

Excerpts from “Defending the Dream: Why Income Inequality Doesn’t Threaten Opportunity”

Today, everyone talks about rebuilding, saving, defending, or restoring an American dream that is slipping, fading, eroding, or vanishing. The loudest voices, all coming from the Left, fulminate against the Top 1 percent of earners and blame an unfair system that allows the rich to line their pockets, leaves the poor in the lurch, and generates spectacular income disparities. To protect the American Dream, these critics call for greater government involvement to make things “more equal” and ensure that everyone gets their “fair share.”

But free-market economics is not about dividing up a dwindling pie - - it is about expanding the pie to serve everyone. Those who succeed do not do so at the expense of others. The American Dream we all know is about [each person] climbing the ladder of opportunity. [It is an inconvenient truth to those on the Left that] given the diversity of individual efforts, not all will succeed equally. The Left’s new American Dream is all about how the federal government needs to ensure that incomes are distributed “more equitably”. Individual effort takes a backseat to government spending and cradle-to-grave entitlements.

[Another inconvenient truth is that] the recent rise in income disparities has not caused a decline in upward mobility. Standards of living have increased for everyone. How much the Top 1 percent of the population earns has no bearing on whether the Bottom 20 percent can move up. Many critics of inequality seem to be motivated more by envy of the rich than by compassion for the poor.

A number of factors do seriously threaten the American Dream. These include the collapse of the family and the devastating, long-lasting consequences that it has on children, the failures of the public education system, and the looming fiscal crisis that has already saddled the next generation with an unconscionable level of debt.

For the Left’s new American Dream to deliver on its promise, America would have to be completely overhauled and the character of its citizens altered. The spirited, entrepreneurial and determinedly self-reliant citizens envisioned by the Founders of our constitutional republic would give way to timid and envious clients who increasingly turn to an omnipotent state for their well-being.

Given the profound ideological divide between the Left and conservatives, it should come as no surprise that they do not mean the same thing when they speak of the American Dream. While conservatives still consider the traditional promise of opportunity and upward mobility to be at the heart of the American Dream, the Left has subtly redefined it along egalitarian and statist lines.

The ladder of opportunity is an apt metaphor for the American Dream. Ladders offer a way up, but only for those who are willing to climb them. The Left suggests that an “escalator of results” might be a better dream - - Everyone just hops on, and we all move up to the same place without effort on our behalf.

At its founding, America embraced the revolutionary idea that all are entitled to acquire and possess property. America opened up a world of Opportunity for All. One’s station in life would no longer be fixed at birth. Fortunes would be made and lost. The American Dream was born. [But] citizens must still be capable and willing to put in the hard work. Opportunities must be converted into accomplishments.

The first pillar of the American Dream is economic freedom. By giving us the ability to profit from our own ideas and labor, economic freedom creates a world in which all may aspire to improve their lot. There

are no real “have nots” in America, since all *have* the right to acquire property. America is “The Best Poor Man’s Country” since it provides even the poorest with a way out of poverty.

To the tired complaint, originating in Marx, that in a capitalist economy only the wealthy own the means of production, the Founders would respond that each person in fact owns the most important means of production: himself and his labor, whether physical or mental. Property rights are therefore fundamentally just, and they are inseparable from liberty. Where property rights are not protected, liberty is always in jeopardy. So long as each and every citizen’s property rights are secured and the laws and regulations equally apply to all, one cannot legitimately speak of injustice in the marketplace.

There is nothing *inherently* unfair about not succeeding. Those in dire need are to be cared for, of course. In America, we help each other.

The self-reliant citizen... expects to rise — and to fall — by his own merits alone. He feels responsible for his success, not entitled to it. The self-reliant man values his accomplishments only insofar as he sees them as the just rewards of his efforts. This worldview is the polar opposite of the entitlement mentality and the Left’s cult of victimhood.

Will we speak of opportunity and exhort people to pull themselves up by their bootstraps, work hard, and give it all they have? Will we ask “what can I do for myself and my fellow citizens?” [i.e., JFK] or “what must my country do for me?” Will we draw inspiration from those who have succeeded, or foster resentment by recasting their success as inequality?

America, as already noted, promises endless opportunity and general prosperity. Embedded in the American Dream is a vision of an extraordinarily vibrant society where standards of living continually rise, science and technology deliver wonder after wonder, and citizens are imbued with a “sky’s the limit” mentality and are motivated to work hard and pursue opportunities, knowing that their efforts will be rewarded.

Equality of opportunity means the absence of legal impediments to getting ahead in life. It means that the same rules apply to all. It is about government getting out of the way and stepping in only if [someone] tries to overtake you by cheating. It is imperative that we not confuse equality of opportunity with sameness of opportunity. The former is a moral imperative and a requirement of just government. The latter is a charitable pursuit [and as such, this is an issue for civil society]. We should remember that not every social ailment is a responsibility of the government, much less the federal government. The myriad organizations and institutions that make up our vibrant civil society will always be better placed than faraway bureaucrats to design programs that expand opportunity for the needy.

By nature, under God and before the law, all are equal. All human beings — regardless of race, sex, religion, or you name it — possess the same inherent and inalienable rights. Therefore, all citizens ought to be equal before the law and ought to possess the same civil rights. Beyond this fundamental equality, human diversity and the vagaries of life are such that men and women are unequal in every other conceivable way. By nature, humans span the entire range of the IQ scale, their physical differences are obvious for all to see. We are born into different families at different times and in different places. And there is something called luck. By the time we reach adulthood, we have been shaped, for better or worse, by myriad tangible and intangible factors.

Because we are free, some inevitably will earn more and others less. As there are great natural differences in aptitude, talent, and strength, which are in turn attenuated or accentuated by happenstance, so too are there different vocations, occupations, and professions in which some excel while others just muddle

along. Translating all of this into dollars and cents, great income disparities are a natural part of a free economy. Only a ruthlessly efficient totalitarian government could ensure that all incomes were equal. Income equality, or a state approaching it, could be achieved only through draconian redistribution, thereby denying many the just fruits of their labors and unjustly giving others unearned rewards.

Our focus should therefore always be on equality of opportunity. We should also remember that not everyone aspires to succeed financially. People choose certain professions knowing that they will not make a lot of money. An excessive focus on equality of income would unfairly constrain the full range of options that America offers its citizens. Income equality forces everyone into the same mold. The fact that people weigh other nonmonetary considerations in choosing a career should also remind us that there is more to human flourishing and the pursuit of happiness than dollars and cents.

Finally, we must remind ourselves that some inevitably will fail – some because they never really tried, others because they just did not try hard enough, and some because they tried but exerted themselves in poorly thought-out pursuits. Many will destroy their lives by succumbing to drugs, alcohol, or gambling, and some will be just plain unlucky.

The politics of income inequality is all the rage with the Left these days. The astute observer will notice that, by and large, those who rail against inequality do not bother to explain why inequality is bad. What stokes [the] outrage is the mere fact that some have become richer than others.

It may well be that unjust economic regulations arbitrarily deny certain segments of the population the full liberty to exercise their rights... thereby leading to disparities. But the problem in such cases, and in any other similar ones, lies with the unjust regulation or the denial of equal protection, not with the unequal incomes.

The needs of the poor have nothing to do with the earnings of the rich. People like Bill Gates and Warren Buffett can make as much money as they want, but what do their earnings have to do with the quality of life for the rest of us? A free-market economy creates wealth. For one person to make a dollar does not mean that another needs to lose one. There is not just one dwindling pie to be divided up among the population, but rather a proven recipe to grow the pie to serve everyone.

Only if you were driven primarily by resentment of the rich rather than by a genuine concern for the well-being of all Americans would you zero in on the gains of the Top 1 percent. The excessive focus on the Top 1 percent is particularly reflective of a certain mindset. Envy of the rich, not compassion for the poor, seems to be the animating passion of many of those who worry about inequality.

The fear that the United States has become a society of haves and have-nots is disproven by data on consumption. Consumption is a better measure of well-being than income because it measures goods acquired and used. Part of the income inequality argument is that the middle and lower classes cannot acquire the same goods and services as those at the top can acquire. This line of reasoning, while seemingly persuasive, is not supported by the facts. Instead, consumption appears to be distributed much more equally, with goods formerly held to be luxuries widely available to everyone. There is plenty of evidence to show that low-income families have access to more and better goods than ever before. Virtually every household below the poverty line has a television, while nearly three-fourths have a vehicle, and over three-fourths have a microwave and air-conditioning.

There are two main reasons why family income inequality has increased. One is structural, and the other is social. The structural reason is that the rewards to education and skill have increased dramatically. The shift to a knowledge-based economy places a premium on education and intellectual ability. The social

reason is that family demographics have changed over the past several decades. Married families are more likely to be at the top because they have more potential earners and work more hours, whereas single-parent families work much less.

The demand for skilled labor explains why the inequality trend has been driven by a growth of income at the top rather than by a decline in income at the bottom. The top has pulled away from the middle and the bottom during the past 50 years.

The rise of single-parent families means that an increasing number of families are broken and have only a single parent and income-earner. Family income inequality will increase as families separate into married couples with dual earners versus families with one or no earners. Academic research has found that the decline in marital rates and the rise of single parents have accounted for over half of the rise of inequality among children. The number of black single-parent households has increased dramatically, and the number of black married families has greatly decreased. The increase in the number of broken families has reduced their opportunities for relative mobility. All of this is part of a larger trend in the erosion of the family.

We ought not to preoccupy ourselves with the rise in income inequality over the past several decades because it has affected neither economic mobility nor economic growth. Standards of living have increased for everyone – as have incomes, for that matter – and mobility, whichever way you measure it, remains robust. Countless Americans are still making it every year through hard work, perseverance, and dedication.

Income inequality is not an obstacle to advancement in the United States, but obstacles do exist. Several factors undermine and threaten the long-term prospects of the American Dream. Growing statism and the country's catastrophic fiscal situation threaten economic freedom, while the welfare state, the collapse of the family, and the failures of the public education system undermine the culture of work. Many of these factors are clearly interrelated: The welfare state not only fosters dependence and saps the vigor of its citizens, but also undermines the family and eats away at the culture of work.

A century or so ago, there arose in America a new theory of government called "*Progressivism*". Armed with a faith in the benevolence of bureaucracy, the Progressives enthusiastically embraced the idea of a plenipotentiary state with unlimited jurisdiction over all areas of life. And so the floodgates of regulation and legislation were opened, with all of the attendant consequences, both foreseen and unforeseen.

While many on the Left confuse the two, free-market economics could not be more different from crony capitalism. Whereas the free-market system treats all players equally, from the largest conglomerate to the smallest mom-and-pop shop, crony capitalism rigs the rules of the game in favor of the entrenched big players. Whereas the free-market system celebrates and encourages competition, crony capitalism is about shielding the powerful and well-connected from competition. Subsidies, which have no place in a free-market system, form a basic staple of crony capitalism, as do waivers and bailouts. In the long run, Americans pay a heavy price for this marriage of business and government.

Taken together, overregulation, overlegislation, and crony capitalism are three of the most egregious threats to the principles of economic freedom that undergird the American Dream.

Marriage is "America's strongest anti-poverty weapon." It is also strongly correlated with countless other benefits for both married adults and children, from higher earnings for the former to higher high school graduation rates for the latter. Yet when it comes to talking about the importance of the family, the Left is by and large either strangely silent or outright hostile.

The traditional family is not in good shape, especially in the lower class and now, increasingly, in the middle class. For a vast number of Americans, childbearing and marriage no longer go hand in hand. The number of out-of-wedlock births has skyrocketed from 10 percent as recently as 1970 to more than 40 percent today.

The increase in the number of out-of-wedlock births and the pervasiveness of divorce spell trouble for the children who grow up without both of their parents. Of the plethora of statistics linking the collapse of the family to a host of social ills, one in particular stands out: Being raised in a married family reduces a child's probability of living in poverty by about 80 percent.

By many measures, poor Americans are better off than ever before. Poverty takes many forms in America, but Dickensian squalor and destitution is not one of them: 80 percent of poor households have air conditioning; nearly 75 percent have a vehicle (31 percent have two or more); and 42 percent of poor households actually own their own homes. This is due in no small part to the overall rise in standards of living that benefits all citizens in free-market societies.

[Having said that....] The War on Poverty must be judged an abject failure. By ensnaring an ever-larger share of the population in the tentacles of the welfare state, it has left a significant portion of the population less capable of prosperous self-sufficiency than they were before LBJ declared his War on Poverty. Far from eradicating poverty, the welfare state in fact traps people in poverty. It does so in two major ways: by undermining the family and discouraging work. The current welfare system erodes the culture of work that makes the American Dream possible. Welfare may well "give" the poor many things, from cash to subsidized housing, but it also takes away a crucial ingredient of happiness: the incentive to work, to save, to improve oneself. Welfare programs must therefore be transformed to promote prosperous self-sufficiency [and promote personal responsibility].

The Progressive-Liberal assault on the principles of the Founding that sustain the American Dream has been underway for well over a century. We should not expect to undo it overnight.

We cannot afford to lose sight of the cultural underpinnings of the American Dream: a culture that celebrates industriousness, exhorts all to work hard, and scorns dependence on government.

We must be relentless in exposing the fallacies of the income inequality argument. Behind the charts and graphs detailing the rise in income inequality often lies an ugly animosity against the rich. Even worse, this envy and hatred of the "one percent" masquerades as compassion for the downtrodden. Every time someone lashes out at the Top 1 percent, we ought to talk instead of the Bottom 1 percent, [and the people who are dependent upon government and are trapped in poverty].

We must continue to pursue rigorous research into the ways that upward mobility can be strengthened [by the support that is provided to individuals and families by civil society].

People the world over know that America is the land of opportunity. The stakes are too high — the cause is too dear to us — for us to let the American Dream slip away.