the disparity of income where the wealthy people continue to get wealthier and some other people are falling out of the middle class... But that disparity is not just about wages alone, that disparity is about ownership and equity. It's all about fairness in our country....[clxvii]

In Representative Pelosi's presentation to a sympathetic audience, she does not explicitly mention redistribution of wealth (she is already on record in firm opposition to tax cuts for the wealthy)[clxviii] but she implicitly associates the loss of union wages with the shrinking of the middle class and widening income disparities in America. At the heart of her argument is the concept of "fairness," which she associates with "ownership and equity," or the right to bargain and to influence the wages and policy of one's employer. This is an institutionalist argument, explicitly calling for federal legislation to address the weakening of labor unions and, by extension, to moderate income disparity.

Barack Obama carefully frames his comments on inequality within the context of institutional measures to increase opportunity for all and social norms of fairness. He avoided all discussion of lump-sum redistribution on the campaign trail. A probing interview with Brian Williams of NBC in September 2007, long before the Democratic Primary, is illustrative. Then-Senator Obama contrasted the wealth of Wall Street with the "struggles" of lower-income Americans and commented vaguely "…there are some structural issues that I think we have to deal with, to make sure that everybody is seeing a growing economy but also, everybody is prospering at the same time."[clxix] He shied away from proposing redistribution or salary caps, and moved off the topic quickly without clarifying what "structural issues" he saw.

Williams pressed Senator Obama, citing Gordon Gekko, the villain of the film "Wall Street,"[3] and the Senator finally allowed himself to be drawn:

> …The underlying economic factors that produced a very small number of extraordinary winners and there's been enormous waste, stagnation for ordinary workers, which is why we've got the greatest income inequality since any time since the gilded age. Now, I think that most Americans

[3] Gekko will be discussed close to the end of the paper in in the segment on popular culture.

> don't resent people for getting rich… And they believe in the free market system. But they worry that the system may be rigged. And that given the combination of technology and globalization, that more and more people are not able to compete and … that their children may be a little bit worse off than they were.[clxx]

Obama paints a troubling picture, invoking "stagnation" and the excesses of the "gilded age." But he carefully avoids discussing taxes and focuses only on what might be a "rigged system," in which the American Dream of economic advancement is unattainable for "more and more people." He cites "technology and globalization" as the prime factors in this shift. His exact meaning is not clear, but a review of his later remarks shows portions of his reasoning on the subject.

President-elect Obama's repeated references to inequality and class tensions in his short presidential election acceptance speech just over a year later show his preoccupation with the issue. Both "rich and poor" Americans, he claims, supported his campaign, but it was manned and funded primarily by "working men and women."[clxxi] Americans are suffering financially: he frets that "there are mothers and fathers who will lie awake after the children fall asleep and wonder how they'll make the mortgage or pay their doctors' bills or save enough for the child's college education." Of course, not all Americans face these hardships, and President-elect Obama explicitly draws the contrast between two groups: "Let us remember that, if this financial crisis taught us anything, it's that we cannot have a thriving Wall Street while Main Street suffers. In this country, we rise or fall as one nation, as one people." By implication, "Wall Street" fortunes cannot persist if "Main Street" incomes stagnate or fall below acceptable levels. His message set the tone for his subsequent remarks and policy actions.

A review of President Obama's speeches gradually reveals the main sources of inequality as he presents them. Education is paramount (and politically safe). High-wage, low-thought occupations such as automobile manufacturing cannot endure given the increases in global trade and competition. In his first State of the Union address, in January 2010, President Obama insisted that "In the 21st century, the best antipoverty program around is a world-class education…in this economy, a high school diploma no longer guarantees a good job."[clxxii] In a speech at Forsyth Community College in December of that year, he stated that the education of "ordinary Americans" was the "engine" of the American economy.[clxxiii] He told the U.S. Chamber of Commerce in February of 2011, "…With the march of technology over the last few decades, the competition for jobs and businesses has grown fierce."[clxxiv]

Educational imbalances are not the only source of inequality that President Obama is willing to discuss in public addresses. The tax code, he argues, favors corporations at the expense of hard-working American families:

> …over the years, a parade of lobbyists has rigged the tax code to benefit particular companies and industries. Those with accountants or lawyers to work the system can end up paying no taxes at all. But all the rest are hit with one of the highest corporate tax rates in the world. It makes no sense, and it has to change.[clxxv]

Self-interested corporations do not necessarily harm consumers, but do not pay their "fair" share of the tax burden and thus violate social democratic principles of equality within the national community that President Obama envisions.[4]

[4] In April 2011, General Electric made a legal and pragmatic but politically unpopular decision to pay $0 in taxes. President Obama had appointed GE CEO Jeff Immelt as Chairman of a council on jobs and

On an unfair playing field, President Obama argues, overtaxed small businesses pay smaller wages and struggle to compete. This makes it harder for many Americans to succeed financially. With government support, "A surplus became an excuse to transfer wealth to the wealthy instead of an opportunity to invest in our future. Regulations were gutted for the sake of a quick profit at the expense of a healthy market."[clxxvi] A select few enriched themselves by entrapping others in debt and imperiled the financial system.[clxxvii]

Although President Obama speaks more frequently about the sources of inequality than about controversial remedies, he is firmly on record supporting increased taxes for the wealthy and decreased taxes for other Americans. Early in his presidency, he told a joint session of Congress "…the day of reckoning has arrived…to build a new foundation for lasting prosperity."[clxxviii] Part of this foundation would entail addressing "the crushing cost of health care," providing assistance to lower and middle-income Americans through a reform funded in part by "end[ing] the tax breaks for the wealthiest 2% of Americans. "

On the other hand, to stimulate economic growth, President Obama promised that "if your family earns less than $250,000 a year…the recovery plan provides a tax cut…for 95% of working families." President Obama is generally careful to couch tax increases in terms of fiscal needs, with appeals to distilled microeconomics. [clxxix] Thus he repeats that "economists from all across the political spectrum agree that giving tax cuts to millionaires and billionaires does very little to actually grow our economy,"[clxxx] while ""nearly every economist agrees"[clxxxi] that tax cuts for the non-wealthy will encourage spending and investment that will spur macroeconomic growth. President Obama does not preoccupy himself with formal economics; it is enough for his purposes to invoke a consensus of economists.

The unstated link between tax policy and redistribution can be seen in President Obama's vocal support for middle and working-class tax cuts and his opposition to tax breaks for the wealthy, and in the Republicans' support for universal tax breaks. President Obama describes the middle class as "the Americans who've taken the biggest hit not only from this recession but from nearly a decade of costs that have gone up while their paychecks have not," and concludes that "it would be a grave injustice" to increase their tax burden. The President repeatedly stresses this human element, insisting, "these are not abstract fights for the families that are impacted."[clxxxii] The White House's web features special sections on how "Hispanic Families," "Women, Mothers and Working Families" and similarly disadvantaged groups will benefit from tax cuts.[clxxxiii] In the end, Republican members of Congress forced President Obama to accept universal tax breaks in return for an extension of unemployment benefits.[clxxxiv]

Like many commentators cited in this paper, President Obama argues that nothing less than the fabric of American society is at risk. Reform is necessary to "keep the American Dream alive for our children and our grandchildren."[clxxxv] "In his first State of the Union address, President Obama expanded upon his vision of the American Dream: "These aspirations they hold are shared: a job that pays the bills; a chance to get ahead; most of all, the ability to give their children a better life."[clxxxvi]He continued,

> Unfortunately, too many of our citizens have lost faith that our biggest institutions – our corporations, our media, and, yes, our government –still reflect these same values…No wonder there's so much cynicism out there. No wonder there's so much disappointment."[clxxxvii]

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competitiveness. Stephanie Kirchgaessner, "GE Tax Affairs Put Immelt in Political Spotlight." The Financial Times, 1 April 2011. Available online at www.ft.com. Accessed 2 April 2011.

This blend of instutitionalism and social concern pervades his speeches on inequality and the requisites for economic growth and competitiveness.

If an attempt is to be made to target the sources of income dispersion, then politicians and government officials must reform the government services and regulations that contribute to the phenomenon. Yet political tensions surrounding the issue appear to make politicians wary of dealing with the subject explicitly in high-profile speeches, and prominent appointed officials are not commonly given a mandate to speak on such sensitive issues. When these leading figures do comment on the issue, they generally speak of the social consequences of institutional failures. Calls for post-hoc resolution of the disparity—such as simple lump-sum redistribution of wealth through taxes—are virtually unheard of. President Obama and Representative Pelosi call for the wealthy to bear a portion of the burden for social support of the less fortunate, but seek primarily to ensure that the American right to equal opportunity is preserved. Given the gravity of the issue, it is likely that the discussions out of the public eye are less facile and timorous, but as yet there is no strong political voice calling consistently for urgent attention to the growing disparity of wealth and income between Americans.

V. Public Opinion

The previous section presented a critical view of the public sector’s failure to articulate and implement a coherent response to the dispersive trends that have been gaining strength for the past two decades. We have seen how American politicians shape their messages to garner popular support and cater to their electoral bases. It is time to examine public opinion more carefully.

The many facets of “public opinion” reflect wide differences in commentators’ information, understanding, attitudes and responses. Whether quietly published in an online blog or forum, broadcast by the news media, or simply captured in a national poll, their countless personal expressions create an aggregate national picture. This segment will consider each of these forms of public comment in turn. In a debate with strong moral overtones, traditional American self-reliance and aversion to high taxes stand at odds with social concerns, public demand for services, and fiscal realities.

It is instructive to begin this sketch with a partial review of the statements of educated but relatively undistinguished individuals who choose to comment publicly. Millions of Americans read a special report on “The Global Elite” published by the magazine The Economist in January 2011,[clxxxviii] and hundreds posted candidly online responses to the report’s constituent articles. The commentators create a forum, moderated by objective editors who reject profane or off-topic comments.[clxxxix]

The critics of the current social and economic order are legion. Some repudiate the entire socioeconomic system: in the opinion of “Spike99,” “the rich have formed a club that shares information and manipulates tax systems, financial markets and labor markets to its own advantage.”[cxc] “Aussie7” more blandly highlights “failure of the education system.”[cxci] Others castigate the economists, scientists and research institutions whose work is essential to judging the origins and impact and sources of the phenomenon. “Partyboy” writes

> Your economic philosophy requires assumptions that are simply, provably inaccurate, and are promoted by economists who know them not to be true but espouse them anyway to be popular to those they want to like them… most arguments are between classical economists who know their assumptions are false and the rest of us.[cxcii]

In this, the commenter echoes economists such as Henry Aaron and Alan Peacock,[cxciii] as well as recent, mainstream arguments by pundits like David Brooks.[cxciv]

Challenging an academic perspective, "William Bates" writes, "One suspects an ideologically motivated attempt [by economist Robert Gordon] to define away the problem [of income inequality]."[cxcv] "Preguntador" worries that experimenters "can find only what they are looking for"[cxcvi] in psychological tests of the impact of inequality. Finally, "Sense Seeker" questions the validity of the data gathered by private firms and used by The Economist's analysts: "Credit Suisse and Capgemini data cited in article, provided by these companies which exist to serve those very rich people. How objective do you think they are? ... [self-made wealth] is the stuff of fairytales."[cxcvii]

This last comment is notable for its vitriol and bitter tone; the commenter intimates a conspiracy by a self-perpetuating elite clique. "Dinastrange," punning on The Economist's assertion that many of the rich did something "extraordinary" to gain their wealth, quips, "I suppose destroying the world economy and plunging most of us into economic hardships by financial fraud and shenanigans is indeed an 'extraordinary' act."[cxcviii] "Deadondres" criticizes both the social and economic elite: "Ah, the rise of the new Randian hero, and The Economist could not be more thrilled!" These commentators are concerned with more than just the "fairness" of the system. They also present serious criticisms of the researchers and academics who supply data and expertise, and of the journalists who might be expected to referee the bonanza of the elite and to inform public opinions.

"Atlantisking" and "Hikeandski" brand some of the above commentators "envious," "angry socialists."[cxcix] In another rebuttal, "Hikeandski" references his personal experience in support of the fairness of the current system: "[As] the son of an uneducated farm worker… today I am…worth in excess of $1 million."[cc] "Totenglocke," likewise citing his own experience in low-paying jobs, asserts, "Literally a trained monkey could do [a minimum wage] job…If you want to earn more money, you have to work and develop useful skills to earn it."[cci]

The popular online forum Reddit, which bills itself as "the voice of the internet," offers an alternative source of unsolicited online debate. User "Gormak" attracted over 750 responses (and many more views) within a day by declaring that "AT&T inadvertantly [sic] and beautifully articulates rationale for a progressive income tax."[ccii] Citing an AT&T press release announcing that the heaviest users of mobile data would pay an additional surcharge, "Gormak" rewrote the release to suggest that the heaviest 'users of money' (high-income or wealthy individuals) pay higher taxes. As many commentators observed, the analogy is imperfect, not least because wealthy individuals don't necessarily "use" money that would otherwise be transferred to lower-income individuals. An online debate of sorts emerged. Many on Reddit endorsed "Gormak's" sentiment, arguing that the current system unfairly rewards distant elites. Users voiced a range of opinions. "Kenmayhem" exemplifies those who opposed redistribution on the basis of personal values:

> I understand the idea behind it but it still doesn't change the fact that something is being taken from someone who has earned it and it is being given to someone who didn't work for it. Even though that may benefit me I don't like the idea that I'm getting a handout from someones hard/ smart work…Right now times are hard and I'm not where I want to be but I like the idea that I can achieve without handouts.[cciii]

These values drive the popular debate, to a far greater degree than data or lucid argumentation. In these forums, which mimic dinner table conversations and everyday exchanges, regression analyses are unheard of and academic references rare. Personal anecdotes, heartfelt sentiment, and impassioned argumentation are the main characteristics of these debates.

Published letters to newspaper editors are similar in many ways to the casual, low-profile and anonymous online comments reviewed above. The crucial distinctions are that the published letters are carefully selected by newspaper editors for publication, and reach far more readers than deeply buried online posts. The Financial Times, a newspaper which caters to high-earning businesspeople and which features large ads for expensive wristwatches, villas and luxury cars, routinely prints letters and articles which voice frustration at the high compensation of some financial industry employees.[5] In March 2011 the newspaper published an extended criticism by Karl W. El of New York City on the influence of the moneyed classes on politics:

> It is also curious that whenever calls from America's rightwing politicians go out for shared sacrifice, they are directed only at middle- and working-class people who are struggling to pay their bills…
>
> [There is a] battle over the question of what kind of country the US will become—one in which all the people have a voice, or one in which power rests in the hands of wealthy individuals and the privileged corporate elite.[cciv]

The outcome of this "battle" is far from certain.

In a January 2011 letter that the editors of The Economist titled "Boneheaded Bonuses," Roger Moffat, a "former derivatives trader" from London wrote, "Trading isn't hard. Computers do much of the work, and unless we break the culture of paying ridiculous bonuses for being "lucky," the banks will continue to laugh in the face of politicians and regulators…"[ccv] These letters espouse common sentiments, and are common features on the pages of elite newspapers that cater to educated and wealthy readers.

The very wealthiest Americans can reach an even broader audience. Their pronouncements are not just published as letters but are often presented by major sources as "news" in their own right. Warren Buffett, one of the richest individuals in America, has received international media attention for his personal view that many executives are overpaid and that the wealthy should pay more in taxes, especially on capital gains. He has accused the boards of prominent firms of "negligent" complicity in ever-rising pay packages for senior managers.[ccvi] Speaking plainly and relying on a blend of emotional appeal and fact, the billionaire Mr. Buffett has been sharply critical of a tax system under which he paid a lower rate on his $46 million of 2006 income than his secretary did on her $60,000 annual wage.[ccvii] Similarly, he opposes (largely Republican) proposals to reduce the estate taxes that reduce inter-generational wealth transfers.

To Buffet, this is a moral issue: if $30 billion in government tax receipts are lost through a cut in tax rates, "You could take that $30 billion and give $1,000 to 30 million poor families."[ccviii] Mr. Buffett similarly endorses a further shift in the tax burden from the middle class to the wealthy[6] and firmly rejects the armchair "trickle-down" theory.[7] He has resolved to support Democratic politicians, in part because "[a Republican candidate is more likely to say] 'I'm making $80 million a year—God must have intended me to have a lower tax rate.'"[ccix]

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[5] A regular magazine supplement is entitled simply "How to Spend It."

[6] "I think maybe we should cut taxes for the middle class…The question is, do we get more money from the person that's gonna serve me lunch today, or do we get it from me? I think we should get it from me." William Alden, "Warren Buffett Calls for Tax Cuts—For Almost Everyone Except the Rich." The Huffington Post, 10 May 2010. Available online at www.huffingtonpost.com. Accessed 15 March 2011.

[7] In an ABC News interview, Buffett said, "… [trickle-down] has not worked in the last 10 years, and I hope the American public is catching on." Rachel Rose Hartman, "Warren Buffett Agrees: Tax the Rich." Yahoo! News, 22 November 2010. Available online at www.news.yahoo.com. Accessed 15 March 2011.

Mr. Buffett is joined in his views by a number of wealthy but less well-known business leaders and public figures. Nicholas Ferguson, a leader in Britain's private equity industry, wonders why it makes sense that venture capitalists are "paying less tax than a cleaning lady."[ccx] Lloyd Blankfein, who as the CEO of Goldman Sachs[8] earns over $50 million dollars in a profitable year, has voiced concerns that income inequality is "poisoning democracy."[ccxi] Bill Gates Senior, the father of the Microsoft co-founder, was outspoken in favor of ballot initiative 1098, a 2010 Washington state proposal that would have raised taxes on high-earning individuals and families. Discussing the measure's opponents, Gates Sr. told the media, "The rich guys don't want to pay the tax…they're defensive. I guess you could call it greed, I suppose. Wanting to not write another check, sure." [ccxii]

This segment will conclude with a brief examination of national polling data that elucidate the attitudes on display in failure of the Washington state ballot initiative. This segment makes no attempt to provide a comprehensive review, but rather provides selected statistics to inform a broader discussion. Consideration of the self-perception of voters and their assessment of others' incomes and tax burdens will lay the foundation for a brief evaluation of the fundamental values and principles driving American attitudes.

First, self-perception: a February 2010 CNN/ Opinion Research poll found that roughly 4% of Americans consider themselves 'upper class,' 44% consider themselves 'middle class,' and 52% consider themselves 'working class.'[9] A recurrent Pew and Gallup poll asks respondents whether they consider themselves to be a "have" or a "have-not." The poll results, presented in figure 3**,** highlight a trend towards greater self-perception of material deprivation. Across the sampling points, from 1988 to 2008, African Americans are more likely to report themselves "have-nots" than Caucasian Americans. 26% of Caucasian Americans described themselves as "have-nots" in 2008, up from 17% in 1988; the rate of increase for African Americans was much greater, with 46% reporting themselves "have-nots" in 2008 against just 24% a generation earlier in 1988. The data are crucial to understanding the malaise expressed by the online commentators surveyed above. A 2004 Gallup assessment concluded, "Generally speaking, Americans tend to be more pessimistic about their economic situations than the improving poverty data would imply."

More to the point, increasing numbers of Americans seem to be responding to increasing income dispersion by placing themselves among the ranks of the "have-nots." This trend manifested itself even as most middle-class incomes held constant or slowly increased (itself a complex trend), the poverty rate fell, and the proportion of Americans reporting material deprivation held roughly constant.[ccxiii][10] Perceived financial hardship weighs heavily even upon relatively affluent Americans. Surveys routinely find that Americans are concerned about their financial situation.[11] As figure 4 shows,

[8] Mr. Blankfein and Goldman Sach's positions will be considered below in the 'private sector' segment.
[9] CNN/Opinion Research Corporation Poll. Feb. 12-15, 2010. N=1,023 adults nationwide. MoE ± 3. The results vary from poll to poll, but the general picture is consistent: few Americans consider themselves 'upper class,' and the rest split themselves between shades of the 'middle' and 'working' or 'lower' socioeconomic classes.

[10] For the past decade, around 20% of Ameica, with recessionary spikes as high as 27%, have reported "not enough money to pay for food, clothing and healthcare." The Gallup Basic Access Index, one of many similar measures, is available online at www.gallup.com.

the proportion of each income group labeling itself ‘have-not’ increased over the period, particularly in the middle- and lower-income segments.

For Americans without large endowments, one’s absolute financial position (as distinguished from the subjective position described above) is largely a function of wages, government services, and taxes. Warren Buffett, Bill Gates Sr., and other hyper-wealthy or civic-minded individuals aside, a typical voter wants more of the first two and less of the latter. Two-thirds of Americans support tax cuts, and an equal proportion endorse increases in government-provided benefits. Among Republicans, the proportion favoring tax cuts rises as high as 85% and the proportion favoring benefits falls below half; Democrats manifest the opposite trend.[ccxiv] A September 2010 Gallup poll found that only 15% of Americans supported allowing the Bush administration’s tax cuts to expire. [ccxv] A March 2011 Pew poll found that just 28% of Americans supported the statement, “If a state needs to balance its budget, it should increase personal income taxes.”[ccxvi]

The most direct way to reduce post-hoc income and wealth inequality is to tax the wealthy, and these taxes would also pay for public healthcare, pensions, and other services that middle and lower-income Americans demand. Although Americans are wary of redistributing wealth via heavy taxation, the proportion in favor of increasing taxes on the rich has increased slowly since 1998. Figure 5 summarizes some of the results of a Gallup poll that traces its origins to 1939, when 35% of Americans were in favor of redistribution. Poorer respondents are more likely to view the tax burden of the wealthy as “too little,” a sentiment not shared by many of the rich (see figure 6). Most Americans feel that middle-class individuals pay their “fair share” of taxes, and most agree that the lower classes pay their “fair share” or more, a sentiment that becomes more pronounced as the respondents’ income falls. In 2009, fully 48% of Americans reported to Gallup that their own tax burden was “too high,” and 46% judged it “about right,” one of the most favorable results since the poll began in 1956.[ccxvii]Today, Americans as a whole are evenly split on the question, and polls reveal constant fluctuations.[ccxviii]

The proportion of respondents in favor of deliberately redistributive taxes on the rich declines from 64% to 35% as the respondents’ own wealth increases from the lowest tracked income segment to the highest (see figures 7 and 8). A majority or near-majority of Democrats are in favor, and the large majority of Republicans opposed. Independents are often evenly split but show overwhelming support for redistribution in some polls (see figures 9 and 10).

Commenting on poll data on a Gallup blog in September 2010, Gallup Editor-in-Chief Frank Newport bluntly assessed increased support for taxes on the rich: “I think that’s primarily because most Americans are not rich and therefore are fine with sticking it to those who are.”[ccxix] The surveys paint a consistent picture. Americans are troubled by income dispersion and wealth concentration, and many have come to view themselves as less affluent as these dispersive trends have continued. The correlation between attitudes and relative position is fairly intuitive: lower-income workers are likely to favor heavier taxes on the wealthy; wealthier individuals are more likely to resist an increase in their tax rate. The poll data support academic models such as Meltzer and Richard’s Median Voter Hypothesis,[ccxx] and politicians are well aware of American citizens’ preferences. As disparity rises, low-skill jobs remain scarce, and government services come under pressure, the public debate will manifest increasing tensions, and increasing numbers of Americans will tolerate or endorse higher taxes on the wealthy. Yet

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[11] A 2011 poll found that out of twenty categories, financial concerns topped the list of concerns, with 54% of respondents “unsatisfied” in that respect. See “Rethinking Budget Cutting: Fewer Want Spending to Grow, But Most Cuts Remain Unpopular.” Pew Research Center Publications, 10 February 2011. Available online at www.pewresearch.org/pubs. Accessed 15 March 2011.

even this shift in public opinion is far from sufficient to independently change the tenor of American public policy. The segments to come will consider some of the leading institutional influences on the broader discussion of inequality.

VI. Non-Governmental Research Institutions/ "Think Tanks"

In its study of American attitudes, debates and inquiries concerning imbalances in income and wealth distribution, this paper has considered the positions and contributions of economists, government officials, and the public. It is now appropriate to turn to the exceptionally diverse constellation of organizations that interpose themselves between these sectors. Non-governmental research intuitions (NGRIs), commonly referred to as "think tanks," vary in purpose from broad-focused academic research institutions to policy-oriented lobbying groups dedicated to a specific cause. Their activities range from cogent original analysis and strategic policy advice and the decryption of arcane research, to the production of vitriolic and disingenuous propaganda. They broadcast their messages widely, whether on popular websites and news shows or through panel discussions and congressional hearings. As active participants in local and national debates about inequality and redistribution, they advocate positions across the political spectrum.

Several leading NGRIs produce research targeted at policy experts and professional economists. The economic literature segment of this paper considers eleven publications by economists working as fellows at the National Bureau of Economic Research, many of whom are university faculty and whose work at NBER is generally considered to be equivalent or leading to publication in a major journal.[12] The Peter G. Peterson Institute for International Economics is another exemplar of this type: as a "nonpartisan"[13] economic research institution, it recently contributed an academically oriented (but relatively accessible) paper arguing that conventional trade theory and accepted wisdom have exaggerated the impact of trade with developing nations on US wage inequality.[ccxxi]

The nonpartisan Brookings Institution is an outstanding example of the prominent NGRIs that annually receive and spend tens of millions of dollars to research critical issues and to inform public opinion and policy by all available means. Accessible rigor is the hallmark of its publications. Tellingly, the Brookings Institution has eschewed a -.org web address in favor of a -.edu domain,[ccxxii] thereby distancing itself from more politicized organizations and aligning itself with universities.

The Brookings Institution's position on inequality is measured. Although its researchers often highlight the dispersion of wealth and income as a worrying trend, they generally refrain from calling for active, post-hoc redistributive policies. Brookings' "Opportunity 08" election season manifesto, for example, urged the presidential candidates to "reinvigorate the fight for greater opportunity" when in office.[ccxxiii] It identifies concrete measures to "attack poverty" through social and economic policy. Yet the paper does not once mention redistribution, or even taxation; it focuses solely on measures to reduce inequality by raising the living standards of the less well off. The authors conclude, "Americans

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[12] Other NGRIs cited elsewhere in this paper include the polling groups referenced in the public opinion segment. These not only collect survey data, but also publish interpretations and policy-oriented analyses on the basis of their findings.

[13] The Peterson Institute's web page describes it as "one of the very few economics think tanks that are widely regarded as "nonpartisan" by the press and "neutral" by the US Congress…" See "About the Institute." Peter G. Peterson Institute Website, www.iie.org. Accessed 22 March 2011.

have never liked welfare and tend to believe that anyone who gets an education and works hard can succeed. Policies intended to reduce poverty and inequality must be consistent with these values."[ccxxiv] This defensive conclusion points to an important feature of Brookings' recommendations: they advocate not just what they find sensible, but also what they believe to be feasible in the real world. Moreover, the institution's internal politics are complex, and their position paper on poverty and inequality likely represents the product of vigorous internal debates.[14]

The prominent, libertarian Cato Institute tends to advocate center-right perspectives. Cato scholar Timothy B. Lee has used his platform to promote debate. He praises a recent analysis by Matt Yglesias of the unaccounted social productivity[15] of laborers who work fewer hours.[ccxxv][ccxxvi] Lee takes particular issue with the statement of John Quiggin of the policy blog Crooked Timber that "It seems unlikely that large inequalities in income are beneficial to anyone except the recipients of high incomes."[ccxxvii] Lee emphasizes the role of wealthy individuals in founding and funding startups that have changed the world and benefitted society– a rebuttal that speaks to Cato's own reliance on private contributions.[ccxxviii]

Taking a similarly contrarian position, former Cato research fellow Will Wilkinson challenged Yale economist Robert Shiller to demonstrate an objectively valid basis for calling "growing inequality" a "serious problem" in 2006.[ccxxix] A just society, Wilkinson argues, is simply one in which "[people] can do as well as possible."[ccxxx] The actual distribution of wealth is not a matter for moral judgment, so long as all are able to strive for success, regardless of differences in education and skill. Wilkinson concludes that "arbitrary" attempts to create a more intuitively attractive distribution would be self-defeating and potentially immoral.

The American Enterprise Institute (AEI) is a prominent advocate of more "conservative" policy positions. The AEI's publications on inequality in America are relatively limited—strikingly so, when compared to many of the groups considered in this paper. In Income Redistribution from Social Security,[ccxxxi] a 2005 book published by the AEI, a statistician and an economist review academic literature and available data from a skeptical perspective. They find that economists' assumptions regarding six key parameters cause the economic system to appear relatively progressive, or regressive. This analysis is largely descriptive, but not all of the AEI's output is so benign. AEI President Arthur Brook's grim account on Fox News of the Democratic plan to incite "class warfare" is discussed below in the mass media segment.

The Hudson Institute, a smaller and more pugnacious group than Cato, is more vocal in its disavowal of left-wing calls for redistribution and greater economic equality. Senior Fellow and Director Diana Furchtgott-Ross, writing in the New York Sun in 2007, countered recent statements by both President George W. Bush and Federal Reserve Chairman Ben Bernanke that referenced rising inequality.[ccxxxii] She asserts,

> …Income and wealth inequality in America is almost entirely the result of an economic system that rewards skills and hard work, and rewards unusually savvy people extraordinarily well. This is not new to the 21st century; it has always been this way in America."[ccxxxiii]

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[14] A fuller treatment here is infeasible. The pressures of donors and key constituencies aside, note that one of the paper's authors (Sawhill) was a Clinton administration bureaucrat, and the other (Haskins) served as a senior advisor to president Bush. Haskins and Sawhill 2011 pp. 11.

[15]"Social productivity" can be casually defined as the tangible output of work, such as the editing of Wikipedia pages, that benefits others but leaves little discernable impact on the economy.

Reward for work and success is not the only traditional American value that Furchtgott-Ross seeks to defend: the spirit of redistribution, she argues, defies the Judeo-Christian Tenth Commandment that "thou shalt not covet thy neighbor's goods."

The lines between NGRIs are not clear-cut. Alan Reynolds, formerly of the Hudson Institute, took a position at the Cato Institute and subsequently published a book that voiced his pro-market, skeptical stance. In Income and Wealth (2006)[ccxxxiv] and a complementary 2007 Cato study,[ccxxxv] Reynolds questions the very basis for controversy. Cato provides a further platform for these conservative views. Three days after Reynolds published his Cato report, he was joined by Diana Furchtgott-Ross, still at the Hudson institute, and a senior economist from the Brookings Institution at a publicly broadcast Cato policy forum.[ccxxxvi]

Conservative NGRIs are not unopposed: a vibrant and well-funded array of liberal institutions work to swing the balance of public consensus and political support in the other direction. The Economic Policy Institute (EPI) calls itself the "premier think tank to focus on the economic condition of low- and middle-income Americans and their families."[ccxxxvii] Contributions from labor unions make up over a quarter of the EPI's budget.[ccxxxviii] It frequently produces material that stresses the harms of America's economic and material inequality and highlights the stagnation of middle- and lower-income wages. Like most NGRIs, its output ranges from books and briefs to support for conferences, activist groups, and lobbying efforts.[ccxxxix]

The distinctive centerpiece of the EPI's efforts is a biannual statistical publication called "The State of Working America,"[ccxl] which is intended as a resource for the public as well as journalists, legislative assistants, and others seeking "a clear, unbiased understanding"[ccxli] of comparative trends in wages and wealth. The EPI stresses poverty rates, racial and ethnic disparities,[ccxlii] pensions, insurance, and various measures of wealth and income. The tone and presentation of the report are nonacademic:[ccxliii] The EPI presents only compelling results, and provides little or no statistical documentation about its findings. Brief, partisan comments underscore the intended message: "In the past three decades," one states, "it has been impossible to answer the basic question of 'how's the economy doing' without first specifying *for whom*."[ccxliv]The EPI is no less partisan than the Hudson Institute: neither group is likely to publicize data or analyses that repudiate their central missions. Although these groups perform important public education and policy development functions, in some ways their dedication to ideological agendas makes them akin to special interests groups, considered later in this paper.

Although many of the most prominent NGRIs focus on national issues and maintain headquarters in Washington, DC, local institutions play a role in state-level debates. The Economic Opportunity Institute, a small, nonpartisan NGRI that focuses on the economy of Washington State, operates a program called "Washington Policy Watch" and works to "restore the promise of the middle class…and to ensure that Washington's public structures and services are funded by equitable and sustainable taxes."[ccxlv] With edgy, often offbeat posts and publications, the group caters to local concerns and adopts a more casual style than many of the national NGRIs. Recent posts include a review of Washington state's tax exemptions ("from the arcane to the asinine")[ccxlvi] and an original poem entitled "Foreclosure" that wistfully imagines neighbors forcibly securing a repossessed house and returning it to a family that has defaulted on its mortgage.[ccxlvii] Washington Policy Watch also steers readers towards editorial pieces in Washington state newspapers, acting as a one-stop source of updates and commentary for its target audience.[ccxlviii] With a mission that closely resembles that of the EPI, Washington Policy Watch must be considered an advocacy group, and distinguished from nonpartisan NGRIs.

The diversity of NGRI output reflects the complexity of the national discussion on material inequality. NGRIs do not simply find support for established arguments and positions; in many cases, they actively shape the leading arguments of the day and identify the policy interests of key constituents. A handful of prominent NGRIs are dedicated to nonpartisan contributions to public discourse. These groups are flanked by a panoply of partisan NGRIs that superficially resemble their nonpartisan counterparts but in fact work to advocate a particular position. In these cases, the distinctions between NGRIs and special interest groups blur. Fighting to be heard, NGRIs cannot be overlooked—not least because of their influence in the news media.

VII. News Media

The news media must be understood as a collection of diverse, fluid entities engaged in a constant exchange of information and opinions. This dialogue extends beyond their direct audience and reaches other media resources, researchers, politicians, and others in society and government. The media's role in facilitating and communicating public commentary has been explored earlier in this paper. This segment reviews print, television, online, and radio news sources in turn, striving to sketch a fundamental portrait by complementing in-depth analyses of a few key news sources with briefer treatment of others. Across the entire spectrum of views and news sources considered, the sole commonality may be the tacit agreement that material inequality is worthy of discussion, and of interest to news audiences.

Over the past decade, The New York Times has published roughly 200 features related to income and wealth inequality.[ccxlix] The Times' coverage includes front-page articles, studies and serial reports, guest columns by economists and experts, and dedicated online resources. Income inequality is a high-profile "Times Topic" on the newspaper's website, and David Leonhardt, the Times' leading reporter on the issue, provides a condensed introduction from the Times' perspective. Leonhardt begins, "Income inequality, by many measures, is now greater than it has been since the 1920s."[ccl] He lists market-driven and institutional forces that contribute to the trend, before citing his first reference: the partisan Economic Policy Institute (EPI).[16] He parses the EPI's findings in simple terms, and then introduces another authoritative source, this time published research by the prominent economists Thomas Piketty and Emmanuel Saez.[17] Leonhardt closes his introduction with a glimpse of the current situation, in which the turbulent economy complicates income projections and heightens social pressures and political tensions.

Two New York Times guest columns from 1999 illustrate the professional debate that major newspapers have long hosted. Economic journalist Sylvia Nasar, commenting in the recurring "Economic View" feature, asked, "Is the U.S. Income Gap Really a Big Problem?" and concluded that most Americans had good reason to be optimistic about their personal prospects for economic mobility.[ccli] The following week, economist Robert H. Frank challenged the notion of the "victimless income gap," finding that the consumption of the wealthy disadvantaged others, in ways that ranged from automobile safety (luxury SUVs are dangerous to drivers of compact sedans) to education (competition for homes in outstanding school districts) and displays of social status.[cclii]

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[16] The EPI is discussed above [in the segment on NGRIs].
[17] See Piketty and Saez 2006, introduced above.

The Times raised the issue to the highest possible level of prominence with the 2005 special serial section "Class Matters." The editors write,

> A team of reporters spent more than a year exploring ways that class—defined as a combination of income, education, wealth and occupation—influences destiny in a society that likes to think of itself as a land of unbounded opportunity.[ccliii]

The allocation of resources—in terms of both reporters' time and valuable print space—is itself a testament to the emphasis that the newspaper places on the issue. The series assesses the relationship between widening class differences and health, marriage, religion, education, social class, culture, and mobility.[18] Leonhardt, with Janny Scott, reports that while socioeconomic mobility is still possible, it is unrealistic for most Americans to aspire to real wealth. "Merit has replaced the old system of inherited privilege," they write, "…But merit, it turns out, is at least partly class-based."[ccliv]

The survey draws on a diverse array of resources, including a New York Times poll, historical theories of political economy, the personal experiences of modern Americans, the current generation of economic and sociological research, and an expert at the American Enterprise Institute.[cclv] As journalists, Leonhardt and Janny incorporate a wide range of anecdotes—from the scheduling of limousines outside Goldman Sachs' headquarters to popular culture references—and conclude on an ambiguous note, suggesting that "Blind optimism has its pitfalls…But defiant optimism has its strengths. Without confidence in the possibility of moving up, there would almost certainly be fewer success stories."[cclvi]

The New York Times' pre-financial crisis coverage addressed an alarming trend that had no end in sight. A 2006 article[cclvii] by David Leonhardt introduces Saez and Piketty's recent economic research on top incomes[19] to the Times' readership. A lengthy magazine article cites half a dozen prominent economists (including Saez and Piketty and Gary Becker) and highlights the ever-increasing rewards of higher education and advanced skills, and the need to improve educational opportunities for all Americans.[cclviii] A July 2007 front-page article[cclix] contrasts cautionary voices with what the Times termed "revisionist history" advanced by the financial titans who presided over a "New Gilded Age."[20]

The Times' opinion pages and editorials are generally left-leaning. Columnist David Brooks acts as a rare representative of more conservative views, arguing, "the meritocracy is working almost too well" and that "…the populists who usually live in university towns, paint a portrait of unrelieved misery that distorts reality."[cclx] To him, inequality is a result of differences in skill and cultural behaviors; redistribution is an ineffective remedy because "human capital can't be redistributed."[cclxi] Interestingly, he also stresses the importance of non-economic approaches: "I started out on this wonk odyssey in the company of economic data, but the closer you get to the core issue, the further you venture into the primitive realm of [human relationships]."[cclxii] The Times' editorials of the period lament rising inequality, which manifested itself as a social problem even among wealthy individuals, who were becoming hyper-competitive and insecure.[cclxiii]

The economic upheaval that began to manifest itself in 2008 complicated this picture, and the Times' coverage accordingly shifted in tenor. A 2009 front-page article, "Rise of the Superrich Hits a Sobering Wall,"[cclxiv] emphasized the economic and social uncertainty ahead. But by the fall of 2010, as it

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[18] Each parameter is an installment in the series, available on the "Class Matters" page of the New York Times website.
[19] See Piketty and Saez 2006, introduced above.
[20] The piece centers on an extended interview and profile of Sanford I. Weill, the architect of Citigroup. A year later, the towering edifice that he created crumbled in the financial crisis.

became clearer that Wall Street salaries were recovering, the Times published a column by economist Robert H. Frank that declared, “Income Inequality: Too Big to Ignore.”[cclxv] The editorial board voiced its concern once more about inequality amid economic stagnation.[cclxvi] Columnist Frank Rich wondered, “Who Killed the Disneyland Dream?”[cclxvii]

In aggregate, the prodigious mass of Times coverage unites otherwise disparate strands of discourse, performing original research when necessary and presenting the views of specialized experts when appropriate. The Times is not an objective spectator, and does not claim to be. The paper’s liberal tone and social agenda are conveyed implicitly in its reporting and explicitly in its editorials and many of its columns and op-ed pieces.

The Wall Street Journal takes a more conservative view of income inequality and redistribution, providing a balance of sorts to The New York Times. Its editors dedicated the entire front page of a March 2011 weekly “Review” section to an article by Robert Frank (not the economist) on “The Price of Taxing the Rich,”[cclxviii] which highlights the perils of basing a state’s budget upon tax revenues from the volatile earnings of the wealthy. Frank cites government officials and insights from experts at NGRIs including the Pew Center on the States, the Rockefeller Institute, and MassINC. He relays an expert’s concern at the “narcotic effect on legislatures”[cclxix] and writes of the need to “kick the addiction” with regard to both state and federal taxes.

An inset article, also co-written by Frank, describes “The Battle Over the Millionaire’s Tax,”[cclxx] an issue that is apparently of particular interest to the readers and editors of the newspaper. This “war” in a “partisan fight” pits fiscal conservatives against social progressives. A senior fellow at the Rockefeller Institute of Government cuts to the heart of the issue: “[tax revenue from the very wealthy is] very high-powered money in that you can raise a lot of revenue without affecting many voters.”[cclxxi] The anti-tax Journal article concludes on an uncertain note, conceding that the downsides of raising state and federal taxes on the wealthy are not firmly supported by evidence.

The Economist, a London-based weekly with a majority-American subscriber base, has likewise expended considerable resources studying material inequality. Close to the peak of the financial bubble, the magazine highlighted the disproportionate gains of the rich.[cclxxii] But The Economist balances social concerns with an emphasis on global development and increasing returns to capital and skill, at times coming close to a neo-marginalist position that John Bates Clark might have endorsed.[21] Tellingly, its editors chose to title a January 2011 survey “A Special Report on Global Leaders,”[cclxxiii] a far less provocative title than the Times’ “Class Matters.” Within The Economist’s survey, an article on the hyper-wealthy is entitled “The Rise and Rise of the Cognitive Elite.”[cclxxiv] “The few,” as The Economist calls this group, “typically have to have to do something extraordinary [to become rich].” [cclxxv]

The Economist does not downplay the magnitude of the dispersive trends. An April 2010 article warns, “stagnant rates of mobility risk turning the American dream to delusion.”[cclxxvi] In a particularly arresting thought device adapted from Dutch economist Jan Pen, one article in the January 2011 special report invites readers to imagine that the entire adult American population is walking past, all within one hour, with each individual’s height proportional to his or her current income relative to the mean. Many are invisible; people of average height do not appear until the last fifteen minutes. With six minutes left, the passersby are twelve feet tall; the highest four hundred earners are each more than two miles tall.[cclxxvii] Charts and statistics complement this illustration.

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[21] Samples of the diverse commentary and views of The Economist’s readership were considered at length earlier in this paper.

The Economist concludes, "The links between inequality and the ills attributed to it are often weak… policy makers need to… focus on ways to increase social mobility."[cclxxviii] Education must be improved, in wealthy and poor countries alike. "Rigged rules and subsidies" and the lax oversight that allows financiers to make outsized profits with others' money[22] should be amended. In the developing world, monopolies, bureaucratic obstacles and trade barriers should be eliminated. This is an outsized wish list. The Economist proposes bottom-up mobility; it discusses taxation only once, in a passing reference to the Brazilian economy.[cclxxix]

In dedicated weekly print and online sections, The Economist presents and debates the perspectives of economists and other experts to a degree that may not be of interest to its full readership.[23] The "Free Exchange" economics blog supplemented the January 2011 special report on inequality ("global leaders") by comparing the popular commentary to the slower response from academia.

> It seems to me that the economic profession is increasingly acknowledging that something appears amiss in the distribution of income. But just what that something is, and what to do about it, remains elusive.

Having acknowledged the phenomenon as real and worthy of study, the economists have arrived at the (multi) million-dollar question without an answer.[cclxxx]

A recurring online feature of The Economist called "Economics by Invitation" likewise asked seven economists "How does inequality matter?"[cclxxxi] The economists used the platform not only to present distilled economic concepts to the public, but also to air views that are not often seen in the pages of leading professional journals.[24] Konstantin Sonin[cclxxxii] and Daron Acemoglu[cclxxxiii] express concern about the harms of concentration of wealth and unequal opportunities for the children of the disadvantaged. Scott Sumner highlights the limitations of using "income" as a metric, wryly pointing out that as an economics PhD student he "spent [his] first eight adult years in the bottom 20% of the income distribution."[cclxxxiv] Giles Saint-Paul, noting that his colleagues emphasized the downsides, points out the benefits of the "super-rich," who "are forced to reinvest in the economy" and can also influence public policy for the better.[cclxxxv] In an offbeat but interesting comment, Mark Thoma introduces a Laffer-curve like thought model to suggest that the United States has exceeded the growth-optimizing concentration of wealth.[cclxxxvi]

The Economist does not always pass on the views of respected economists as received wisdom. The traditionally anonymous author of the "Democracy in America" blog recently challenged two academic papers that have gained traction in elite academic circles for their attempt to demonstrate that the increasing costs of luxury goods erode the purchasing power of the wealthy, effectively reducing income inequality.[cclxxxvii] The columnist carefully distances himself from academia, writing of one NBER paper by Robert Gordon, "I can't discuss that paper yet because it's too hard for me to

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[22] The magazine is often highly critical of exorbitant salaries in the financial sector, especially those of investment bankers. These salaries and bonuses, a November 2010 article suggests, show a "continuing prioritisation of staff over shareholders" and "suggests that banks are still being managed badly." The entire industry, in fact, is "a mature, even declining, industry that cannot control its costs properly." "Pay at Investment Banks: Mutiny Over the Bounty." The Economist, 4 November 2010. Available online at www.economist.com. Accessed 25 March 2011.

[23] The proportion of these features that appear only online is itself a strong indication of this.

[24] See the partial literature review earlier in this paper.

understand on a quick read.” He finds a similar paper by Christian Broda and John Romalis of the University of Chicago more accessible.

The columnist, having paid his due to “smart people like Steven Levitt,” turns to the findings of the two papers and finds a “simple and complete” conceptual error in their authors’ assumptions. Essentially, the columnist writes, the economists insist on equating “a $1 mass-merchandise glass…[with] an $80 Riedel Sommelier lead crystal Bordeaux glass.”[cclxxxviii] Echoing Amartya Sen, he suggests that such abstraction goes too far and obscures the issue. They not only misinterpret the traditional metrics of inequality; they also assume that greater purchasing power for an “equivalent” item does not bring greater satisfaction, and that the purchasing power is somehow meaningless.

The Financial Times, as noted previously, finds itself in an especially difficult position. Much of the rise in financial inequality can be attributed to outsized compensation for executives and money managers in the finance industry. Yet finance industry insiders (both current and aspiring) make up a large proportion of its readership, and revenues from ads for luxury goods underpin the paper’s own finances. The London-based newspaper’s global focus also tempers its concern with the issue: a recent column took “the global view of inequality,” pointing out that incomes are actually converging internationally, even as they diverge in some developed countries.[cclxxxix]

Like The Economist, the Financial Times takes a firm editorial stance against excessive pay for bankers: on March 15 of this year, it gave front-page billing to an analysis of “How Banks Avoided the Pay Debate.”[ccxc] It periodically sounds the alarm about the problems of inequality in the United Kingdom.[ccxci] The paper boldly claims, “Today…banks’ resistance to a radical overhaul of a system that they concede allows even mediocre performers to earn vast sums makes it easy to accuse them of simple greed.”[ccxcii] The article criticizes regulators for failing to pressure banks to reduce pay, ultimately conceding that the industry’s greatest source of pressure comes from the indirect effects of more stringent capital requirements and demands for higher returns on equity.

Beyond the traditional blue-blooded, elite American and British-American newspapers, a number of very popular publications have stepped forward to offer their own perspectives. Slate, a widely read, left-leaning online magazine owned by the Washington Post Company, published its own accessible serial report, “The Great Divergence,” in September 2010.[ccxciii] Author Timothy Noah sidesteps the overtly social tone of the New York Times’ “Class Matters” series, and eschews the neo-marginalist stance of The Economist’s “Global Leaders” special report. The problem is real, Noah insists, and needs to be better understood. “The Great Divergence may represent the most significant change in American society in your lifetime—and it’s not a change for the better.”[ccxciv] In a direct challenge to conservative analysts who would downplay the trend, Noah assures the reader, “…I’ll explain why people who say we don’t need to worry about income inequality (there aren’t many of them) are wrong.”

Noah weaves his report from a range of sources, including NGRI reports and economic analyses as well as historical anecdotes and gut intuition. In a veiled criticism of the economics profession, which (together with the elite media) treats Saez and Piketty’s research on top incomes as a novel finding, Noah colloquially writes of an early twentieth century statistician: “…[Willford I.] King, who is almost entirely forgotten by today’s leading economists, pretty much nailed it [and identified the contemporary concentration of wealth].”[ccxcv] Noah is not critical of Piketty and Saez themselves: he lauds Saez in particular as “French, he looks like a movie star, and he’s the single most influential theoretician of the Great Divergence…”[ccxcvi] The problem, he implies, is that their work has been considered significant enough to contribute to Saez's winning the 2009 John Bates Clark medal.[25] If a lone statistician in an age before federal surveys could spot the trend of his day, modern economists should have had little difficulty doing the same.[26]

Noah briskly considers race, gender, immigration, computers, political parties, globalization, and the decline of labor unions and government regulation as potential sources of the growing inequality. In a cheerfully offhand "back-of-the envelope calculation," Noah offers his conclusions regarding the sources of the "Great Divergence," assigning weights from zero to thirty percent to each. Most of them contribute in some way; none can claim a large share of the overall trend. Like other commentators, Noah identifies divergence in educational and other opportunities as the single greatest problem, together with outsized pay for what he provocatively calls the "Stinking Rich."[ccxcvii]

Noah's verdict rests upon a mere thirty-five pages of synthesized research, but he makes no claim to be the ultimate authority. After an obligatory discussion of the potential impacts of inequality, he confesses,

> I find myself returning to the gut-level feeling expressed at the start of this series: I do not wish to live in a banana republic…I couldn't tell you [the ideal distribution, but]... We've been headed in the wrong direction for far too long.[ccxcviii]

It boils down to intuition: the trend feels unhealthy, and Noah conveys his disquiet to Slate's readership.

Popular discomfort invites sensational journalism. A July 2009 Rolling Stone magazine series famously called Goldman Sachs, notorious for its lavish salaries and bonuses, "…a great vampire squid wrapped around the face of humanity, relentlessly jamming its blood funnel into anything that smells like money." A lengthy November 2009 London Times magazine article took much the same tone, calling the bankers of Goldman Sachs "the biggest swinging dicks in the financial jungle… dark knights of banking [who] are being forced, blinking, into the cold light of day."[ccxcix] A March 2011 article in the New York Post declared "Bank Execs In the Green" and continued, "It is raining money again on many top US and EU bank executives, less than three years after taxpayers worldwide rescued the banking industry from the worse financial crisis in decades."[ccc] Two days later, a somewhat longer Post article carried the news of a "wealthy Southampton venture capitalist [who] is planning to erect the television set from hell in the back of his posh, hedge-lined mansion…."[ccci]

Many Americans watch television news and read associated articles online. Here CNN and Fox News will stand as representative examples of highly successful news channels with distinct political orientations. CNN's coverage is fairly centrist, perhaps targeted to appeal to the greatest number of viewers. In some ways, CNN operates like a traditional newspaper. Its website runs opinion pieces by mainstream economists.[cccii] The popular "CNNMoney" feature, competing for attention from viewers who are free to change the channel instantly, offers quick updates. A December 2010 report communicated the EPI's position on inequality, explaining a few headline statistics in very simple language.[ccciii] A March 2011 CNNMoney segment featured the economist Joseph Stiglitz calling for higher

[25] An ironic name, in this context: a prior section of this paper presents a brief discussion of Clark's argument that the wealthy deserve their wealth.

[26] The greatest concentration of income prior to 2007 was in 1929, just before the stock market crash. At both times, the top ten percent's share of total domestic income approached fifty percent before declining. Chart reproduced in Noah, "Introducing the Great Divergence." Credit is due to Piketty and Saez for highlighting the parallel.

taxes on the wealthy instead of Congresses' "stupid" "near suicide pact" of a belt-tightening budget compromise.[ccciv]

Fox News' coverage is lively, conservative, and at times deliberately provocative.[27] A regular program called "What Do I Need to Know?" presents the views of four speed-talking correspondents within a minute. The September 2010 segment "Comparing the Wealth Gap to the Tax Gap"[cccv] swiftly encapsulates strains of popular conservative argumentation. Tobin Smith manages to fit three sentences into his time: "200 years ago we used to have taxation without representation. Now we have representation, you know, without taxation. Over 48% don't pay taxes, yet 52% will take money from the government."[cccvi] Gary B. Smith suggests that minimum wage increases, legislated by democratic politicians, contribute to unemployment.[cccvii] Elizabeth MacDonald[cccviii] feels that financial ruin attends discussion of inequality: "[the] inequality debate… led to the creation of Fannie Mae and Fredie Mac, because Democrats thought 'to solve inequality, give them a free house." These ten-second outbursts seem to be a manifestation of the partisan tensions bemoaned by the Wall Street Journal as an obstacle to constructive dialogue and progress.

A similar segment, aired roughly a week earlier, illustrates the relationship between Fox News and conservative NGRIs. On a recurring FoxBusiness segment called "Taxed to Death," Arthur Brooks, President of the American Enterprise Institute, suggests that behind President Obama's attempts to increase taxes for the wealthy lies a hidden agenda to "bring the top down." He warns, "That's absolute[ly] standard language of class warfare."[cccix] Prompted by the anchor, Mr. Brooks readily agrees that President Obama's tax policy sacrifices economic performance for social considerations, and that the White House is "squeezing entrepreneurs."

Speaking from a position of authority as a sidebar lauds him as the "author of 8 books," Mr. Brooks suggests that suppressing entrepreneurship will have dire consequences: jobs are "the only thing that will bring us back from this recession," and "lowering incentives for people to earn their success as entrepreneurs is not only contrary to our culture, it's also very destructive."[28] In this view, tax increases for the wealthy are economic suicide and un-American. A sidebar warns, "Taxpayers face the largest tax increase ever on January 1st."

The final component of the news media to be considered here is radio. The Glenn Beck Program and National Public Radio (NPR) will serve as exemplars of right and moderate (or center-left) positions, respectively. In a June 2009 radio segment of the Glenn Beck Program, Mr. Beck lambasts the New York State legislature for slipping a tax hike on the wealthy into a broader 900-page bill, and soon launches into an odd discussion of the Beatles' tax evasion, concluding, "Marxism, socialism, communism, they all have separate lanes on the highway for the elite. These people are always better than you."[cccx] Mr. Beck is not entirely in favor of low taxes on the wealthy: in a segment entitled "While World Burns, White House Parties," Mr. Beck mocks the recent top-income tax cuts. He concludes that at least the tax rebate leaves him with more money to donate to charities, which "are more effective than the federal government [at redistribution]."[cccxi] Mr. Beck is unequivocally in favor of greater individual freedom: in a segment called "American Dream vs. American Experiment," he rails against government infringement of "man's [ability to] rule himself."[cccxii]

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[27] In late March 2011, a featured article on the Fox News website's very limited "Economic Inequality" section was entitled "Wisconsin Union Protests Prove the Midwest Is Now America's Middle East." Doug Schoen, Fox News, 4 March 2011. Available online at www.foxnews.com. Accessed 25 March 2011.
[28] Tellingly, Mr. Brooks' most recent book is entitled The Battle: How the Fight Between Free Enterprise and Big Government Will Shape America. USA: Basic Books, 2010.

NPR operates in many ways like a print newspaper, in that it airs both original content and the views of prominent experts. A February 2007 program entitled "Haves and Have Nots: Income Inequality in America" featured seven segments, many exploring the realities of a changing economy and society from the perspective of people personally affected.[cccxiii] A September 2010 "Morning Edition" interviews Timothy Noah, author of the Slate special report.[cccxiv] An October 2010 segment highlights a study of Americans' perceived and preferred wealth distributions by Dan Ariely and Michael Norton, discussed earlier in this paper. As host Steve Inskeep tells listeners, the interview with Dr. Norton can be digested "…while you're clicking there or doing whatever else you're doing this morning…"[cccxv]

This brief survey has uncovered a cacophony of content. From measured editorials to rancorous jabs, the constellation of media sources that compete for the attention of individual Americans express an enormous diversity of opinion. Yet the convergence in their coverage is also striking: none can ignore the issue of material inequality, and much of their content overlaps even when their tones differ. This may be the greatest cause for hope that all of this heat is generating light. In the exchange between the media and the public, a growing awareness and sense of urgency may impel and sustain serious attempts from all sectors to address one of the greatest challenges facing modern American society.

VIII. Private Sector

Much of the dispersion in American incomes is a consequence of outsized compensation packages for the senior executives of large corporations. Under the strain of public pressure to reduce wages and act in the public interest on the one hand and the internal desire to maintain high wages and lucrative business practices on the other, firms in the public eye perform a delicate balancing act. Corporations and business leaders seeking to reach large audiences generally communicate their message via paid ads and through comments to the media by spokespeople and executives. Ads can be fairly expensive, but allow a corporation to directly control its message; media coverage is ostensibly free but denies a firm full control of tone and content. Senior executives speak and act in the profit-maximizing interest of their respective firms, but their public comments also convey their personal convictions and add an important personal dimension to a broader debate that otherwise reduces the ultra-wealthy to statistical and impersonal entities.

Goldman Sachs is an outstanding example of this tortured posture. Public discomfort with the firm flared into hostility during the financial crisis, and the bank has long served as a lightning rod for criticism over its large profits and payouts. In an otherwise amicable interview with Goldman Sachs CEO Lloyd Blankfein in June 2007, a reporter for the Financial Times bluntly asked, "Is income inequality a big problem in the US right now?"[cccxvi] The question was unique in the interview for its reference to an ostensibly non-business issue, and the interviewer slipped it in as the last substantive question before a playful series of questions about Mr. Blankfein's investment outlook. The interviewer's focus highlights the close relationship between high-paying firms and growing inequality. Mr. Blankfein, who earned a record $68 million that year,[cccxvii] responded in measured terms, acting as an ambassador for his firm:

> Yes [it is a big problem]… You know, when wealth is created very, very quickly, it tends to be created in an unequal way…And then over time there's redistribution through progressive tax systems and whatnot, that tends to level it out. But we're in a period of great wealth creation, and as a function of that, I think inequality has gone up, not down. And that's always a very disturbing thing in a democracy.

Income inequality, and the wealth inequality that soon results, is an inevitable byproduct of what Mr. Blankfein terms "wealth creation." Yet in this view, the "disturbing" current trend is merely an awkward intermediate stage, one that will resolve itself.

Not all media sources are as accommodating as the Financial Times. Goldman Sachs appears to be eager to communicate and to grant access nonetheless. Reporter John Alridge writes in the London Times, "Once the bank had agreed to talk, it was hard to get senior executives to shut up."[cccxviii] Alridge suggests that Goldman is speaking to the media largely in an attempt to ward off new and profit-reducing regulation and to repair its professional image. He uses his access to paint a critical portrait of some of the best-paid financiers in the world.[29] But, crucially, in so doing Alridge also records and reproduces Mr. Blankfein's careful sound bites in a newspaper with millions of subscribers. Mr. Blankfein's posturing as "a blue-collar guy" (the son of a mail worker), his insistence that high pay promotes responsible business practices, and his confidence that Goldman does "God's work" in creating wealth and opportunity are all printed.

The risk of negative or slanted publicity may be the "cost" of otherwise free publicity. Advertising, while of course not free, provides a firm with a chance to present any message it likes. Small wonder, perhaps, that Goldman Sachs, a hugely profitable firm with concerns about its image, would spend considerable sums on advertisement. The campaigns run in a wide range of publications and highlight the power of investment to create opportunity for schoolteachers, blue-collar workers, and others far removed from Goldman's traditional image as a bastion of socioeconomic elites.[30] The firm's own website is a testament to the priority it places on this rehabilitation effort: save for two news clips and permanent navigational features, the entire front page is dedicated to an advertisement. "Progress is everyone's business," the ad declares, continuing, "Goldman Sachs brings people, capital and ideas together to help our clients and the communities we serve."[cccxix] A video offers to explain "how William Sanchez is growing his business and making an impact on his community."[cccxx] Through advertisements and media appearances, Goldman's executives suggest that the activity that enriches its employees also creates opportunity, if not necessarily riches, for many others.

Of the myriad ways that firms broadcast their positions and values on a smaller scale, press releases and other official statements are particularly likely to contain responses to elements of public debate that most concern them. Microsoft, one of the large companies based in Washington state that opposed the ballot initiative I-1098, the December 2010 tax increase proposal, offers a "local impact map" on its website. The site also lists "promoting a healthy business climate, including a sustainable state budget" among its guiding values.[cccxxi]

The presentation is innocuous on the slick Microsoft.com website; it is only when Microsoft's position is reflected in public that true tensions appear. The Bellingham Herald, for example, carried an Associated Press article reporting that Jeff Bezos (the founder and CEO of Amazon.com) and Steve Ballmer (the CEO of Microsoft) each contributed $100,000 to the Defeat 1098 campaign.[cccxxii] A Microsoft spokeswoman explained that the firm was "concerned about the impact I-1098 will have on the state's ability to attract top tech talent in the future."[cccxxiii] Yet the economic, social, political and self-

[29] [See media segment]

[30] The contrast between Goldman's image in advertisements versus media coverage is vividly illustrated in the March 26th, 2011 issue of The Economist. Goldman Sachs purchased two full-page ads detailing its contribution to reconstruction and public education funds in New Orleans. In the same issue, the "Buttonwood" column describes the slow rate of increase in wages relative to corporate profits since the beginning of the post-crisis recovery. Buttonwood explicitly compares many financial institutions to gangsters in that their arguments against tighter regulation can devolve into blackmail, with "threats to move elsewhere…a little reminiscent of [the gangster's threat] 'Nice economy you got there. Shame if anything should happen to it.'" "Marx, Mervyn, or Mario?" The Economist, 26 March 2011. Available online at www.economist.com. Accessed 4 April 2011.

interested strains of the debate cannot be separated. In this case, Microsoft and Mr. Ballmer's reasoned positions, ostensibly based on economic and business concerns, were swiftly rebutted on social grounds. As Sandeep Kaushik, a spokesman for Yes on 1098, told the Seattle Times, "…some of the state's wealthiest people who would pay more under I-1098 are opposing it for that reason."[cccxxiv]

Admired corporate leaders sometimes comment on managerial principles and guiding values, often speaking to news reporters or business school academics. Dan Vasella, Chairman and then- CEO of the pharmaceutical giant Novartis, argues in a McKinsey interview that boards are acting rationally by awarding large pay packages to CEOs, but that it is impossible to fully justify these salaries to the public: "And that's all rational, it's all true, but you cannot communicate that…If you are in a farm and you barely make…I don't know, $18,000 or $20,000."[cccxxv] Mr. Vasella insists "anything which isn't pay for performance is not defendable [sic]." Having earned his pay, he continues, "Would I say voluntarily I'm forgoing this money? No. Why should I?" He ultimately concedes that the moral issues are complex and can only be resolved by individual judgment. His lengthy public statements, apparently spontaneous and genuine, suggest a deep personal awareness of inequality and the uncomfortable aspects of his own compensation.

While few well-paid CEOs speak out against high executive compensation, some current and past corporate leaders do take a contrarian stance. Costco CEO James Sinegal (whose net worth is over a hundred million dollars) told the New York Times in 2007, "Obscene salaries send the wrong message through a company…the message is that all brilliance emanates from the top; that the worker on the floor of the store or the factory is insignificant."[cccxxvi] One could extend Mr. Sinegal's argument to American society as a whole: if pay is based on skills and merit, a low-paid worker's output carries a tiny social "value" compared to an ostensibly innovative executive or money manager. Robert Crandall, a former President, Chairman and CEO of American Airlines, advocates lower salaries for corporate executives and higher taxes on the wealthy. Perhaps like many current executives, Mr. Crandall considers this view "radical" and potentially destructive. He did not speak out publicly before his retirement. [cccxxvii]

One final area of the business world will be considered: the advisory firms that guide companies and wealthy individuals.[31] McKinsey and Company, a leading consultancy, conducted and published the interview with Mr. Vasella cited above. Capgemini and Merrill Lynch Wealth Management publish an annual "World Wealth Report," which provides soft analysis of key trends in global private wealth and acts as a kind of advertisement of the firms' stature in the industry. The cover of the 2010 edition is dominated by a picture of a thick gate opening to permit a glimpse of a cloistered garden.[cccxxviii] This is a fitting image for a report that offers a privileged perspective on "the psychology of the HNWI"[cccxxix] (high net-worth individuals) and the "ultra-HNWI" whom the report's authors advise. Typical of the series, the 2010 report features forty glossy, full-color pages that offer superficial descriptive data on the global population of wealthy individuals and their overall investing preferences.

The rich, the report suggests, are on the whole neither coldly calculating nor wholly rational. Their investments are strongly motivated by "emotional factors."[cccxxx] The authors tactfully treat purchases of luxury cars, private jets, yachts, and artwork as "passion investments,"[cccxxxi] offering no judgment in their role as financial advisors. A brief section on philanthropy is more enlightening:

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[31] A fuller treatment of executive pay, tangential to this paper's core focus, might also assess the "advisory services" of business schools and academic experts on business. See for example various authors, "How to Fix Executive Pay." Harvard Business Review Blog, July 2009. Available online at www.blogs.hbr.org. Accessed 25 March 2011.

> Notably, while most HNWIs and Ultra-HNWIs give primarily for altruistic reasons, feelings of social responsibility, social networking, and tax benefits are all reasons for philanthropic giving. Whatever the motivation, philanthropic choices are often inextricably linked to broader financial-planning initiatives, including tax strategies.[cccxxxii]

In a less sympathetic context, this passage might be interpreted as criticism, but here the authors simply acknowledge a commonly appreciated reality and gloss over some of the less altruistic motives, including business and political calculations. The report underscores the pressure that taxes place on the wealthy to surrender portions of their wealth to the government or voluntarily distribute it in return for deductions, an important secondary feature of taxes on the wealthy. Thus public attitudes and policy can encourage philanthropic redistribution, which may act as a relief valve for public ire and reduce the size of the largest estates.

Most of the executives who speak publicly on matters of wealth and social inequality are on the defensive. The financial crisis transformed public concern into a wave of outrage, and persistent unemployment and a perceived economic malaise deepens the anxiety of many Americans regarding their own material positions. The arguments of senior executives regarding the social benefit of their corporations ring hollow as a justification for high salaries. Yet it is unsurprising that business executives are not clamoring to reduce their own pay. Self-interest is a powerful factor in this discussion; the survey data reviewed in this paper find that Americans view issues of wealth through the lens of their own personal positions and expectations.[32] The private sector duly communicates alarm over the social inequality that it engenders, but does not appear prepared to mobilize or support serious effort to moderate the trend.

IX. Special Interests

Only the boldest of special interests groups would openly declare itself in favor of increasing wealth or income inequality. Arresting the trend, while a popular cause, is an unwieldy burden. There are few special interest groups dedicated explicitly to this cause, and few (if any) are dedicated to the unpopular contrary position. Instead, the various camps wage their campaigns in proxy struggles. Clashes over post-hoc redistributive processes are unambiguously associated with inequality, and can be studied for insights into the special interests that have a particular stake in the key issues and the arguments and tactics by which they advance their positions.

Many of the most acrimonious redistributive discussions center on taxes and the government programs that they fund. The public-sector debate has been explored above, but this section's focus affords an opportunity for a closer look at the role of special interests groups. On the surface, the lobbying landscape appears to be one-sided: few groups explicitly call for higher taxes without attaching their appeal to a concrete cause. Yet the programs that rely on tax funds are well defended by special interest groups, and the resulting political struggle is waged constantly at the state and federal levels of government.

The anti-tax lobby includes both private and commercial interests. The American Chamber of Commerce advocates on behalf of both corporations and wealthy individuals. Curiously, it openly calls for a "reduction in corporate income tax rates"[cccxxxiii] but resorts to euphemism with respect to individual

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[32] Lottery ticket sales suggest that many Americans would welcome a $10 million payday were it attainable.

taxes, seeking a "tax code that rewards achievement, encourages investment, and promotes growth."[cccxxxiv] The Chamber's treatment of estate tax and trust fund regulations is an exception to its typical discretion. The Chamber is openly in favor of the abolition of estate taxes.[cccxxxv] It argues circuitously that the economy would benefit from "making it easier to transfer wealth to succeeding generations… [which] increases the flow of wealth to younger people, who can use it to build and expand businesses, creating jobs and more tax revenue."[cccxxxvi] The Chamber's claims to be a "network of grassroots business activists"[cccxxxvii] notwithstanding, in this case the Chamber's advocacy of the interests of the wealthy is barely concealed by tentative economic argumentation.

A number of groups dedicate themselves to the abolition or reduction of taxes as an ideological issue. These include Americans for Tax Reform,[cccxxxviii] the Policy and Taxation Group (at www.deathtax.com)[cccxxxix] and the National Taxpayers Union, "America's independent, non-partisan advocate for overburdened taxpayers."[cccxl] Such groups generally exert a liminal influence on actual policy development, but their existence is a testament of a deep-rooted and vocal opposition to taxes that does not appear to be inherently associated with the self-interest of the wealthy.

Anti-tax lobbyists confront fiscal reality. A wide range of groups routinely calls for higher taxes in order to maintain services, repair government budgets and, more nebulously, to promote equity. In rare cases, groups explicitly call for higher taxes without a specific funding priority. The "Patriotic Millionaires for Fiscal Strength" gained media attention during the run-up to congressional votes on the future of the Bush tax cuts in the fall of 2010. As a band of roughly 100 millionaires in favor of higher federal income taxes, their public willingness to pay more in order to fund federal spending was intended to draw attention to the need for wealthy individuals to surrender their private interests for the greater good.[cccxli]

Similar forces are on display at the local and state level. This paper has touched upon the Washington State's 2010 I-1098 referendum as exemplar of the local picture. Special interest groups played a key role in the contest, and this section affords an opportunity to return to the case in more detail.

The website of the "Defeat 1098" campaign offers a number of fundamental reasons to oppose the ballot initiative. They appeal to the concerns of key constituencies, particularly business owners and the middle class. First and foremost, the site cynically suggests, "We can't trust the politicians in Olympia with an income tax…[they could] extend the income tax to everyone..."[cccxlii] The architects of "Defeat 1098" also invoke the common arguments that higher taxes will "harm job creation" and lower the state's competitiveness. The site bolsters its claims with references to sympathetic opinion pieces and editorials in leading publications, including The Wall Street Journal and The Seattle Times.[cccxliii] Defeat 1098's arguments are typical, but perhaps with good reason: as the polling data reviewed earlier in this paper attests, many people support policies that they perceive to be in their self interest unless strongly compelled to do otherwise. The overwhelming defeat of the initiative, with two-thirds of voters against, demonstrates the resonance of these arguments with a broad mass of voters.

The pro-1098 campaign worked assiduously to appeal to the social concerns and private interests of lower and middle class voters. The website "Yes on 1098" advances the initiative as a win-win for nearly all voters: "Cuts Your Taxes *Plus* Funds Education & Healthcare."[cccxliv] The campaign emphasizes the personal and emotional impact of the cuts in services that the state faces should the initiative fail, and suggests that the opposition "misleads and deceives"[cccxlv] voters regarding the severity of these cuts. To this end, the group offers ten customized reports detailing potential impacts on voters' local areas.[cccxlvi]

Striking a populist stance, the campaign challenges voters to

> Take a stand against these wealthy CEOs by contributing what you can” to the campaign’s finances… Investment bankers, venture capitalists, CEOs and many other wealthy individuals oppose I-1098… You can help make sure the wealthiest 1.2% of Washingtonians pay their fair share so we can educate our kids and provide healthcare for those most in need.[cccxlvii]

This is a concise encapsulation of the group’s platform. Wealthy voters oppose a tax that would force them to pay their “fair share” and which would provide funds for education and healthcare, two fundamental redistributive services. The pro-1098 lobby casts itself as grass-roots coalition of lower-income voters opposing selfish, rich and isolated opponents who seek to sway voters and confuse the issues by spending large sums to advance their interests.

Politically important labor unions, strongly in favor of 1098, echo these sentiments. Local 925 of the Service Employees International Union (Washington State) has posted language on its website that mimics that of Yes on 1098 almost verbatim, calling the current tax structure “unfair” and stressing the importance of the services that the tax would fund.[cccxlviii]

Defeat 1098 based its campaign on a cynical and accurate calculation that middle-class voters could be persuaded to vote against an increase in taxes for the wealthy based in part on their fears that the taxes could be extended to lower incomes. The anti-1098 campaign largely focuses on the destructive impact of the tax increase, without addressing the cuts in services that would attend the initiative’s failure. The proponents of 1098 do not persuasively address the concern that the tax raise could be extended, but they do strive to weaken their opponents’ economic arguments. Yes on 1098 argues that claims that businesses are spooked by the tax increase are merely the chatter of “wealthy CEOs” who “don’t speak for small businesses” and would be hit hardest by the tax increase.[cccxlix] These pseudo-analyses offer little depth, but nonetheless highlight the centrality of the business interest, and voters’ self interest, in both sides’ campaigns.

Struggles over taxes show the tensions that attend any discussion of redistribution or other concrete measures to reduce income and wealth inequality. The December 2010 attempts in Washington DC and Washington state to increase taxes on the wealthy both failed, victims of political calculation and voters’ concerns for their own tax burdens. By publicly presenting the arguments that they feel will sway voters, special interest groups highlight the fault lines of contentious issues and raise the prominence and intensity of political contests. Yet these groups do not always exert their deepest influence through appeals to voters. Beneath their public facades, these groups actively work to alter the political calculus of politicians and members of government. Any legislated attempt to address wealth and income disparities necessarily encounters competing interests associated with the money at issue. To examine popular attitudes towards money in greater detail, we now turn to a quick study of American popular culture.

X. Popular Culture

Money and mass entertainment are inseparable. Entertainers earn large sums; popular media often depict dramatized versions of wealthy lifestyles. These cultural products offer insights into popular attitudes towards wealth and associated issues of disparity and problematic social mobility. Through consideration of popular media, this section finds that sources from the late 1980s are fundamentally comparable to contemporary analogues. The mainstream viewpoint can be characterized as fundamentally inconsistent. Wealth is consistently glamorized, and the wealthy often treated sympathetically, even if their greed is suspect. Poor Americans with little hope for upward mobility express their frustration with the system but endorse the culture of materialism all the same.

Issues of wealth inequality and materialism have long been a mainstay of popular music, and especially of the rap and hip-hop genres. Tupac Shakur’s “Brenda’s Got a Baby”[cccl] (1991) describes the misery and uncertainty of poverty. Twelve year old Brenda is impregnated, abandoned, and shunned by her family.

> Now Brenda's gotta make her own way
> …She tried to sell crack, but end up getting robbed
> …So she sees sex as a way of leaving hell
> It's paying the rent, so she really can't complain
> Prostitute, found slain, and Brenda's her name, she's got a baby…

Poverty is “hell,” and government support or other social services appear to be unavailable in this dramatized narrative. Brenda has no way to escape her condition; she has no thought of riches and luxury goods and instead struggles to feed herself and her child. The song ends with her death; one can only hope that her child will have more opportunities than she did—but this is a hope against experience.

Some Americans just above the poverty line cast their aspirations firmly upward. The Big Tymers’ “Still Fly”[cccli] (2002) humorously describes the struggle to maintain outward appearances of wealth beyond one’s means:

> Gator boots, with the pimped out Gucci suit
> Ain't got no job, but I stay sharp
> Can't pay my rent, ‘cause all my money's spent
> But that’s OK, cause I'm still fly
> Got a quarter tank o’ gas in my new E-class
> But that's alright cause I'm gon' ride**…**

This is not an isolated or even atypical case: the song is well known and resonates because it describes a widespread cultural phenomenon. The subject of the song appears incapable of making sensible spending decisions, let alone earning wealth.

Some rap artists express frustration at limited opportunities from a less humorous perspective. Kanye West’s “Heard Em Say”[ccclii] (2005) adopts a bitter, cynical tone.

> Before you ask me to get a job today, can I at least get a raise on a minimum wage?
> …Things we see on the screen are not ours,
> But these ni**as from the hood so these dreams not far,
> …I guess they want us all behind bars.
> I know it.
>
> …The devil is alive I feel him breathin',
> Claimin' money is the key so keep on dreamin',
> And put them lottery tickets just to tease us…

The minimum wage is barely worth working for; a low-wage worker will never be able to afford the cars, homes, and luxury goods seen in advertisements. West intimates a conspiracy, suggesting “they want us all behind bars," forever trapped in low-wage, dead-end employment. West's protagonist sees the "devil" in this unfair system, in which low-income workers are pressured to seek wealth but have no better opportunity than to play the lottery.

Lupe Fiasco's "Words I Never Said,"[cccliii] released in February 2011, is a social and political commentary on the harsh impact of budget cuts and recession on the lower classes.

> Your child's future was the first to go with budget cuts
> If you think that hurts, then wait here comes the uppercut
> The school was garbage in the first place, that's on the up and up
> Keep you at the bottom but tease you with the uppercrust
> You get it then they move you so you never keeping up enough…

As the rich become ever richer and better educated, "keeping up" becomes an ever more distant dream for students in poorly funded "garbage" schools. Echoing Kanye Wests's "Heard 'Em Say," Fiasco suggests that this disparity of opportunity amounts to a form of cruelty. The poor are tantalized by the prosperous future that is forever just out of reach.

The 2007 song "Hands Held High"[cccliv] by the rock band Linkin Park rages against a less commonly articulated impact of wealth inequality: because few wealthy Americans volunteer for the armed forces, a disproportionate number of American soldiers are from lower-income backgrounds. Linkin Park sings,

> Like this war's really just a different brand of war
>
> Like it doesn't cater the rich and abandon poor
> Like they understand you in the back of the jet
> When you can't put gas in your tank
> These f**kers are laughing their way to the bank and cashing the check
> …On the back, he hand-wrote a quote inside
> When the rich wage war it's the poor who die…

The government is run by the wealthy and for the wealthy; when the time comes for sacrifice, the wealthy stay home and become wealthier while the poor go to war and risk injury and death.

American television shows must attract viewers or perish. The most popular programs are able to hold the interest of large populations, often from a key demographic group. Shows take varying approaches to satisfy this economic imperative, from "mindless" entertainment and guilty pleasures to sophisticated, provocative programming. "The Colbert Report," a popular nightly comic news program, presents farcical mock analyses of issues of interest to its largely young, educated, and liberal audience. The popular American version of "Secret Millionaire," a British reality TV series, features wealthy individuals or couples posing as low-income documentary makers, seeking out charitable organizations and private social workers. In the second half of each episode, the wealthy explorers reveal themselves and donate a minimum of $100,000 as they see fit.

Host Stephen Colbert opens the March 1st, 2011 broadcast of "The Colbert Report"[ccclv] by asking, "There's a growing gap between the rich and poor—can we throw the middle class down it?" Like a typical news anchor, Colbert produces line charts of income trends by percentile, and cites recent coverage in <u>Mother Jones</u>[ccclvi] and <u>The Atlantic</u>[ccclvii]-- but his role as an entertainer frees him to discard the traditional, sober approach to the issue. Instead of pie charts, he illustrates income disparity with footage of a pie eating contest in which a few contestants gorge themselves. The contest ends when one contestant vomits on another, at which Colbert quips "that's why they call it trickle-down." As Colbert observes that the average CEO earns 185 times the pay of the average worker, a sidebar darkly comments, "Good Thing Americans Can't Do Math."

Colbert presents three options for America. The first is to do nothing, and let incomes continue to diverge. This is unhealthy, Colbert suggests, and potentially a step down the path toward serious social unrest. Colbert likewise discards redistributive measures such as taxation of the wealth and limits on executive pay as historically ineffective. This is the point where economists, commentators and the mainstream media often retreat to descriptive analysis, but Colbert presses on. The solution, he suggests with a grin, is to create a new nation, "America Plus," populated by the wealthiest Americans. Given the cultural differences between the superrich and ordinary Americans, Colbert muses, the split would be akin to a divorce: "we're into fine wines and racing Ducattis, and you're into other things, like shelter and warmth." In a final gibe that highlights the frustrations of unemployed middle class and lower-income workers, Colbert suggests that the split would render Americans "cheap foreign labor" from the perspective of the rich, and "we might just start hiring you again."

Whereas Colbert mines discomfort and concern for laughs, "Secret Millionaire" explores the human aspects of disparity. Episode five of the second season of "Secret Millionaire," aired in April 2011, featured the largest donations yet: a total of $410,000 (and a pair of sunglasses) from Curves CEO Gary Heavin and his wife Diane. In the opening scene of the episode, the narrator explains that "For six days [Mr. and Mrs. Heavin] will be stripped of all luxuries… looking for deserving people who need their help."[ccclviii] The show presents an aerial view of the Heavins' 1,000 acre estate in central Texas, as well as their sports cars, horses and hot air balloons. Surrounded by private luxury, Mrs. Heavin tells viewers, "…we have nice things, a few toys… but it's really important that we give back."[ccclix] The couple flies a private jet to a small airport outside Houston, where the flight crew loads their luggage into a run-down, cheap car.

The producers provide the Heavins with a house and disposable income—at the average level of the poor neighborhood in which they are placed. Thus their daily food allowance is $6 per person, and their home is dilapidated and apparently malodorous. Cameras in tow, the Heavins boldly set out and visit local charities. After brief experiences with the good work of several groups, the Heavins revisit each group and reveal their identities. At a halfway house, for example, the Heavins offer a total of $100,000 to six staff members. Both parties are overjoyed; Mr. Heavin, beaming, tells the camera crew, "…Being able to see the evidence of giving was the greatest experience."[ccclx] This vignette is repeated with group after group for the remainder of the episode. In the final scene, the gate to the Heavins' estate slowly glides open, and we leave them back in their wealthy world. As the credits roll, the show briefly describes how each of the groups used the funds.

The central conceit of "Secret Millionaire" is that wealthy tourists can meaningfully benefit a community and demonstrate civic piety with just a few cash donations. The actual transfer is haphazard: the selection of charitable groups (if unstaged) seems to be determined largely by chance, and the amounts given appear to be arbitrary, with few if any conditions attached to the donation. The show does not pause to evaluate the impact or value of the donations relative to Mr. and Mrs. Heavin's existing tax burden. In other words, the act of voluntary, targeted donation seems to be entirely distinct from tax payment and altogether more satisfying for the givers, more touching for the recipients, and more entertaining for the audience.

To the extent that films reflect the public issues and norms of their day, filmic sources stand as primary evidence of American culture's simultaneous fascination and unease with wealth. "Pretty Woman" (1990) exemplifies what might be termed the "Cinderella myth," the enduring fable that serendipitous romance offers a chance for upward socioeconomic movement, a “rescue” of sorts from poverty or social marginalization. The classic portrait of modern financial excess, “Wall Street” (1987), ultimately paints an ambiguous portrait of money-crazed financiers. The timely sequel “Wall Street: Money Never Sleeps” (2010) retains the original’s glamorization of wealth, and struggles to convey the private and social harms of greed.

The popular and critically acclaimed 1990 romantic comedy “Pretty Woman”[ccclxi] is heir to a long tradition of analogous tales. Notable iterations include George Bernard Shaw’s play “Pygmalion” (1912)[ccclxii] and the classic 1964 film adaptation, “My Fair Lady.”[ccclxiii] These stories can be seen both as a reflection of widespread aspirations and as a form of cultural anesthetic, a secular analogue to Marx’s famous “opiate.”

“Pretty Woman” features Richard Gere and Julia Roberts as a private equity mogul and a Los Angeles prostitute who fall in love. Edward, Gere’s character, is condescending and occasionally rude to Vivian, played by Ms. Roberts. When Edward reveals Vivian’s true identity to a friend, he is met with derision and shock: “You’re the only millionaire I ever heard of… who goes looking for a bargain basement streetwalker, you know?” Upscale shopkeepers, hotel managers, and others who cater to the wealthy are similarly dismissive; when Vivian attempts to buy a dress with Edward’s credit card, the shop keeper tells her “I don’t think this would fit you… It’s very expensive... You’re obviously in the wrong place. Please leave.”

Vivian’s lack of polish and manners create amusing and endearing situations throughout the film. Edward flies her to an opera on his private jet and lends her a necklace worth “about a quarter of a million dollars” to wear during the show; as the curtain falls she declares, “[it was so good that] I almost peed my pants!” Edward, covering, tells the shocked woman behind [name], “She said she liked it even better than ‘Pirates of Penzance.’”

The film closes with Vivian’s rehabilitation into the mainstream society and economy. Edward has come to respect, and perhaps even to love, Vivian. She meliorates his predatory tendencies and inspires him to save a company he had planned to destroy for profit. For her part, Vivian charms high society and learned to superficially dress and act like a wealthy woman.

Tellingly, the final narrative content concerns Vivian’s plans to enroll in school, sponsored by Edward. Vivian tells her closest friend, a prostitute, “[I’m going to San Francisco to] get a job. Finish high school. I got things I can do. I used to make pretty good grades in high school.” Vivian is upward bound: with or without Edward’s money, she plans to pursue a more conventional education and career. The closing credits play off the parallels between fairy tales and modern aspirations, as a man tells the viewer, ‘this is Hollywood… Some dreams come true, some don’t. But keep on dreamin’.

Although the cultural fascination with socially fraught romance endures (witness the success of Pixar’s animated “Shrek” movies, marriage is not the primary engine of socioeconomic mobility.[ccclxiv] A smaller number of films directly address the ambitions of many Americans to secure wealth through high-paying jobs and successful investments. Bud Fox (Charlie Sheen), the protagonist of Oliver Stone’s 1987 classic “Wall Street,”[ccclxv] was born blue-collar and is desperate to become rich. Legendary financier Gordon Gekko (Michael Douglas) offers him riches, on one condition: he must facilitate illegal and unethical insider trading. As the movie poster declares, “Every dream has a price.” Bud, stuck in a relatively low-paying trading job with little hope of quick advancement, accepts Gekko’s offer and becomes embroiled in a dangerous and free-wheeling world of crazed greed.

The script frequently comments on the contemporary culture of greed and rising inequality. Gekko tells Bud Fox,

> The richest one percent of this country owns half our country's wealth, five trillion dollars…. It's bullshit. You got ninety percent of the American public out there with little or no net worth. I create nothing. I own. We make the rules, pal… Now you're not naive enough to think we're living in a democracy, are you buddy? It's the free market.

Gekko is proud of his power and mastery of the economic and political system; viewers might understandably be less bullish. Gekko's troubling implication is that American democracy does not function as such because the economic weight of the top ten percent overwhelms the remaining ninety percent of the country. The pursuit of wealth is inherently beneficial, both privately and socially: "Greed," Gekko famously declares, "…is good."

"Wall Street" offers its own response to the rampant materialism that it depicts. Bud Fox's conversations with his blue-collar father, Carl, are an example.

> CARL: What you see is a guy who never measured a man's success by the size of his wallet!
>
> BUD: That's because you never had the guts to go out into the world and stake your own claim!
>
> CARL: Boy, if that's the way you feel, I must have done a really lousy job as a father.

The plot supports Carl's admonition: one of Gekko's schemes would destroy the airline for which Carl works, and Bud belatedly abandons the plan to avoid harming his father. Although Bud breaks with Gekko, he cannot escape charges for insider trading and fraud, and the film closes with both about to face trial.

"Wall Street" remained popular, but perhaps not in the way that Oliver Stone and the film's other creators intended. Since the film was first screened, some have seen Gordon Gekko as a dark but inspirational figure. To ambitious young traders, he is an entertaining caricature of excess but not necessarily an exemplar of the perils of greed. [33]

Nevertheless, the film's moral critical tone acquired new relevance in the wake of the 2008 financial crisis. Amid renewed public debate over the potential public harms of private gain, Oliver Stone and Michael Douglas created a sequel, "Wall Street: Money Never Sleeps,"[ccclxvi] released in the fall of 2010. Michael Douglas, reprising his role as an aged Gordon Gekko, claims to be a reformed man, telling his new mentee (an echo of the Bud Fox character), "If there's one thing I learned in prison, it's that money is not the prime commodity in our lives—time is." Pressed about his famous declaration that "greed is good," the modern Gekko responds, "I swear I don't remember it but it sounds like something I would say in the eighties."

Like the first film, the sequel ultimately leaves viewers with ambiguous impressions of the superrich. Gekko deviously rebuilds his wealth—at one point even stealing his daughter's $100 million

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[33]Tom Wolfe's contemporaneous novel Bonfire of the Vanities (1987) is less forgiving. Wolfe paints a damning portrait of high-flying financier Sherman McCoy, who is confronted with a possible charge of vehicular manslaughter while at work directing a "legion of young men crazed by greed and ambition." (133). There is no indication that McCoy's arbitrage actually creates wealth for society, or produces anything tangible. Yet McCoy fetishizes wealth and places money ahead of friends and family. Tom Wolfe, The Bonfire of the Vanities. Farrar, Straus and Giroux, 1987.

trust fund for investment capital—but he soon returns the money to her and they are reconciled. On one hand, viewers see the limits of capitalism as an instrument of public good: several fictional financial firms decline to provide crucial capital for a green technology project because they don’t see a profit. Yet, the film also downplays the impact of the financial crisis on middle and lower-income Americans. Far from the scathing post-crisis critique that one might have expected, the film in many ways trades on the glamor and allure of finance to entertain its audience.

The volatile mixture of frustration and fascination apparent in American mass culture suggests a partial explanation for the failures of policy makers and business leaders to more actively address income and wealth disparity in America. American culture admires the pursuit of wealth, and those who are entertained by popular portrayals of wealth may aspire to such a lifestyle themselves. Hit songs decry limited opportunities for the poor, but fetishize wealth at the same time. “Pretty Woman” and “Secret Millionaire” provide sympathetic, intimate portraits of the rich, and suggest that they harbor sympathy and compassion towards those less fortunate. “Wall Street” and its sequel, which might have been scathing, instead provide an ambiguous and often misappropriated portrayal of the rich. Absent a strong and consistent popular demand for greater inequality, the pursuit of wealth will continue to produce winners and losers.

XI. Conclusion

To borrow a famous problem from physics (hopefully without too much injury), this paper searches for “dark matter.” The discipline of economics has remained far quieter on the issue of material inequality than on many others, and its silence is the background of the sprawling debate among the constellation of sectors and interests surveyed. Government policy sits at the center of the competing interests and claims of economists, private individuals, NGRIs, the news media, the private sector, special interest groups and even popular culture. None of these sectors can be viewed as a monolith. Each is composed of competing factions, which “pull” public discourse and policy in different directions. Economic argumentation appears in every segment, introduced by qualified and unqualified commentators and by professional economists, but rarely as a dominant influence. The net result of these competing forces, this paper argues, is a great deal of noisy discussion but little actual deviation from the current trend of growing material inequality.

Each sector brings a distinctive voice and style to the exchange. The economic literature proceeds cautiously, seeking data and carefully assembling descriptive analyses while generally refraining from making bold recommendations. The government features both partisan posturing by elected officials and timid presentations by appointed economists, punctuated by rare statements of real concern and candor. The public, like its elected representatives officials, is guided by self-interest and the middle class simultaneously demands the benefits of redistribution while fretting that higher taxes on the truly wealthy might some day come to impact current middle and lower earners as well. NGRIs range from erudite and nonpartisan institutions that resemble applied economic departments, to raucous advocates of a specific ideology or policy approach. The news media are similarly divided along a broad political spectrum and vary in cogency. They play a vital role as an amplifier and mediator of the conversations being held in all sectors. The private sector is the primary source of income inequality, and the hapless firms and executives in the spotlight generally seek to placate politicians and an irate public while maintaining lucrative practices. Special interest groups are an enormously diverse body unified only by their predetermined commitments to specific platforms. Finally, popular culture creates and reinforces mainstream attitudes towards wealth and the wealthy, reflecting popular desires to attain wealth and mass admiration and fascination with the wealthy.

Amid such a cacophony, what role could economists play? It is not satisfactory to treat such a sensitive topic as material inequality only with orthodox conceptions of “efficiency” or “optimality” based on a simple model or set of assumptions, because the acutely felt reality is anything but simple. In some ways, the question is almost too hot to touch, but it demands attention due to its very controversy.

Three fundamental modes of resolution exist. First, social norms may be altered in such a way that material inequality is no longer seen as a pressing issue. Second, the underlying drivers of inequality may be adjusted so that the present trend, of rising incomes for the wealthiest and stagnant or declining wages for much of the rest, is arrested or reversed. Finally, the private sector, the government, the wealthy, or other empowered agencies may adopt redistributive measures such as salary caps, progressive taxation (and the provision of services), voluntary charitable contribution, and the like.

Economists no longer serve as the major proponents of social attitudes towards wealth. Historical endorsements of socialism (e.g. Mill), communism (Marx) or marginalist tolerance of inequality (e.g. Clark) are unpalatable to modern American society. Louder and more pervasive influences—such as popular culture, politicians and the news media-- will shape future norms. The contributions of economists, while valuable, are not likely to generate the paradigm shift necessary to single-handedly defuse escalating social tensions or overcome the gridlock of the public debate.

Economists play a more active role in the second mechanism of resolution, that of altering the forces that increase dispersion. This paper focused on the debate about inequality rather than the study of the underlying drivers, but several fundamental concerns have been identified, chief among them inequality of access to education, technological change, and labor pressures. Economists in academia, government, NGRIs, and special interest groups study and vocally advance proposals to level the playing field and to support the wages of lower and middle-income workers. Unfortunately, these calls confront challenges of practicability. Improvements to education, perhaps the most politically popular measure of any, have faced historic obstacles and in any case a significant reduction in material inequality would lag primary education reform by a generation.

The final mode of resolution, redistribution, is perhaps the most fertile ground for fruitful thinking by economists. If the present dispersion is intolerable and the trend resilient, then redistributive measures will continue to gain in both symbolic and effective importance. This mode is intimately linked with the first two—redistributive programs are fiercely debated in the context of social values, and many, such as education, ultimately impact the underlying drivers of inequality. Yet the presence of economists in this element of the debate is essential. This paper’s literature review found that a number of economists do study leading mechanisms of redistribution, such as tax policy and education. Their empirically grounded and occasionally forceful advocacy lends weight to arguments that otherwise rely heavily on appeals to social or moral values, but they too often defer judgment and the critical redistributive applications are too little studied. It has been widely accepted in America that some degree of redistribution is beneficial; economists would serve the public well by guiding the ongoing debates on degree and mechanism.

Whether and how to address the sharply uneven allocation of material resources and opportunities in America is an almost irreducibly complex problem of competing social, economic, and political interests. If the generations-old trend of increasing dispersion continues, mass discontent and pressure for radical redistribution or other measures will only grow. If economists are to provide compelling new standards or sets of policies to guide the public response, their approach must reflect due consideration for the concerns and activities of the other major sectors of civil society. Economists need not act alone: interdisciplinary approaches would produce much useful insight. This is a challenge for the discipline, but also an opportunity to demonstrate unprecedented synthesis of sensitivity and practicability. By responding more closely to the need for guidance and engaging actively with major constituencies, economists may gradually help to effect a more constructive solution and safeguard America's social and economic health.

Appendix: Charts and Tables

Figure 1: US Average Incomes by Income Percentile, 1913-2008

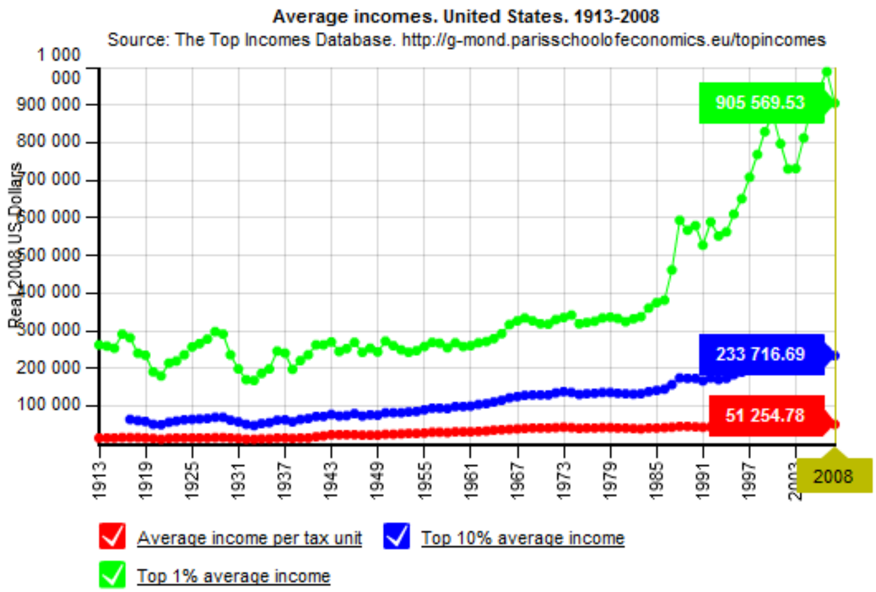
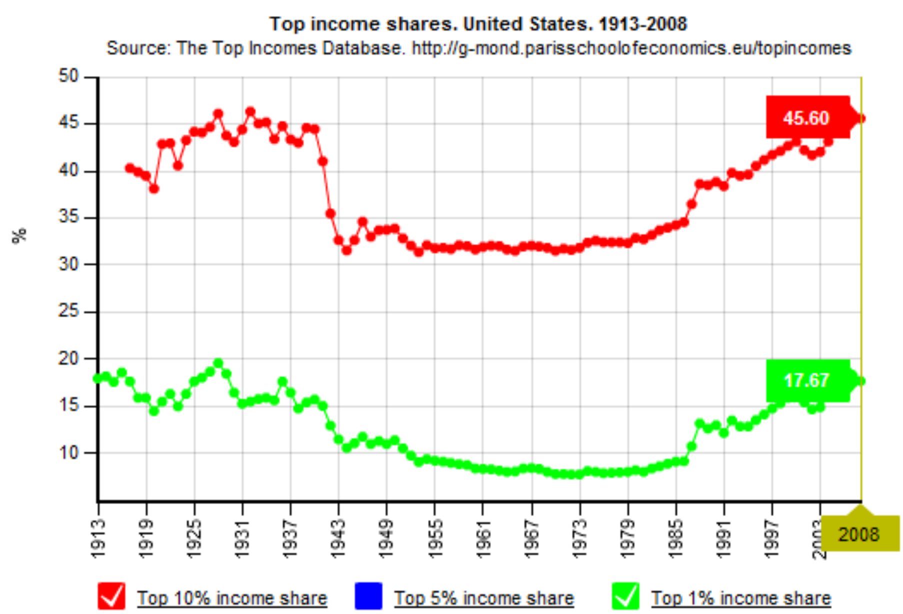
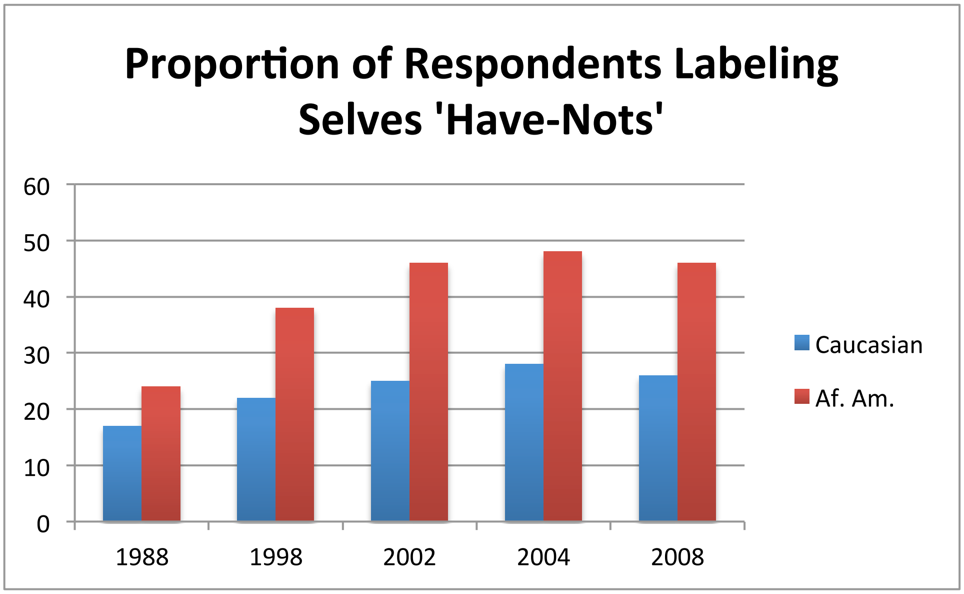


Figure 2: Shares of Top US Income Percentiles, 1913-2008



Note: 5% income share removed.

Figure 3

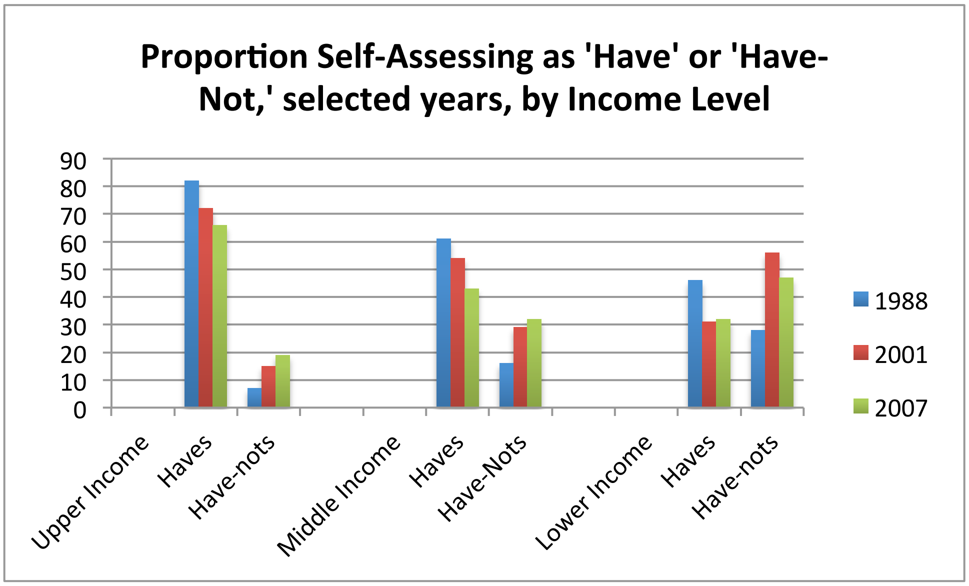


95% confidence is +/- 5%.

Raksha Arora, "A Nation More Divided: Ranks of 'Have-Nots' Swell." Gallup News Service Commentary, 20 July 2004. Available online at www.gallup.com. Accessed 14 March 2011.

Lydia Saad, "More Americans Say US A Nation of 'Haves' and 'Have-Nots'." Gallup News Service Special Report, 11 July 2008. Available online at www.gallup.com. Accessed 14 March 2011.

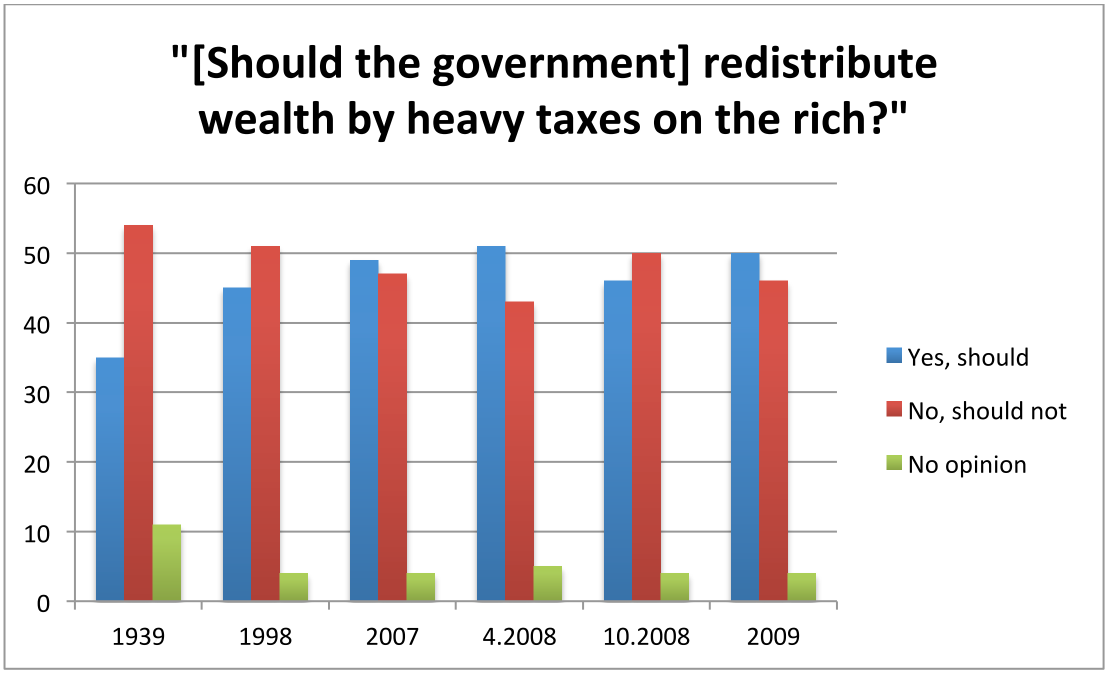
Figure 4



Gallup and Pew poll, "If you had to chose, are you in the 'haves' or the have-nots'?"

Source: Jodie T. Allen and Michael Dimock, "A Nation of "Haves" and "Have-Nots"? Far More Americans Now See Their Country as Sharply Divided Along Economic Lines." Pew Research, 13 September 2007. Available online at http://pewresearch.org. Accessed 14 March 2011.

Figure 5



2009 ‘should not’ and ‘no’ proportions are author’s estimates; only 2009 ‘yes’ figure was publicly available via an indirect source on Gallup’s website. The 1939 survey differs in method and reliability from modern surveys. For the 1998-2009 surveys, 95% confidence is +/- 3%.

Frank Newport, “Americans More in Favor of Heavily Taxing Rich Now Than in 1939.” Gallup News Service, 16 April 2007. Available online at www.gallup.com. Accessed 14 March 2011.

Gallup Poll, “Do you think our government should or should not redistribute wealth by heavy taxes on the rich?" Poll conducted April 6-9, 2008. N=1,010 adults nationwide. MoE ± 3. Available online at www.pollingreport.com/life.htm. Accessed 17 March 2011.

Gallup Poll, “Do you think our government should or should not redistribute wealth by heavy taxes on the rich?" Poll conducted Oct. 23-26, 2008. N=1,010 adults nationwide. MoE ± 3. Available online at www.pollingreport.com/life.htm. Accessed 17 March 2011.

Figure 6

"View of Federal Taxes Income Group Pay, by Respondent Household Income"

Respondent Demographic; *Regarding*:	Fair share	Too much	Too little
Lower-income people			
Less than $30,000	31	50	15
$30,000 to $74,999	43	40	15
$75,000+	51	27	19
Middle-income people			
Less than $30,000	50	38	8
$30,000 to $74,999	51	44	5
$75,000+	50	48	2
Upper-income people			
Less than $30,000	20	11	63
$30,000 to $74,999	21	12	65
$75,000+	29	19	52

95% confidence is +/- 3%. Source: Gallup Poll, 6-9 April 2009.
Jeffrey M. Jones, "More Say Low-Income Americans Paying Fair Share of Taxes."
Gallup News Service, 16 April 2009. Available online at www.gallup.com. Accessed 14 March 2011.

Figure 7

"Do you feel that the distribution of money and wealth in this country today is fair, or do you feel that the money and wealth in this country should be more evenly distributed among a larger percentage of the people?"

Poll Date	Distribution Is Fair %	Should Be More Evenly Distributed %	Unsure %
10/23-26/08	37	58	5
4/6-9/08	27	68	5
4/2-5/07	29	66	5
1/10-12/03	31	63	6
9/11-13/00	38	56	6
4/23 - 5/31/98	31	63	6

95% confidence is +/- 3%.

Source: Gallup Poll, “"Do you feel that the distribution of money and wealth in this country today is fair…?" Poll conducted Oct. 23-26, 2008. Available online at www.pollingreport.com/life.htm. Accessed 17 March 2011.

Figure 8

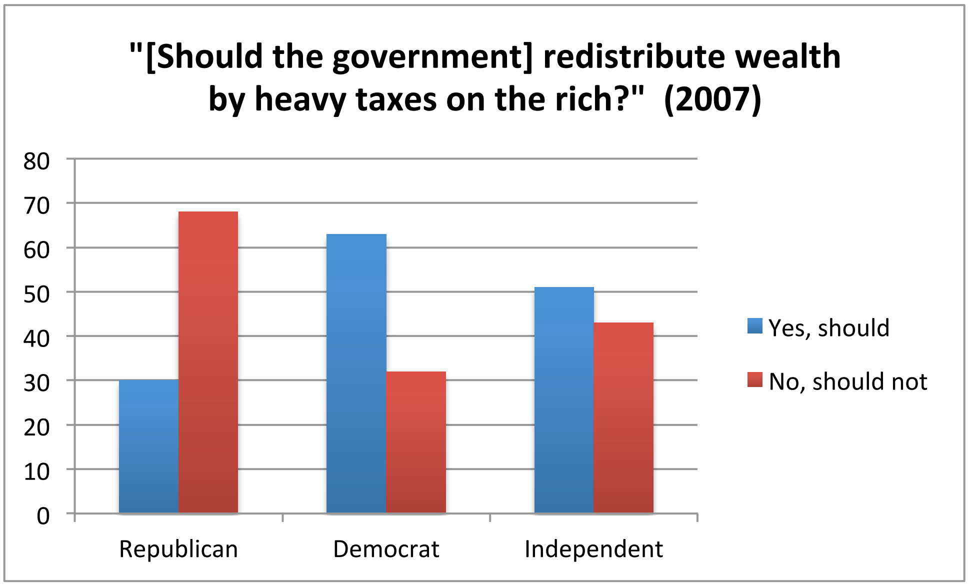
“People feel differently about how far a government should go. Here is a phrase which some people believe in and some don't. Do you think our government should or should not redistribute wealth by heavy taxes on the rich?”

Income	Yes, should	No, should not	No opinion
0-19,999	64	26	10
20,000-29,999	55	42	3
30,000-49,999	58	41	1
50,000-74,999	46	51	3
75,000+	35	62	3

95% confidence is +/- 3%.

Source: Newport, “Americans More in Favor of Heavily Taxing Rich Now Than in 1939.”

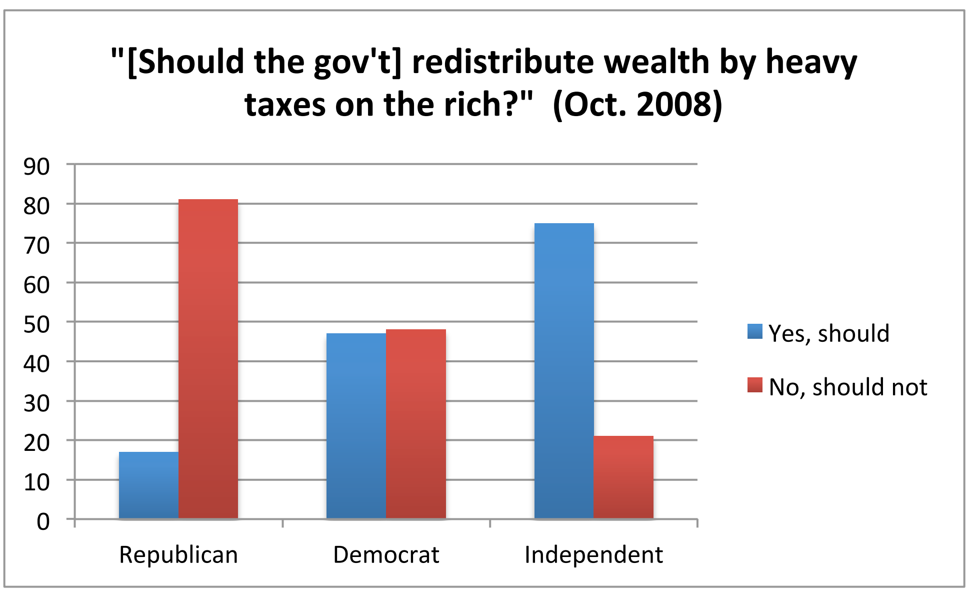
Figure 9



95% confidence is +/- 3%.

Source: Newport, "Americans More in Favor of Heavily Taxing Rich Now Than in 1939."

Figure 10

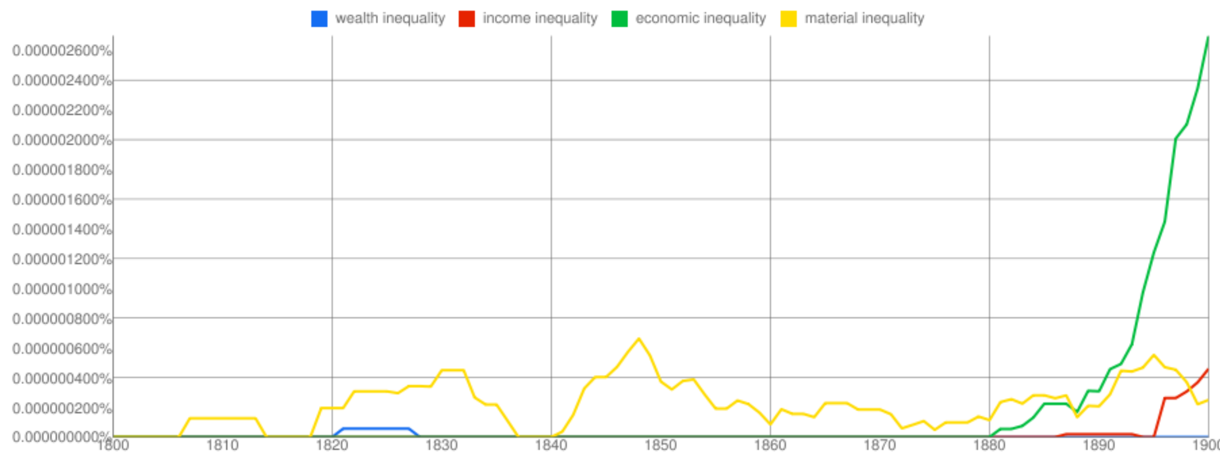


Gallup Poll, "Do you think our government should or should not redistribute wealth by heavy taxes on the rich?" Poll conducted Oct. 23-26, 2008. N=1,010 adults nationwide. MoE ± 3. Available online at www.pollingreport.com/life.htm. Accessed 17 March 2011.

A Note on Figures 11-14: Relative Frequency of Selected Terms

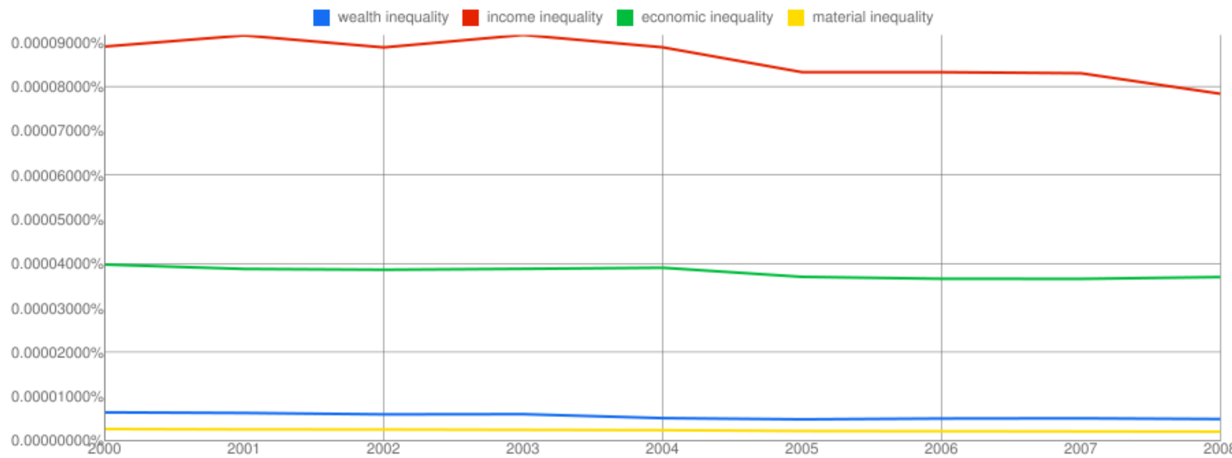
The frequency of use of these terms has varied considerably over the past 200 years. Data from the Google NGram tool, which currently searches five billion words from over five million books, illuminates the broad trends. The 19th century saw sporadic jumps in the frequency of the use of “material inequality,” the favored term, and a dramatic rise in the use of “economic inequality” after 1890. Few of the terms were used before 1950, at which point “income inequality” became far more frequently used, with “economic inequality” a middling second and “wealth” and “material” inequality rarely used. Between 1926 and 1930, the print frequency of the phrase “income inequality” more than doubled, and rose fivefold again by 1934. Yet the usage rates of all four major terms stayed constant or fell as concentration reached a new record high between 2000 and 2008.

Figure 11: Google NGram Viewer, “Wealth Inequality,” “Income Inequality,” “Material Inequality,” “Economic Inequality,” 1800-1900



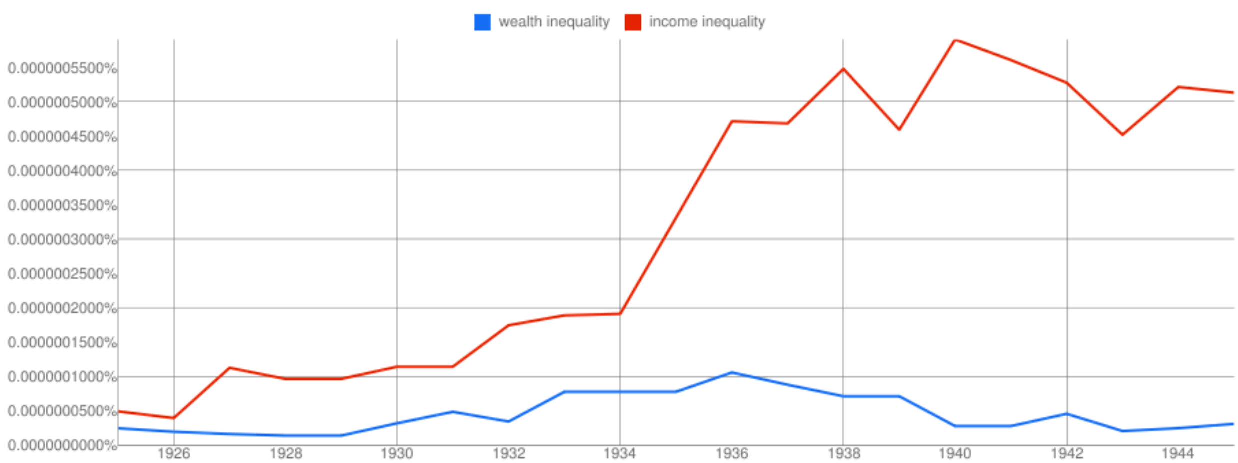
http://ngrams.googlelabs.com/

Figure 12: Google NGram Viewer, "Wealth Inequality," "Income Inequality," "Material Inequality," "Economic Inequality," 1900-2008. http://ngrams.googlelabs.com/



http://ngrams.googlelabs.com/

Figure 13: Google NGram Viewer, "Wealth Inequality" and "Income Inequality," 1925-1945. http://ngrams.googlelabs.com/



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[ii] See Michael I. Norton and Dan Ariely, "Building A Better America—One Wealth Quintile at a Time." Unpublished (forthcoming in Perspectives on Psychological Science). Available Online at www.people.hbs.edu/mnorton. See also Hope Yen, "Income Gap Widens: Census Finds Record Gap Between Rich and Poor." The Huffington Post, 28 September 10. Available online at www.huffingtonpost.com. Accessed 14 March 2011.
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[iv] Piketty and Saez 2006 pp. 200.
[v] Adam Smith, The Theory of Moral Sentiments. London: 1759. Reprinted in Robert L. Heilbroner, The Essential Adam Smith. WW Norton: New York, 1986. Pp. 66.

[vi] Adam Smith, An Inquiry into the Nature and Causes of the Wealth of Nations, Vol. 1. London: 1776. Reprinted in Robert L. Heilbroner, The Essential Adam Smith. WW Norton: New York, 1986. Pp. 170.

[vii] Smith, Theory of Moral Sentiments, pp. 78.
[viii] Smith, Theory of Moral Sentiments, 87.
[ix] Smith, Wealth of Nations, 159.
[x] Smith, Theory of Moral Sentiments, pp. 88. There is no limit to the riches that birth, circumstance, and superficial accomplishment can bring: Smith asserts that Louis XIV, the most powerful monarch of his era, was great not by justice, diligence, or wisdom, but simply by virtue of his greatness and by the power of society's perceptions of his "frivolous accomplishments." (82).
[xi] Smith, Theory of Moral Sentiments, 86-7.
[xii] Smith, Theory of Moral Sentiments, 79.
[xiii] Smith Wealth of Nations 4:8.1.
[xiv] Ibid.
[xv] PPP-adjusted 2009 US dollars. Source: Gapminder World, http://www.gapminder.org/
[xvi] Smith, Wealth of Nations 5:1.2.
[xvii] Ibid.
[xviii] Smith, Wealth of Nations 1:8.
[xix] Ibid.
[xx] Ibid.
[xxi] "Many workmen could not subsist a week, few could subsist a month, and scarce any a year without employment." Ibid, 1:8.
[xxii] Ibid.
[xxiii] Ibid.
[xxiv] Ibid.
[xxv] Ibid, 5.1.1
[xxvi] Ibid, 5.1.1
[xxvii] See Ibid 5.2.1, for a tax on "foreign luxuries" paid largely by those of "middling or more than middling fortune."
[xxviii] Ibid, 5.1.1
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[xxxi] Ricardo 2001 pp. 58.
[xxxii] Ibid, 63
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[xlii]Ibid, 2:3.
[xliii]Ibid, 2:11,
[xliv] Ibid, 2:2.1.
[xlv]Ibid, 2:2.4.
[xlvi]Ibid, 2:2.6.
[xlvii]Ibid, 2:2.1.
[xlviii]Ibid, 2:2.1.
[xlix]Ibid, 2:2.6.
[l]Ibid, Book 4.
[li]Ibid, Book 4.
[lii]Ibid.
[liii]Ibid, 2:11.
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[lv]Alfred Marshall, Principles of Economics (8th Edition). London: Macmillan and Co, 1920. Text accessed online from Library of Economics and Liberty, www.econlib.org. Accessed 18 March 2011. See 6:1.13.
[lvi]“The equilibrium level of the real wages of the boot-operative depends directly on, and varies directly with, the average efficiency of the trades, including his own which produce those things on which he spends his wages.” Ibid, 6:2.32.
[lvii] Ibid, 6:3.5.
[lviii] Ibid, 6:2.17.
[lix] Ibid, 6:1.15.
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[lxi]Ibid, 6:1.24.
[lxii]Ibid, 6:11.2.
[lxiii] Ibid, 6:11.7.
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[lxvi] VI.XI.13
[lxvii] Ibid, 6:11.11.
[lxviii]Ibid, 6:11.14.
[lxix]Ibid, 6:3.13.
[lxx] Ibid, 6:3.12.
[lxxi] Ibid.
[lxxii] John Bates Clark, The Distribution of Wealth: A Theory of Wages, Interest and Profits. New York: Macmillan, 1931.
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[lxxviii] See (among many resources) David S. Lee, “Wage Inequality in the United States During the 1980s: Rising Dispersion or Falling Minimum Wage?” The Quarterly Journal of Economics, Vol. 114, No. 3 (Aug., 1999), pp. 977-1023. Pp. 977-978.

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[lxxxiii] See also Sean Corcoran and William N. Evans, "Income Inequality, The Median Voter, and the Support for Public Education." National Bureau of Economic Research, Working Paper 16097, June 2010. Pp. 1.
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[lxxxvi]Daniel R. Feenberg and James M. Poterba, "The Income and Tax Share of Very High-Income Households, 1960-1995." The American Economic Review, Vol. 90, No. 2, Papers and Proceedings of the One Hundred Twelfth Annual Meeting of the American Economic Association (May, 2000), pp. 264-270.
[lxxxvii] Ibid. pp. 264.
[lxxxviii] Ibid. pp. 270.
[lxxxix]Piketty and Saez 2006. Thomas Piketty and Emmanuel Saez, "The Evolution of Top Incomes: A Historical and International Perspective." The American Economic Review, Vol, 96, No. 2 (May, 2006), pp. 200-205.
[xc]Census data, CPS, income tax records, PSID, and Social Security Administration records. Kopczuk, Saez and Song 2010 pp. 192.
[xci] The three surveys are the CPS, PSID, and CEX. Jonathan Heathcote, Fabrizio Perri, and Giovanni L. Violante, "Unequal We Stand: An Empirical Analysis of Economic Inequality in the United States, 1967-2006." Review of Economic Dynamics, Vol. 13 (2010), pp. 15-51. See pp. 17
[xcii] Ibid.
[xciii] Gerald Auten and Geoffrey Gee, "Income Mobility in the United States: New Evidence from Income Tax Data." The National Tax Journal, Vol. LXII, No. 2 (Jun., 2009), pp. 301-328.
[xciv] See for example Piketty and Saez 2006 pp. 204. In their conclusion, the authors briefly present three common explanations, but offer only limited remarks. They then move on to another topic and suggest that other economists use their database to test the impact of inequality on economic growth.
[xcv] This distinction is not clear-cut in the literature, and I introduce it in order to distinguish what I perceive to be broad approaches to the question of inequality. Many economists perform both statistical analysis and modeling in the same paper. Kopczuk, Saez and Song (2007) introduce a model to complement their statistical work.
[xcvi] Marco Cagetti and Mariacristina De Nardi, "Wealth Inequality: Data and Models." National Bureau of Economic Research Working Paper 12550, September 2006. 2006 pp. 1.
[xcvii] Ibid pp. 2.
[xcviii] Ibid pp. 3.
[xcix] Ibid pp. 7.
[c] Fatih Guvenen, "Learning Your Earning: Are Labor Income Shocks Really Very Persistent?" The American Economic Review, Vol. 97, No. 3 (Jun., 2007), pp. 687-712. pp. 698..
[ci] The two models are known as Heterogeneous Income Profiles (HIP) and Restricted Income Profiles (RIP). The HIP model allows for specific individual profiles and presents shocks with less persistence, whereas the RIP process is dominated by persistent income shocks and treats agents with similar life-cycle profiles. See Gang Sun, "Consumption Inequality and Discount Rate Heterogeneity." National Bureau of Economic Research, April 2009, pp. 1. See also Guvenon 2007 pp. 698.
[cii] Sun 2009 pp. 2.
[ciii] Intriguingly, they find that initial financial endowment and learning ability are less significant than human capital. See Mark Huggett, Gustavo Ventura and Amir Yaron, "Sources of Lifetime Inequality." National Bureau of Economic Research, July 2007, pp. 26.
[civ] Sun 2009 pp. 4

[cv] See Alberto Alesina and George-Marios Angeletos, "Fairness and Redistribution: U.S. versus Europe." National Bureau of Economic Research, February 2003. A sole footnote on page 25 alludes to Marxist thought. This point is treated again below.
[cvi] Martin Feldstein, "Income Inequality and Poverty." National Bureau of Economic Research, October 1998. Feldstein's paper is based on his remarks as member of the concluding panel at a 1998 Kansas City Federal Reserve international conference at Jackson Hole, Wyoming. He opens by suggesting that the conference's title is a misnomer, and his tone is unrelentingly aggressive and contrarian.
[cvii] Ibid pp. 1.
[cviii] Ibid pp. 2.
[cix] Ibid pp. 3.
[cx] Ibid pp. 4.
[cxi] Louis Kaplow, "Why Measure Inequality?" National Bureau of Economic Research, November 2002. Pp. 11.
[cxii] Idid pp. 1.
[cxiii] Ibid.
[cxiv] Alberto Alesina, Guido Cozzi and Noemi Mantovan, "The Evolution of Ideology, Fairness and Redistribution." National Bureau of Economic Research, 2009. The link to growth is controversial. Many economists (see Sun 2009) find that economic growth and inequality are not strongly correlated.
[cxv]James Konow, "Fair Shares: Accountability and Cognitive Dissonance in Allocation Decisions." The American Economic Review, Vol. 90, No. 4 (Sep. 2000) pp. 1072-1091. See pp. 1072.
[cxvi] See Roland Benabou, "Unequal Societies: Income Distribution and the Social Contract." The American Economic Review, Vol. 90, No. 1 (Mar., 2000), pp. 96-129. See also Alesina and Angeletos 2003.
[cxvii]Ernst Fehr and Klaus M. Schmidt, "A Theory of Fairness, Competition, and Cooperation." The Quarterly Journal of Economics, Vol. 114, No. 3 (Aug., 1999), pp. 817-868. Pp. 818.
[cxviii] Ibid. pp. 855.
[cxix] Feldstein 1998.
[cxx]Allan H. Meltzer and Scott F. Richard, "A Rational Theory of the Size of Government." The Journal of Political Economy Vol. 89, No. 5 (Oct. 1981), pp. 914-927.
[cxxi] Jess Benhabib and Adam Prezeworski, "The Political Economy of Redistribution under Democracy." Economic Theory, Vol. 29, No. 2, Symposium in Honor of Mukul Majumdar (Oct., 2006), pp. 271-290. Pp. 272.
[cxxii] Ibid. pp. 281.
[cxxiii] Ibid. pp. 272.
[cxxiv] Benabou 2000 pp. 97
[cxxv] Ibid pp. 119.
[cxxvi] Alesina and Angeletos 2003. It is worth noting that this principle of justifiable versus unjustifiable inequality, though intuitively appealing and supported to some degree by surveys of American and European attitudes, is as difficult to reconcile with observed trends as many of the other models surveyed in this paper. Casually arguing that European intolerance of inequality stems from historical immobility rooted in the feudal system, Alesina and Angeletos casually cite the collective works of Karl Marx and Friedrich Engels. See Alesina and Angeletos 2003 pp. 25.
[cxxvii] Ibid 26
[cxxviii] Louis Kaplow, "Concavity of Utility, Concavity of Welfare, and Redistribution of Income." National Bureau of Economic Research, Working Paper 10005, September 2003. Pp. 14.
[cxxix] Amartya Sen, "From Income Inequality to Economic Inequality." Southern Economic Journal, Vol. 64, No. 2 (Oct., 1997), pp. 383-401. Pp. 386.
[cxxx] Ibid 398.
[cxxxi] Ibid 398.
[cxxxii] Amartya Sen, "Demography and Welfare Economics." Empirica 22 (1995), pp. 1-21. Pp. 2, 4.
[cxxxiii] Ibid 5.
[cxxxiv] Ibid 9.
[cxxxv] Cited Ibid 11.
[cxxxvi] Ibid 17.

[cxxxvii] Boustan et al (2010) stress the shortcomings of the current body of descriptive literature. It remains unclear even whether there is a causal link between inequality and negative social outcomes such as crime, educational failures, and health problems. Leah Platt Boustan, Fernando Ferreira, Hernan Winkler and Eric Zolt, "Income Inequality and Local Government in the United States, 1970-2000." National Bureau of Economic Research, Working Paper 16299, August 2010. Pp. 1 See also Richard Connely, Rajeev Goel and Rati Ram, "Income Inequality and Cigarette Consumption: Evidence from the United States." Applied Economics Letters, Vol. 17, Num. 4-6 (March-April, 2010), pp. 423-426.
[cxxxviii] Corcoran and Evans 2010.
[cxxxix] Ibid. pp. 1-2.
[cxl] Ibid. pp. 24.
[cxli] Ibid. pp. 35.
[cxlii] Ibid. pp. 35.
[cxliii] Boustan et al 2010 pp. 3.
[cxliv] Ibid pp. 22.
[cxlv] David Altig and Charles T. Carlstrom, "Marginal Tax Rates and Income Inequality in a Life-Cycle Model." The American Economic Reivew, Vol. 89, No. 5 (Dec., 1999), pp. 1197-1215.
[cxlvi] Ibid pp. 1198. A much larger body of economic literature—which this paper will not attempt to survey—addresses individual responses to government policies in a broader context. For example, Eissa and Liebman (1996) study the impact of an increase in the Earned-Income Tax Credit in 1986, finding that single women with children worked slightly more hours relative to a control group in the aftermath of the change. See Nada Eissa and Jeffrey B. Liebman, "Labor Supply Response to the Earned Income Tax Credit." The Quarterly Journal of Economics, Vol, 111, No. 2 (May, 1996) pp. 605-637.
[cxlvii] The entry of women into high-paying jobs in the 1980s contributes to this result. See Lee 1999 pp. 982.
[cxlviii] Lee 1999 pp. 1016.
[cxlix] In formal terms, the "intensive margin" (working more or fewer hours in a work environment) and the "extensive margin" (entering or leaving the workforce). See Emmanuel Saez, "Optimal Income Transfer Programs: Intensive versus Extensive Labor Supply Responses." The Quarterly Journal of Economics, Vol. 117, No. 3 (Aug., 2002), pp. 1039-1073. See pp. 1039.
[cl] Eckhard Janeba, "Trade, Income Inequality, and Government Policies: Redistribution of Income or Education Subsidies?" National Bureau of Economic Research, Working Paper 7485, January 2000.
[cli]Ibid pp. 2
[clii] Ibid pp. 26.
[cliii] Ibid.
[cliv] Roland Benabou, "Tax and Education Policy in a Heterogeneous-Agent Economy: What Levels of Redistribution Maximize Growth and Efficiency?" Econometrica, Vol. 70, No. 2 (mar., 2002), pp. 481-517.
[clv] Ibid pp. 482.
[clvi] Ibid.
[clvii] "Income: Frequently Asked Questions." US National Census Bureau Website, http://www.census.gov/hhes/www/income/about/faqs.html. Accessed 22 February 2011.
[clviii] "Briefing by White House Secretary Robert Gibbs and CEA Chair Christina Romer, 2/11/10." White House Office of the Press Secretary.Available online at http://www.whitehouse.gov/the-press-office/briefing-white-house-press-secretary-robert-gibbs-and-cea-chair-christina-romer-211.

[clix] For example, the Kansas City Federal Reserve hosted a conference on "Income Inequality: Issues and Policy Options." However, not all economists see a clear means for the Federal Reserve system to address systematic inequality. As National Bureau of Economic Research economist Martin Feldstein commented, "…the problems of poverty [and thus disparity in income] cannot be solved by monetary policy." See Martin Feldstein, "Income Inequality and Poverty." National Bureau of Economic Research, October 1998. Feldstein's paper is based on his remarks as member of the concluding panel at a 1998 Kansas City Federal Reserve international conference at Jackson Hole, Wyoming.

[clx] Peter Grier, "Rich-Poor Gap Gaining Attention: A Remark by Greenspan Symbolizes Concern that Wealth Disparities May Destabilize the Economy." The Christian Science Monitor, 14 June 2005. Article available online at http://www.csmonitor.com/2005/0614/p01s03-usec.html. Accessed 24 February 2011.
[clxi]Sewell Chan, "In Interview, Bernanke Backs Tax Code Shift. The New York Times, 5 December 2010. Available online at www.nytimes.com. Accessed 22 February 2011.
[clxii] John McCain, "Redistributing Wealth vs. Creating Wealth." Op-Ed piece, 28 October 2008. Available on the website of Real Clear Politics at http://www.realclearpolitics.com/articles/2008/10/mccain_criticizes_obama_on_tax.html. Accessed 24 February 2011.
[clxiii] Lori Montgomery, "Growing Wealth Gap Hangs over Tax-Cut Debate." The Washington Post, 15 October 2010. Available online at www.washingtonpost.com. Accessed 22 February 2011.
[clxiv] Quieter voices do take part in this debate. As the New York State legislature debated raising income taxes in New York City, a spokesman for New York City Mayor Michael Bloomberg commented that ""Given that just one half of one percent of personal income tax filers in New York City pay half of the city's personal income taxes, Mayor [Michael] Bloomberg continues to be very concerned about any tax increases that could drive the people who pay for our police, fire, and other City services out of the five boroughs." The State Assembly Democrats and the Governor of New York state declined to comment. See Jacob Gershman, "High Earners Face Tax Increase." The Wall Street Journal, 30 June 2010. Available online at www.wsj.com. Accessed 23 February 2011.
[clxv]Robert Pear and David M. Herszenhorn, "House Health Plan Outlines Higher Taxes on Rich." The New York Times, 14 July 2009. Available online at www.nytimes.com. Accessed 22 February 2011.
[clxvi]Jim Himes, D-Conn: "$250,000 in Fairfield County does not make you really rich." Quoted in Deirdre Shesgreen, "Delegation Divided Over Tax Cuts." The Connecticut Monitor, 7 September 2010. Available online at http://www.ctmirror.org/story/7565/taxcutfight. Accessed 24 February 2011.

[clxvii] "Pelosi: Need to Address 'Fairness' of 'Ownership and Equity' In US." Real Clear Politics Video, 18 October 2010. Available online at www.realclearpolitics.com. Accessed 22 February 2011.
[clxviii] Pelosi has said that the Bush tax cuts "have not grown the economy, have not contributed to our economic security..." See Paul Kane, "Pelosi Urges Obama to Raise Taxes on Wealthy This Year." The Washington Post, 8 January 2009. Available online at voices.washingtonpost.com. Accessed 22 February 2011.

[clxix]Brian Williams, "Barack Obama Interview: Presidential Contender Speaks with Brian Williams." NBC News Online, 17 September 2007. Available online at www.msnbc.msn.com. Accessed 22 February 2011.
[clxx]Ibid.
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