

# Jerry Haar: Income inequality a distraction in curbing poverty

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It has been 50 years since President Lyndon **Johnson** launched his “War on Poverty,” and although the billions spent produced meager results at best, the focus — poverty — was correct. Those deprived of basic social services, food, health care, housing, and transportation surely deserve these essentials.

Fast forward a half-century later, President **Barack Obama** has launched a new war, not on poverty but on income inequality — the “defining project of our generation,” as he declared in his State of the Union address.

However, there is a world of difference between basic human needs and, therefore, a war on poverty and income inequality. The latter is an unfounded, conceptually-flawed, and misguided crusade in support of mandated income redistribution, social engineering and a “soak the rich” economic philosophy.

In economic democracies, like the United States, income inequality should not be a public policy issue. There is more than ample opportunity for the vast majority of Americans to gain access to education and training, to work hard, save, upgrade their skills, and enjoy the fruits of social and geographic mobility.

Here’s how I explain the “issue” of income inequality to my students. “If you own a Ford Focus and are able to trade up to a fully-loaded Honda Accord, then why should you care if I trade in my Lexus for a Maserati? How do you suffer from this much larger gap in car pricing?”

When people’s incomes increase due to hard work or acquiring new skills — either or both resulting in a promotion, bonus, or a better paying job — or due to inheritance or good fortune, other peoples’ incomes do not fall. It is only the gap that increases. The price and affordability of a gallon of milk at the supermarket does not change; it is merely cheaper for the “winner.”

A closer look at income inequality, within a larger context and accompanied by compelling statistical evidence, further strengthen the argument that this issue should be a non-issue.

First, let’s abolish a few myths based on mathematical snake oil. It is fallacious to calculate and report income inequality without considering as “income” transfer payments such as Medicare and Medicaid, nutrition assistance (including **food stamps**), federal education and training grants, and employee benefits such as health insurance and tuition assistance.

Yet, this is exactly what the Census Bureau does. As for family income, it has actually increased by 62 percent in real terms over the last 30 years, according to the **Congressional Budget Office**. Income of the bottom 20 percent has grown by 50 percent since 1979 with half that group moving into a higher income group. While the income inequality gap between the bottom and top quintiles grew by 8 percent from 1970 to 2010, real GDP grew from \$4.3 trillion to \$13 trillion.

Essentially the pie has gotten larger. As for the infamous “top 1percent,” their share of income is less today than in 2000, despite their paper wealth (i.e., stock market gains). Finally, in terms of upward social mobility, that has not changed over the last 20 years, regardless of fluctuations in inequality.

Income inequality, then, is an unwarranted distraction from the far more important issue of poverty reduction.

**Miami** is a case in point. While Miami ranks third in the wealth gap in a Brookings Institution study, Miami is the fourth poorest city in the nation with the number of poor and their incomes.

This poverty level is the real problem and its causes are multiple: high levels of children born out of wedlock; poor education, language, and skill levels; substance addiction; lack of family structure and moral values; psychological problems; and, as University of Chicago economist Casey Mulligan asserts, government transfer programs that encourage people to remain dependent.

Robin Hood economics to reduce income inequality has never worked other than to lower overall standards of living. The president’s new campaign — a war on income inequality —

may warm the cockles of the hearts of the liberal left establishment and their activist sycophants, but it will punish the productive sector, impede growth, and stifle job creation. Public policies that unleash the private sector to grow the economic pie rather than slice up the existing one are the surest way to reduce poverty.

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