The New York Times

October 3, 2012

Why Let the Rich Hoard All the Toys?

By NICHOLAS D. KRISTOF

Imagine a kindergarten with 100 students, lavishly supplied with books, crayons and toys.

Yet you gasp: one avaricious little boy is jealously guarding a mountain of toys for himself. A handful of other children are quietly playing with a few toys each, while 90 of the children are looking on forlornly — empty-handed.

The one greedy boy has hoarded more toys than all those 90 children put together!

“What’s going on?” you ask. “Let’s learn to share! One child shouldn’t hog everything for himself!”

The greedy little boy looks at you, indignant. “Do you believe in redistribution?” he asks suspiciously, his lips curling in contempt. “I don’t want to share. This is America!”

And then he summons his private security firm and has you dragged off the premises. Well, maybe not, but you get the point.

That kindergarten distribution is precisely what America looks like. Our wealth has become so skewed that the top 1 percent possesses a greater collective worth than the entire bottom 90 percent, according to the Economic Policy Institute in Washington.

This inequality is a central challenge for the United States today and should be getting far more attention in this presidential campaign. A few snapshots:

• The six heirs of Sam Walton, the founder of Walmart, own as much wealth as the bottom 100 million Americans.

• In 2010, 93 percent of the gain in national income went to the top 1 percent.

• America’s Gini coefficient, the classic measure of inequality, set a modern record last month — the highest since the Great Depression.

This dismal ground is explored in an important and smart new book, “The Price of Inequality,” by Joseph Stiglitz, the Nobel laureate who was chairman of the Council of Economic Advisers under President Bill Clinton. It’s a searing read.

“We are paying a high price for our inequality — an economic system that is less stable and less efficient, with less growth,” Stiglitz warns.

The problem is not that the rich are venal or immoral, and I buy into the Chinese mantra of the reform era: "To get rich is glorious." But today's level of inequality is unusual by American historical and global standards alike, and, as Stiglitz notes, evidence is mounting that inequality at the levels we've reached stifles growth and employment.

As I see it, the best way to create a more equitable society wouldn't be Robin Hood-style redistribution, but a focus on inner-city and rural education — including early childhood programs — and job training. That approach would expand opportunity, even up the starting line, and chip away at cycles of poverty. If the cost means forcing tycoons to pay modestly higher taxes, so be it. The economy wouldn't suffer.

After all, the United States enjoyed strong growth in the 1950s when we were a more egalitarian country, even though the top income tax rate in that decade was always more than 90 percent.

Indeed, it was only in 1987 that the top income tax rate dropped below 50 percent in the United States. So the 15 percent rate that some tycoons pay because of the carried interest loophole is a recent, er, entitlement.

On this issue, Americans seem by intuition to be flaming lefties. A study published last year by scholars from Harvard Business School and Duke University asked Americans which country they would rather live in — one with America's wealth distribution or one with Sweden's. But they weren't labeled Sweden and America. It turned out that more than 90 percent of Americans preferred to live in a country with the Swedish distribution.

Perhaps nothing gets done because, in polls, Americans hugely underestimate the level of inequality here. Not only do we aspire to live in Sweden, but we think we already do.

It's also troubling that a considerable share of wealth today comes from the plutocratic version of welfare.

Mitt Romney, for example, became rich in private equity, as did many barons of finance. They're smart, entrepreneurial and hard-working business executives. But private equity exists largely because of tax advantages for corporate debt that amount to a huge subsidy.

Likewise, the Institute for Policy Studies in Washington estimates that four major tax breaks that encourage excessive corporate pay cost taxpayers $14.4 billion last year. And 26 chief executives received more in pay last year than their companies paid in total federal corporate income taxes.

Often the best route to wealth isn't competing in the marketplace but lobbying Congress for a tax break. That's why there are six lobbyists for every member of Congress from the health care industry alone.

All this inequity would be unconscionable if it unfolded in a kindergarten. It should be more offensive when it defines our nation from womb to tomb.

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