

Income Inequality Is A Positive Indicator

By *Theodore Sares*

Political candidates from both major parties all seem to agree that America faces a crisis of income inequality. They propose to alleviate it by raising taxes on the wealthy and expanding various welfare programs. What crisis?

Maybe I'm just an old fashioned capitalist who believe in a free enterprise way of doing things. That's the way I was brought up as a first generation American. That's the way I was enlightened in graduate school. I also happen to believe that income inequality is not bad thing; it is a natural and desirable part of aforementioned free and prosperous way of doing things.

As Alex Epstein at the Ayn Rand Institute asserts in a recent essay dated February 13, 2007, "there is no such crisis." The plain fact is, individuals do not necessarily create the same amount of wealth. The wealth that exists in America has been created through the productive activities and voluntary arrangements of free individuals. However, and as Epstein stresses, being a free individual requires that we recognize the moral right of each individual to enjoy whatever he or she produces, and recognize that none of us has a right to something for nothing.

As much as some don't want to admit it, major differences in productivity and value-creation can be caused by equally major differences in ability, work ethic, skills, choices and interests, and that is the platform for income differentiation . Look at it this way, I am an author who has experienced some small success by creating a degree of value, but I readily acknowledge that others have made major literary breakthroughs by creating far more value, and I can live with that.

Wealthier Americans, it is argued, command an "unfair share" of our national wealth. Such assertions imply that American wealth is some kind of communal pie that belongs equally to all of us. Manifestly, it is

no such thing. The likes of Barney Frank notwithstanding, no one should have a claim to wealth earned by others or their beneficiaries. There simply are no free lunches.

Karl Marx held that over a period of time marked by class conflict and revolutionary struggle, society could be transformed from the capitalist mode of production to an advanced communist mode based on an ideology that seeks to establish a classless social organization based in turn on common ownership of the means of production. The implication of common in "communist" is not just a coincidence, and the concept of a classless social organization goes against the very grain of individual differences.

Oh sure, the critics point to some real problems, such as growing healthcare costs and stagnating wages. But wait, these are not the result of income inequality; they are the result of the government's growing propensity to over regulate. If medicine, as just one example, were left with America's doctors to offer medicine and health care at different price points, we would see quality and price improvements like those for plasma television sets or cell phones. Indeed, deregulation results in more economic opportunity. Government policies based on an egalitarian mentality do not.

America is a free nation. Each individual can earn as much money as his or her ability and effort permit. This results in income inequality because different individuals in different professions and jobs with different skills, abilities and work ethics create different amounts of wealth. Such differences are a good thing and are reflective of a system that works. Most assuredly, we don't need the government to fix something that isn't broke.

"From each, according to his ability; to each, according to his need." Karl Marx

"Wealth is the product of man's capacity to think." Ayn Rand

"Most economic fallacies derive from the tendency to assume that there is a fixed pie, that one party can gain only at the expense of another." Milton Friedman