

## AOC, Bernie Sanders confuse inequality with poverty



© Getty Images

April 27, 2019

“Socialism,” anathema to many but a path worth exploring to others, has been packaged nicely as “democratic socialism” (a hilarious oxymoron) by millionaire author Sen. Bernie Sanders (I-Vt.) and proselytized by neophyte Rep. Alexandria Ocasio-Cortez (D-N.Y.) who, like the president, invents statistics extemporaneously.

But in all fairness, neither is a socialist in the true sense of the term, meaning a belief in government ownership of production and the abolition of private property.

Since more than half of Democrats, millennials and minorities hold socialism in higher regard than capitalism, one wonders if these groups truly understand what life is like, say, for the average Cuban. On the other hand, Americans as whole, according to Gallup, prefer capitalism 56 percent to 37 percent.

One can surmise that those who embrace or warm to socialism in reality wish to see a larger, more activist role of government, such as FDR’s New Deal and Lyndon Johnson’s “Great Society,” rather than adherence to socialist economics.

Whatever the case, the progressive wing of the Democrat Party will push its base further leftward; and the one socioeconomic issue they will try to bring along centrist Democrats, independents and even some moderate Republicans on is inequality.

Yet, inequality matters far less than poverty. Culling through the economic literature, one finds little evidence that economic inequality increases poverty; and while redistribution may reduce overall inequality, it is less helpful in lifting people out of poverty.

Economist Branko Milanovic notes that global income inequality fell between 1988 and 2008 for the first time since the Industrial Revolution.

Admittedly, inequality statistics in general are flawed, since they provide only a snapshot of income or wealth distribution at a point in time. Yet, that does not deter celebrity economists of the left, like France's Thomas Piketty and Joseph Stiglitz to falsely claim that income inequality in the U.S. is at a record high.

They erroneously take as a measure "market income," but this measure does not take into account taxes or transfer payments or changes in household size or composition.

Their solution? Raise taxes on the rich, despite as noted by French economist Frédéric Bastiat in the early 19th century, it is a disincentive to working harder and taking risks, resulting in lost savings and investment that could generate employment and tax revenue from output and productivity.

Explain that to AOC, whose tax proposal would raise top marginal rates to 70 percent to fight the war against inequality. Like her budget-busting Green New Deal, the massive increase in taxes would wreak havoc on economic growth, employment and capital formation in the U.S.

Our Canadian neighbors would have to build a wall to keep out the hordes of Americans seeking to flee to a "tax haven" where the average rate is 26 percent.

What about poverty, then?

Poverty is a serious problem, unquestionably; but it has declined over the last 50 years. The U.S. government has spent over \$750 billion on major assistance programs for low-income Americans (including food stamps, Medicaid and housing assistance), none of which is included when calculating the poverty rate.

These safety-net programs helped reduce the number in poverty, especially African Americans, Hispanics, single mothers, and those without a high school diploma. The latest U.S. Census data reveal that poverty rates have declined in 13 of 25 of the most populous metro areas, including New York, Atlanta, Washington, Miami, Chicago and Los Angeles.

Returning to the issue of inequality, Nobel laureate economist Sir Angus Deaton has found, countries with the greatest degree of inequality are also the countries in which there are significant disparities in opportunity.

Toward that end, the prudent course is not to raise taxes on the producers in society but to expand opportunities, reform occupational licensing and other regulatory barriers to entrepreneurship, reform criminal justice, provide apprentice training and re-training, and child care.

Poverty alleviation — where we have made great strides — not inequality, should be of paramount importance.

Every semester I have at least one bleeding-heart student who rants about inequality. My response: “If you swap out your moped for a pre-owned Ford Taurus, why should you be concerned if I trade in my new Honda Accord next year for a C-class Mercedes-Benz?” (That usually works.)

Left-wing populism is as insidious as the right-wing variety. Expanding the economic pie, increasing opportunity and continuing to reduce poverty should be top public-policy priorities. Attacking inequality is a futile distraction.

---

*Jerry Haar is a professor of international business at Florida International University and a Global Fellow at the Woodrow Wilson International Center for Scholars in Washington, D.C.*