VOLUME XXII, NUMBER 4, FALL 2022

CLAREMONT
REVIEW OF BOOKS

A Journal of Political Thought and Statesmanship

A Publication of the Claremont Institute
PRICE: $6.95
IN CANADA: $9.50

CLAREMONT REVIEW OF BOOKS
Volume XXII, Number 4, Fall 2022

Essay by William Voegeli

Leveling, Up and Down

Some are more unequal than others.

In a 2013 speech at the Center for American Progress, one of Washington's leading left-of-center think tanks, President Barack Obama declared, "The combined trends of increased inequality and decreasing mobility pose a fundamental threat to the American Dream, our way of life, and what we stand for around the globe." To halt and reverse these trends was, he contended, "the defining challenge of our time."

Judged by subsequent rhetoric, America has yet to meet this challenge. In 2014 Vermont Senator Bernie Sanders thundered, "The obscene and increasing level of wealth and income inequality in this country is immoral, un-American, and unsustainable." The 2020 Democratic Party platform denounced "rising income inequality" and promised "immediate, decisive action" against "entrenched income and wealth inequality."

Two books published this year flesh out the argument. *Left Behind: The Democrats' Failed Attempt to Solve Inequality*, by Claremont McKenna College history professor Lily Geismer, deplores the late-20th-century Democratic Party's reluctance to challenge and alter outcomes determined by market forces. Instead of Bill Clinton's triangulation about the era of big government being over, Geismer wants Democrats to erect "new barriers" to "limit the reach of the private sector" while working to "reconstruct America's social safety net." Her goal is for the government to provide, directly rather than in cooperation with the private sector, "well-paying jobs, quality schools, universal childcare and health care, [and] affordable housing."

The second book, *The Middle Out: The Rise of Progressive Economics and a Return to Shared Prosperity* by veteran journalist Michael Tomasky, has the same politics as the first. "[E]conomic inequality and concentration of wealth and political power in the hands of the few weaken democracy and limit freedom," warns Tomasky, presently editor of two liberal periodicals, *Democracy* and the *New Republic*. Tomasky has spread but did not invent "middle out" as a way to brand Democrats' economic diagnoses and prescriptions. President Joe Biden has also employed the expression when sharing the contents, such as they are, of his mind, such as it is.

Tomasky's narrative overlaps with Geismer's, especially in a chapter about "neoliberals" in the Clinton and Obama administrations being too indulgent of markets and too cautious about expanding government. But *The Middle Out* expands the story with material meant to give leftish Democrats hope. Tomasky examines the recent economic thinking, political activism, and policy options that reveal a Democratic Party more deeply committed to redistributive government interventions than it was under either Bill Clinton or Barack Obama.

A third new book pushes in the opposite direction. *The Myth of American Inequality: How Government Biases Policy Debate* is by Phil Gramm, Robert Ekelund, and John Early. Gramm, the most famous of the three, was a Democratic congressman and then a Republican senator from Texas, chairman of the Senate Banking Committee, and candidate for the 1996 GOP presidential nomination. Ekelund is an economics professor, and Early a former assistant commissioner at the Bureau of Labor Statistics.

The myth that their book attempts to debunk is one that Geismer, Tomasky, Obama, and Biden treat as self-evident: Americans' incomes and assets are highly and increasingly unequal. Gramm et al.'s chief criticism is that the most accessible, most commonly cited measures of inequality provided by the Census Bureau leave out government transfer payments and taxes. By *The Myth of Ameri-*

can Inequality's calculations, America's federal, state, and local governments disbursed $2.8 trillion in transfer payments in 2017, 60% of which were directed to households in the first two "quintiles" of the income distribution, i.e., the poorest 40%. At the same time, Americans paid $4.4 trillion in taxes to all levels of government in 2017, 82% of which came from households in the two most affluent quintiles. Take all this government redistribution into account, and the average top-quintile income is four times as large as the average bottom-quintile income. *The Myth of American Inequality* argues further that it is easy for tendentious partisans to use the Census Bureau's narrower statistics about "money income," which exclude most transfers and taxes, to claim that the top-to-bottom quintile ratio has grown to 16.7.

Books discussed in this essay:

Left Behind: The Democrats' Failed Attempt to Solve Inequality, by Lily Geismer. PublicAffairs, 448 pages, $30

The Middle Out: The Rise of Progressive Economics and a Return to Shared Prosperity, by Michael Tomasky. Doubleday, 304 pages, $28

The Myth of American Inequality: How Government Biases Policy Debate, by Phil Gramm, Robert Ekelund, and John Early. Rowman & Littlefield, 264 pages, $29.95

On Inequality, by Harry Frankfurt. Princeton University Press, 120 pages, $14.95

Wealth and Poverty: A New Edition for the Twenty-First Century, by George Gilder. Regnery Gateway, 256 pages, $34.99

The Ethics of Redistribution, by Bertrand de Jouvenel. Liberty Fund, 118 pages, $12 (paper)

Equality and Efficiency: The Big Tradeoff, by Arthur M. Okun. The Brookings Institution Press, 169 pages, $19.99 (paper)

A Theory of Justice: Revised Edition, by John Rawls. The Belknap Press, 560 pages, $40 (paper)

The Business of Major League Baseball, by Gerald W. Scully. The University of Chicago Press, 226 pages, out-of-print

Adventures in the Screen Trade: A Personal View of Hollywood and Screenwriting, by William Goldman. Warner Books, 436 pages, $30 (cloth), $21.99 (paper)

The End of Equality, by Mickey Kaus. Basic Books, 320 pages, $17.99 (paper)

Chasing the American Dream: Understanding What Shapes Our Fortunes, by Mark Robert Rank, Thomas A. Hirschl, and Kirk A. Foster. Oxford University Press, 232 pages, $33.95 (cloth), $21.95 (paper)

Equality Versus Sufficiency

All three of these well-written books provide sharp insights. We can safely predict, though, that *Left Behind* and *The Middle Out* will be read by partisans favorably disposed toward comforting the afflicted and afflicting the comfortable, while the readership of *The Myth of American Inequality* will consist largely of skeptics about redistribution seeking to have *their* preferences affirmed. It would be a surprise if these polemics shift the "Overton Window" in a way that renders any redistributive measure newly thinkable or unthinkable.

Better to begin at a point on which Gramm and his co-authors agree, at least for the sake of the argument, with Geismer and Tomasky. A book devoted to showing that economic inequality is not nearly as bad as we've been told implicitly stipulates that it would be a genuine cause for concern if it were. The more basic rebuttal, political rather than empirical, would be that modern America's economic inequality is not a problem in the first place—or, if so, it's one that causes less harm than we can expect from the measures designed to reduce it. Inequality is a fact. Poverty and economic insecurity are genuine problems. It does not necessarily follow, however, that inequality causes poverty, or that reducing inequality will alleviate poverty. Nor does it follow that the poor have a legitimate grievance against the wealthy, simply because they *are* wealthy.

According to *Forbes*, the richest man in the world, Elon Musk, is worth $182 billion. Suppose the enterprises on which his fortune is based—Tesla, SpaceX, and Twitter—flourish, so that Musk's net worth one year from now increases 10%, to $200 billion. Your net worth and mine, however, stay the same. How, exactly, does Musk's growing wealth harm you, me, and everyone we know who does not become 10% richer over the coming 12 months? In what sense are we worse off by our unchanged personal wealth ending up as a somewhat smaller fraction of his? Conversely, if Musk's net worth fell to $160 billion, how would this one small step in the direction of greater economic equality enhance anyone else's well-being? Without a clear answer to these questions, the egalitarian's assumption that inequality is bad in itself, regardless of any consequences it might cause, points to an ideology and policy agenda that elevates envy and resentment to principles.

We can generalize the thought experiment. Assume that a combination of good governance and favorable economic conditions leads every household's inflation-adjusted income to increase 3.53% per year for 20 consecutive years, which would leave each family with twice as much buying power in 2042 as it has today. Once again, this exceptional era of sustained economic growth will have done absolutely nothing to reduce inequality. If Family A's income is ten times as large as Family B's today, it will be ten times as large after 20 years. It would be strangely dogmatic, however, to dismiss the enhancement of Family B's standard of living and economic security by insisting that there has been zero progress on what really counts, closing the income gap between the two families.

In *On Inequality* (2015), philosophy professor Harry Frankfurt argued that economic equality is a distraction. Rather, wisdom requires a preoccupation with *sufficiency*, making sure that people have enough wealth to live good lives. President Obama's 2013 speech, which voiced alarm at the "combined trends" of growing inequality and diminishing socioeconomic mobility, was less clear. His formulation leaves open the question of *how* the trends are combined. Are we talking about two distinct phenomena whose effects are cumulative? Or does the rise in inequality help account for the increasingly uncertain economic prospects confronting those who are not affluent? At the extreme, conveyed in Bernie Sanders's and Elizabeth Warren's campaign speeches, inequality and poverty are the connected facets of a single insidious phenomenon. In *Wealth and Poverty* (1981), George Gilder argued that leftist economic thinking proceeds from the axiom "wealth causes poverty." He quotes an abashed heiress, Abby Rockefeller, whose outlook—more dramatically than her lifestyle—was transformed by the epiphany that wealth and poverty are "interwoven," such that "the many suffered because of the few."

Tax the Rich

One could, however, endorse tax-and-transfer policies that make the rich less rich in order to make the poor less poor despite being agnostic as to whether the poor *are* poor because the rich are rich. Some egalitarians insist that they want to tax the rich for the same reason Willie Sutton wanted to rob banks: that's where the money is. "Liberals want to make the rich pay higher taxes not because they hate them," pundit Jonathan Chait wrote in the *Los Angeles Times* in 2005, but "because somebody has to pay for the government and the rich can more easily bear higher rates."

The Ethics of Redistribution (1952), by French philosopher Bertrand de Jouvenel, argues, however, that the redistribution of income is not feasible even if the motives are entirely benign. The problem, he observes, is that in a modern economy the very rich are very few. The transfers needed to guarantee the poor sufficiency, in Frankfurt's sense of the term, will require much more tax revenue than can be secured from those in the highest strata of the income distribution. If we confine taxes for that purpose to the rich, then the disappointing result will be transfers that effect only a modest improvement in the purchasing power of those at the bottom of the income distribution. But if we insist on raising *all* the revenue needed to eliminate poverty, then it will be impossible to limit the tax surcharges to the Abby Rockefellers and Elon Musks of the world. Instead, much higher taxes will be imposed upon the merely or even barely comfortable, people who cannot easily bear these punishing rates.

Because of changing economic realities, de Jouvenel's argument was stronger 70 years ago than it is today. For this purpose, at least, it is clarifying to consider income statistics prior to taxes and government transfers, what *The Myth of American Inequality* terms "earned income." The Congressional Budget Office (CBO) issues an annual report on "The Distribution of Household Income." In the most recent iteration, covering every year from 1979 to 2018, changing patterns of who gets what in America have become more congruent with Chait's argument.

The CBO's numbers show that those in the "One Percent," the villain of Occupy Wall Street's 2011 protests, really have done very well. The top percentile's share of all household income, according to the CBO, increased from 9% in 1979 to 16.6% in 2018. During the same 40-year period, the less affluent portion of the top quintile (the 81st to 99th percentiles) saw its share increase from 36.6% to 38.6%. For families in the bottom quintile of the income distribution, the portion of earned income declined, from 5% to 3.8%. The share for those in the three middle quintiles also declined: 49.6% in 1979, 42.2% in 2018.

How rich are the One Percent? To qualify in 2018 required an income of at least $428,900 for a single person, $606,500 for a couple, and $857,700 for a family of four. The One Percent club has become much harder to join. Even after adjusting for inflation, the least affluent household in the top percentile in 2018 had an income 2.4 times as large as the least affluent household (of the same size) in 1979.

The *average* income for the top percentile—in 2018, the 1,230,000 most prosperous households—was $2 million. That is a rougher figure than most of the ones the CBO reports, but still allows for bench-testing de Jouvenel's warning. Total pre-tax household income for the top percentile, using the CBO's figures, works out to about $2.46 trillion. By contrast, the total for the bottom quintile (in which average earned income came to $22,500) was 23% of that sum: $565 billion. Whatever else may be said about a Robin Hood program to tax the top percentile for the benefit of the bottom quintile, it does not appear that we'll run out of rich people so quickly that we'll be forced to impose heavy taxes on the upper-middle class. According to figures derived from the CBO's report and accompanying data, reducing the top percentile's income by a bit less than one fourth would provide enough money to double the income of the entire bottom quintile.

> Some egalitarians insist they want to tax the rich for the same reason Willie Sutton wanted to rob banks: that's where the money is.

Indeed, the top percentile *of* the top percentile—the 12,000 or so families who constituted the most affluent ten-thousandth of the 2018 income distribution—had an average income of $44,510,000, according to the CBO. This works out to a collective income of $563 billion, which means that a 50% tax on the richest 12,000 American families could, in theory, provide enough funds to increase the income of the 25 million families in the bottom quintile by 50%.

Leaky Buckets

There are, of course, many caveats to these algebraic speculations. For one, even a government committed to income redistribution will have other responsibilities: national defense, parks and highways, education, air traffic control, etc. As a rule, Geismer, Tomasky, and most others who want government to redistribute more income also want it to intervene in many other facets of national life. But whether the top percentile claims 9% or 17% of GDP, there are never more than 100 GDP percentage points. Each one devoted to purpose A becomes unavailable for purposes B though Z, one of which will be letting people keep that portion of their income rather than having the government spend it. A democracy committed in general to income redistribution still needs to work through difficult specific questions: how serious is the desire to redistribute relative to each of the competing claims on that sliver of GDP?

Second, to make his point about the shape of the income distribution, de Jouvenel assumed that obvious but hard-to-calculate incentives and disincentives were inoperative. Even if most or all of their income is taxed away, for example, rich people in his hypothetical alter none of their economic behavior, receiving and reporting exactly as much income as before. Poor people, equally oblivious to basic logic, continue earning income despite knowing that the government will replace most or all of the dollars they choose not to generate for themselves. In the real world, redistribution transports money from the rich to the poor in a "leaky bucket," according to *Equality and Efficiency: The Big Tradeoff* (1975) by economist Arthur M. Okun. If the tradeoff between more equality and less efficiency is profound and durable, the poor could end up worse off after redistribution than they were before.

At the very least, logic and experience argue that tax-and-transfer redistribution can be an especially leaky bucket, such that we should seek measures both more efficient and more effective to promote equality. A 1998 *New York Times* article, noting a 77% reduction of Idaho's welfare rolls, called it "the worst place in the nation to be poor." Conservatives and liberals will disagree over the meaning of the implied goal: being the best place in the nation to be poor, or even making America the

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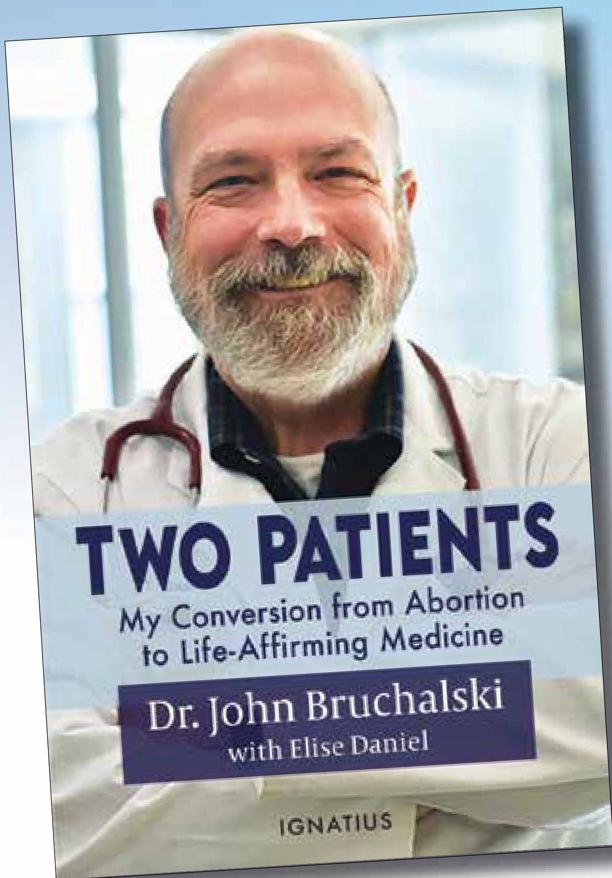

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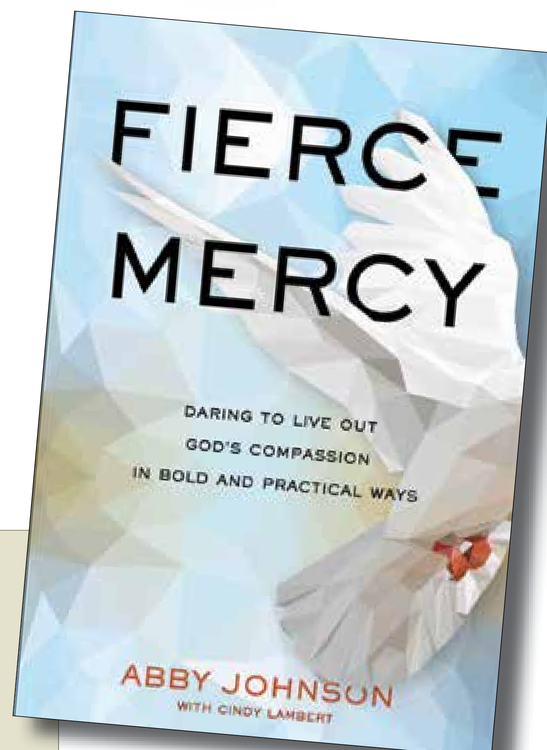

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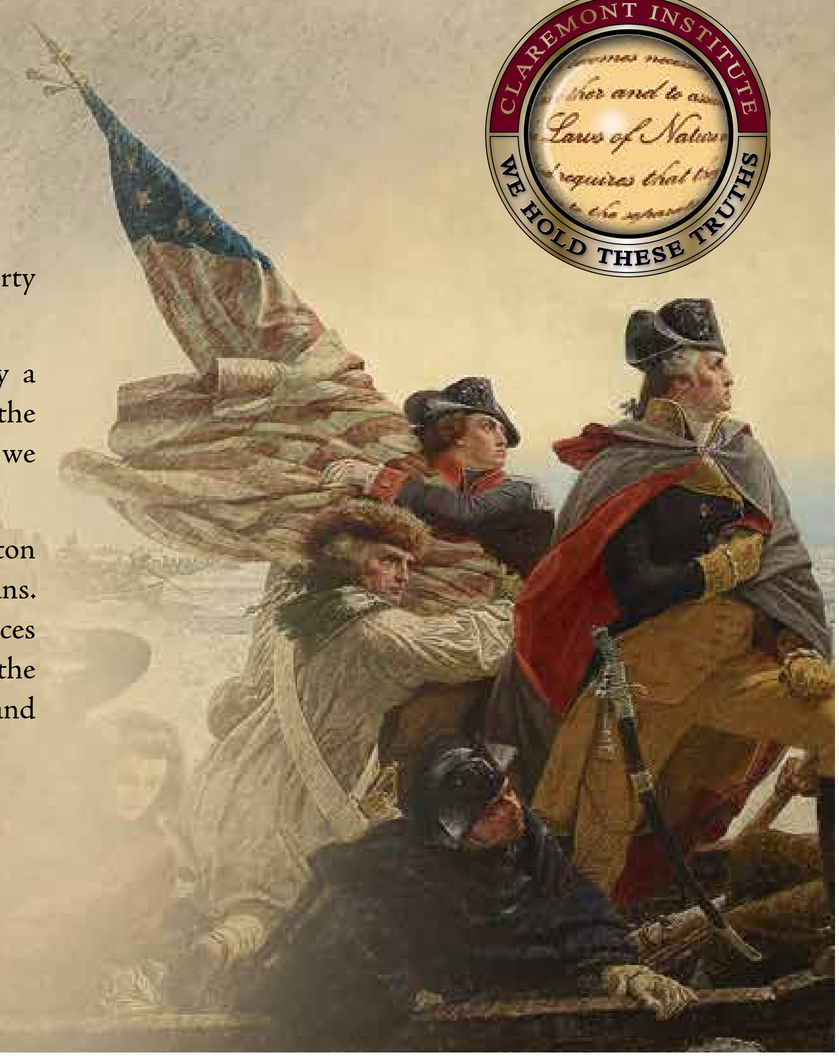
In 2017 Megan McArdle, then with *Bloomberg* and now a columnist for the *Washington Post*, argued that Utah has a strong claim to being the best place in the U.S. for the poor, despite it being notably averse to the policy agenda Geismer and Tomasky endorse. She pointed out that Utah ranked 50th among states on per-pupil public education spending, even as its biggest metropolis, Salt Lake City, had America's highest degree of income mobility. (In other words, Salt Lake City children raised in the income distribution's bottom quintile were more likely than their counterparts raised in any other metro area to occupy a higher quintile as adults.) Utah has a safety net, but assistance comes with many strings attached. Both government policies and the ethos in a state where a majority of the population belongs to the Church of Latter-day Saints point to limiting the time people spend on public assistance so that they become self-reliant as quickly as possible.

By contrast, for those who want activist government to address poverty—which they ascribe to social injustices rather than individuals' dispositions and decisions—the best place to be poor is one where poverty is rendered a manageable, respectable lifestyle option. In a famous passage in *A Theory of Justice* (1971), John Rawls proposes that a person who chooses to devote his life to counting blades of grass has a right to both the material support and the respect and encouragement necessary for this "life plan" to succeed. Congressional Democrats who proposed a "Green New Deal" in 2019 made the mistake of giving voice to their inner Rawlsian by promising that the government would provide "economic security for all who are unable or unwilling to work." The ensuing controversy caused the legislators to disavow clumsily any desire for government to help those who were needy as a consequence of their refusal to help themselves.

Congress did not enact the Green New Deal, but the belief that those who *will* not fend for themselves are as deserving of public assistance as those who *cannot* has, since the Great Society, been incorporated into the relationship between the welfare state and its clients. *The Myth of American Inequality* identifies "the decoupling of low-income households from the workforce" as a prime reason for the growth of earned-income inequality. The biggest reason for that decoupling, in turn, is the dramatic growth of government transfer payments since the 1960s. Gramm, Ekelund, and Early point out that, after transfers and taxes, the average income for a household in the bottom quintile is only 8% less than the average in the second quintile and 24% less than the average in the middle quintile.

Income Is Not "Distributed"

If the tax-and-transfer buckets we've been using for the past half-century are too leaky to secure the hoped-for improvements in the bottom quintile, how should we think about the effects in the top quintile? Despite Jonathan Chait's protests, Bernie Sanders's two unexpectedly successful presidential campaigns indicate that there's a sizable constituency that wants to afflict the comfortable for no other purpose than to scale back "obscene" and "immoral" economic in-



equality. The persistence and force of this sentiment suggest that advances in the creation and exchange of wealth have raced far ahead of our atavistic attitudes about economic justice, a legacy from the millennia humans spent in tribes or villages where individual survival was heavily dependent on collective endeavors. These smaller, simpler social orders did not practice strict economic equality, but disparities were directly connected to the common good, such as rewards for valor in battle, prowess in hunting, or husbandry skills that augmented harvests.

Given this mindset, even the term "distribution of income" is slippery. Social scientists use it in a technical sense to describe an array of empirical data that can be turned into a chart or graph showing how many people make more than $1 million or less than $25,000. One might speak in the same way of the distribution of aptitude test scores in a population of students, or the distribution of 40-yard-dash times among football players. No one imagines that these test results or athletic skills are doled out somewhere.

Transported to the realm of democratic discourse, however, "distribution of income" is routinely employed to suggest a process rather than a dataset. Many politicians and commentators speak as though some procedure or institution *distributes* income, thereby determining who gets what. If the work product seems defective, these critics insist that the entity responsible for distributing income must do better, so that people who now have too little get more, and those who now have too much get less.

This is the logic of *re*distributing income: income was distributed once, we didn't like the results, so we need to distribute it again… and this time get it right. One criticism of the leveling project is that it is unwise to redistribute things that were never distributed to begin with. Prior to taxes and transfers, the distribution of income (describing, in the narrow sense, an array of economic outcomes) is crowdsourced rather than centrally determined. These outcomes result from millions of purchase and investment decisions that, apart from charitable donations and some consumer choices in the realm of show business, give little consideration to whether the ultimate recipient of the income needs or deserves it. Elon Musk is rich because people like Teslas, not because they like him.

Could a council of philosopher-kings devise the taxes and transfers necessary to realize a morally ideal distribution of income? Perhaps, but their wisdom is more likely to direct them to conclude that there *is* no morally ideal distribution of income. Whatever the case that Person A should live on Income X and Person B on Income Y, the stronger argument is that if A, B, and all others derive specific incomes as a result of decisions made by millions of people, and these voluntary exchanges are untainted by force or fraud, then it is better to respect than to second-guess those choices. In any case, the Council of Income Allocation is unlikely to comprise only the supremely wise and just. Rather, it is certain to include people of limited understanding and questionable motives, and will eventually enlist some board members who are flat-out corrupt, eagerly using the council's authority to enrich their friends and hurt their enemies.

Talent and Capital

Even if these reservations about income redistribution were well received at an academic seminar, they are unlikely to solve the *political* problem of reconciling a large majority of voters to ever-increasing economic inequality. The animus against the "maldistribution" of income may be anachronistic, a sentiment neither just nor sound. But in 1854 Abraham Lincoln described one fundamental fact of democratic life: "A universal feeling, whether well or ill founded, cannot be safely disregarded." Rhetoric about the obscenity and immorality of economic inequality might have less purchase on public opinion if people had a clearer sense of *why* the top percentile has nearly doubled its share of GDP since 1979. Because this phenomenon has been deplored more often than it has been explained, few people have any basis to believe that this significant, prolonged socioeconomic change advances justice or the collective welfare.

One persuasive account of why inequality has grown comes from a 2003 *Harvard Business Review* article by Roger L. Martin and Mihnea Moldoveanu, "Capital Versus Talent: The Battle That's Reshaping Business." (Both authors were, at the time, professors at the University of Toronto's Rotman School of Management.) Seven years later, Malcolm Gladwell elaborated their argument for a lay audience in a *New Yorker* article, "Talent Grab." In Gladwell's summary, sometime in the 1970s "people who fell into the category of 'Talent' came to realize that what they possessed was relatively scarce compared with what the class of owners, 'Capital,' had at their disposal." The revelation appears to have occurred in several industries independently but at about the same time. Martin and Moldoveanu note that, by the 1980s, consulting firms built "almost entirely with intellectual capital" were regularly winning bidding wars against legacy industrial firms for top business schools' sharpest and most ambitious graduates. They cite a 1991 memo by Jeffrey Katzenberg, then chairman of Walt Disney Studios, lamenting that the film industry had become one where studios supplied the capital and took all the risk, but star actors, directors, and screenwriters walked away with more and more of the profits.

Gladwell devotes considerable attention to baseball, an industry where the crucial Talent, ballplayers, had been contractually prohibited from offering their services to more than one major-league club at a time. Club owners exploited their monopsony power shamelessly. Baseball's largest salary in 1927 went to Babe Ruth, the game's biggest star. He was paid $70,000 that year for leading the New York Yankees to the World Series championship and, later, the reputation as one of the best teams in baseball history. Individually, Ruth hit 60 home runs, a record that stood for 34 years, and led baseball in other important statistical categories. To show their appreciation, the Yankees deigned to renew his salary for 1928 at the same level, $70,000.

Yes, $70,000 was a great deal of money in 1927, equivalent to about $1,125,000 today. But the facts of Ruth's compensation should make us skeptical of the assumption that a compressed distribution of income is inherently admirable. Ruth made only seven times as much as the average player on the 1927 Yankees, and 29 times as much as the teammate with the lowest salary, which was $2,400.

Talent prevailed in one of its battles against Capital after an arbitrator ruled in 1975 that the contract clause prohibiting baseball players from shopping their services was unenforceable, a ruling upheld by the courts. In 1976, the last season played before players acquired the freedom to change teams, the highest salary, $240,000, was paid to Hank Aaron. (Adjusted for inflation, Aaron's salary was only 4.8% more than Ruth's had been 49 years earlier.) In 1977, the first season after free agency became a reality, the highest salary was $560,000, more than twice as much as Aaron's. The Philadelphia Phillies' Mike Schmidt did not have to become a free agent to receive that salary; just the possibility that he *could* depart caused his team to give their best player a 367% raise from the $120,000 he made in 1976. By 1980 baseball had its first million-dollar player, Nolan Ryan of Houston, and by 1997 its first ten-million-dollar player, Albert Belle of the Chicago White Sox.

In 2022, baseball's highest-paid player was Max Scherzer, who made $43.3 million pitching for the New York Mets. This was 62 times as much as the minimum salary of $700,000, specified in the labor contract negotiated between the players and team owners prior to the start of the season. In other words, the multiple of the highest to the lowest major-league salary is more than twice what it was 95 years ago. The Associated Press calculated that at the start of the past season the average (mean) salary was $4.4 million, just over 10% of Scherzer's. Also, the median salary in 2022 was $1.2 million, which means that the majority of major league players earn less than 3% as much as the highest-paid player. (Babe Ruth's 1927 salary, adjusted for inflation, would fall below the 2022 median.) Out of 975 MLB players under contract at the beginning of the 2022 season, the 50 (5.1%) with the highest salaries received 30.3% of total player compensation, and the best-paid 100 (10.2%) received 48.9%.

Above Replacement

No longer able to dictate terms to Talent, Capital has been forced to invest shrewdly. The unprecedented compensation packages in sports, entertainment, consulting, finance, and many other fields reflect the determination that high pay for superb performers is often the smart play. Scherzer, for example, has two years remaining on his contract with the Mets. If he retires at that point, his career earnings will total just under $375 million. Yet there's a plausible case that he has been underpaid. After signing a seven-year, $210 million contract with the Washington Nationals before the 2015 season, Scherzer was responsible for 40 or so (depending on which sports geek website you consult) "Wins Above Replacement" (WAR). The equations are esoteric, but the concept is straightforward. WAR is the number of games a team wins due to Player X's performance, compared to a baseline of how many they would have won if you replaced X on their roster with a ballplayer at the same position just competent enough to play at the major-league level, the sort of athlete a front office might call up from the minor leagues or acquire on waivers. The FanGraphs website calculates that each WAR is worth about $8 million to a team. (In *The Business of Major League Baseball* [1989], economist Gerald W. Scully showed that winning games is, by far, the best way for a ballclub to generate revenue.) By that measure, Washington netted $110 million over and above its $210 million commitment to Scherzer.

Though lacking the WAR metric, other industries follow WAR logic. Entertainers, for example, are paid in terms of ticket-sales-above-replacement. A movie star, William Goldman wrote in *Adventures in the Screen Trade* (1983), is an actor famous and popular enough to guarantee a successful opening weekend. Reviews and word-of-mouth may sink the film later, but the star's involvement guarantees it won't be a financial disaster. This is why, every year, the star's income is a bigger multiple of the replacement-level actor, a capable professional who walks down streets unnoticed.

Financial and industrial firms were under the same pressures to hire and retain traders and executives who could return profits-above-replacement. Before Talent realized how much leverage it had against Capital, "CEOs of large American companies were paid 33% less in 1980 than they were in 1960 for every dollar of earnings they produced for shareholders." After, according to Martin and Moldoveanu, CEO compensation (per dollar of corporate profits) doubled between 1980 and 1990, then nearly quadrupled between 1990 and 2000.

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Talent varies greatly among individuals. Those with an abundance of the specific qualities needed to be above-replacement stars are, by definition, few in number and occupy a powerful bargaining position in markets where rare skills make a big difference. Capital, which is generic, has ceded more and more money and power to Talent.

Most labor provided in the market is also generic. "When the middle class consisted of workers tightening bolts on the assembly line," Mickey Kaus wrote in *The End of Equality* (1992), "the difference between a superlative bolt-tightener and a merely competent bolt-tightener wasn't much, economically. As long as the bolts didn't come loose, management had no compelling reason not to pay both workers the same." For software engineers, however, the difference between excellent and adequate is "enormous," which means "management will be strongly tempted to recognize this enormous difference with an enormous difference in pay." Whatever reluctance management, acting on behalf of Capital, may feel about paying these premiums, top performers have long since overcome any diffidence or impediments that would prevent them from, in Kaus's words, "extracting the full measure of their worth from their employers" by setting off a bidding war for their services.

To reflect on the difference between the singular and the generic is to suspect that economic inequality is controversial in the 21st century, not because the reasons for it are murky, but because they are becoming increasingly clear. Replacement-level workers know they're replaceable. Capitalism's gale of creative destruction will sooner or later threaten their livelihood with competition from new technologies or some further elaboration of the global division of labor. Worse, the logic of a market that claims to make increasingly precise judgments about the value of each participant's contribution to national output holds that the replaceable deserve their status: they're being paid what they're worth. Meritocracy adds insult to injury by dishonoring those who are also, objectively, most vulnerable.

Natural Aristocracy

By the same token, assuring winners-above-replacement that they fully deserve their success often causes meritocracy to bring out the worst in those it identifies as the best. In 1813, ex-president Thomas Jefferson wrote to ex-president John Adams, extolling the "natural aristocracy" based on "virtue and talents," which he distinguished from the "artificial aristocracy founded on wealth and birth." The best form of government, Jefferson made clear, is the one that is most successful at identifying and elevating these natural aristocrats. The problem, Adams replied, is that *all* aristocracies consider themselves natural aristocracies. "Both artificial Aristocracy, and Monarchy, and civil, military, political and hierarchical Despotism," he wrote, "have all grown out of the natural Aristocracy of 'Virtues and Talents.'" Convinced of their right to rule, and the benefits to others of their power, the natural aristocrats' temptations will lead them to be increasingly insistent about their *noblesse* but also increasingly feckless when it comes to the *oblige* part of the deal.

Well before these long-term problems manifest themselves, the quest to select and elevate a natural aristocracy will confront a more immediate difficulty: the project assumes an exceptional degree of social mobility, one unlikely to be attained and even less likely to be preserved. It would be a miracle if a large modern nation could successfully undertake a comprehensive, discerning assessment of all citizens' talents and virtue, for the purpose of directing each to the employment that was most satisfying and socially beneficial. Yet Jefferson's ideal of a natural aristocracy requires that we perform this miracle not once, but again and again, continuously and endlessly. It presupposes a magic world without favoritism, inertia, or the exploitation of advantages for personal gain. In this land people will, for the sake of the greater good, happily accept downward mobility as age diminishes their skills or new technologies and market demands render them obsolete.

Despite the increasing inequality of earned income over the past 40 years, there is evidence that a great deal of volatility in our socioeconomic order persists. Talk about *the* One Percent obscures the fact that, over the course of an adulthood, many people occupy several different locations in the income distribution. Sociologists Mark Robert Rank, Thomas A. Hirschl, and Kirk A. Foster showed in *Chasing the American Dream* (2014) that 12% of Americans will spend at least one year in the top percentile of the income distribution, 56% will do so in the distribution's top tenth, and 73% will spend at least one year in the top quintile. The Tax Foundation's Robert Carroll found, along the same lines, that of those Americans who reported an annual income over $1 million at least once during a nine-year period, 50% did so *only* once, a total of 15% reached that level for six or more years, and a mere 6% did so for all nine years. "[R]ather than being a place of static, income-based social tiers," Rank says, "America is a place where a large majority of people will experience either wealth or poverty—or both—during their lifetimes." This means, according to Carroll, that the distribution of income at any one moment is considerably more unequal than the distribution of lifetime income.

A specter is haunting meritocracy, however: the specter of steadily diminishing inter-generational mobility. It is common in discussions of income distribution to distinguish equality of opportunity (good) from equality of result (bad). The problem, in a nation in which families remain the most important institution for raising children, is that one generation's results profoundly affect the next generation's opportunities. Monetary benefits—such as inheritances and spending on educational opportunities—are part of it, but only part. Imparting crucial habits and dispositions is also important. Parents who have achieved success by being disciplined, industrious, frugal, and shrewd are, all things being equal, more likely to raise children who acquire these inclinations than will parents who are irresponsible and reckless. And, of course, qualities that affect which of us flourish and which struggle are to some significant extent genetically transmitted. These include intelligence, looks, and health. This intergenerational transmission of economic, social, and biological capital means that family advantages and disadvantages tend to compound over time.

Mobility, Relative and Absolute

To what extent? A 2017 report by Scott Winship of the American Enterprise Institute, using data from a University of Michigan study of 5,000 American families, a project that began in 1968 and has been continuously updated, found that 46% of children raised in the bottom quintile of the income distribution end up in that quintile as adults. Of the rest starting out from that quintile, a majority (28% of 54%) ascend only as far as the second quintile. Meanwhile, 41% of those raised in the top quintile stay *there* as adults, and another 27% descend only as far as the fourth quintile. The middle 60% of the income distribution experienced more churn. Only 22% of Americans raised in the middle quintile, for example, wound up there as adults. Forty-three percent ascended, including 18% to the top percentile, and 34% ended up in a lower quintile, including 12% in the bottom.

More encouragingly, Winship finds that 73% of American adults live in a household with a higher income, adjusted for inflation, than the family in which they grew up. This is *absolute* mobility, as opposed to the *relative* mobility of occupying a higher or lower percentile of the income distribution than your parents did. Both evidence and logic say that those who grow up poor are especially likely to experience absolute mobility: it's easier to earn more than your father if his income when you were a kid was $20,000 than it would be if he made $200,000 a year.

The distinction between absolute and relative mobility raises a question of great importance to the politics of economic equality. Which is the more important determinant of our sense of economic well-being: how we're doing vis-à-vis our parents, or how we're doing vis-à-vis our peers? If it's the former, and absolute mobility is the key consideration, then the policy objective is simple, though securing it will seldom be easy. Sustained, robust, and encompassing economic growth holds out the prospect that nearly every American child can enjoy a higher standard of living as an adult.

But to the extent that relative mobility is what matters, we now have a much harder, zero-sum problem: there can only be as much upward *relative* mobility as there is downward relative mobility. The top quintile can never comprise more than 20% of a nation's households. It follows that making it easier for someone who grew up in a lower quintile to spend his adulthood in the most affluent fifth of the income distribution is possible only to the extent that people who grew up in top-quintile households are willing, or forced, to spend the rest of their lives in a lower quintile.

Winship's findings, however, support his contention that "there appears to be something of a 'glass floor' supporting many upper-income children." Is it likely that today's affluent parents or their offspring will acquiesce in the latter's downward mobility? This would be a surprising development, especially given economist Raj Chetty's studies showing that at highly selective (and expensive) colleges—Kenyon, Middlebury, and some three dozen others—the number of students from families in the top percentile of the income distribution exceeds the number from families in the bottom 60%.

It is hard to be sanguine about this lack of relative mobility at the top and bottom of the income distribution. Unless people are wired quite differently than they appear to be—less aware of their peers' economic success, less concerned about their children's—this seems like a problem that neither economic growth nor a tax-and-transfer regime can solve. Though he believes that "the American Dream abides," Winship worries that "poor children are all too likely to remain poor in adulthood," even as "the limited downward mobility of children with well-off parents may indicate that our meritocracy tolerates a level of anti-competitiveness that is economically inefficient." Yes, but it may indicate something more serious: the emergence of a self-replicating Brahmin caste, increasingly detached from and negligent about the countrymen among whom it prospers.

Though much can be gained from the three books that began this discussion of inequality, they offer little clarity about these urgent, difficult questions concerning social stratification borne of the triumph of Talent. The politics of redistribution changed very little over the 20th century. Republicans presented themselves as defenders of taxpayers, Democrats as champions of transfer recipients. All three books would have been readily comprehensible contributions to the New Deal or the Reagan Revolution's debates.

Their relevance to the 21st century's unstructured, unpredictable argument over inequality is more doubtful. Against Donald Trump in 2020, Joe Biden carried 16 of the 25 counties with the highest percentage of households receiving an income above $100,000, two more of those counties than Hillary Clinton won in 2016. Democrats representing such voters in Congress tried and failed after the 2020 election to restore the full deductibility of state and local taxes on federal income tax returns. (It was capped at $10,000 in the tax law Republicans passed in 2018.) Most of the beneficiaries, Michael Michael Barone recently observed in his *Washington Examiner* column, would have been "rich people in high-tax New York, New Jersey, and California."

Republicans, in turn, are becoming less solicitous of corporations' interests, even as they revise their message and mission to accommodate the fact that more and more of their electoral base lives outside the income distribution's top quintile. It isn't clear where this quest will lead the GOP, but it is increasingly clear that long-settled positions are up for reconsideration. "Market capitalism is a tool," Tucker Carlson declared in 2019 on his Fox News program. "You'd have to be a fool to worship it." After posing the question, "What kind of country do you want to live in?" Carlson answered, "a country where normal people with an average education who grew up in no place special can get married, and have happy kids, and repeat unto the generations." Though the equivocal 2022 elections provided little clarification, it seems very likely that the political party viewed as having the strongest commitment to realizing Carlson's ideal, and the best policies for achieving it, will secure the inside track to electoral dominance in the coming decades.

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