Justice, Inequality, and the Poor

Ryan Messmore

After a financial crisis, a deep recession, and a stalled recovery, it should be no surprise that poverty in America is on the rise. This fall, the Census Bureau reported that a record 46 million Americans — 15% of the population — were living below the poverty line. This is a troubling figure, and it should certainly move us to act to help the poor as we strive to grow the economy.

But efforts to address poverty in America are frequently derailed by misguided ideology — in particular, by the notion that poverty is best understood through the lens of inequality. Far too often, policymakers succumb to the argument that a widening gap between the richest and poorest Americans is the fundamental problem to be solved and that poverty is merely a symptom of that deeper flaw.

Such concerns about inequality are not baseless, of course. They begin from a fact of the modern American economy, which is that, in recent decades, incomes among the poor have risen less quickly than have incomes among the wealthy. And such growing inequality, some critics contend, is both practically and morally dangerous. A growing income divide can foster bitterness and animosity between classes, threaten democracy, and destabilize the economy. Above all, they argue, it violates the cherished moral principle of equality.

Implicit in much of the critique of our income divide is the assumption that inequality per se is inherently unjust, and therefore that the gap between rich and poor is as well. That perceived injustice in turn spurs support for redistributionist policies that are intended to make levels of prosperity more equal across society.

President Obama commonly uses the language of justice and equality to advance such an agenda — speaking, for instance, of “the injustice in

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the growing divide between Main Street and Wall Street.” Other left-leaning politicians, commentators, economists, and activists say much the same. Some religious figures have even used their moral concerns about inequality to justify the imposition of specific redistributionist economic policies. For example, Jim Wallis, president of the liberal religious organization Sojourners, has said that inequality in America — “a sin of biblical proportions” — necessitates a higher minimum wage, higher taxes on the rich, and increased welfare spending.

But though the gap between rich and poor may be widening, this obsession with inequality — and this preferred approach to mitigating it — are fundamentally counterproductive. They are born of a misconception rooted in a flawed understanding of both justice and economic fact. Even if their premises and objectives were sound, these policies would have perverse unintended consequences — fostering class resentment, destroying jobs, and reducing wages and opportunities for the poor most of all. Such policies also tend to undermine the family and create a culture of dependence on the state — unleashing harmful consequences that would, again, fall disproportionately on the poor.

Before we can seriously address the state of the poor in America, then, we need to seriously question some popular assumptions about poverty, equality, and justice. We must ask whether justice is always synonymous with equality, and explore the economic realities underlying the claim that a resource gap is inherently unjust. Such an examination will show that the left’s intense focus on the income gap is severely misplaced — and that, if we fail to correct their error, our society runs the risk of neglecting the poor for the sake of an ill-advised ideological quest.

**CREATED EQUAL**

Equality is highly prized in liberal-democratic societies. Indeed, in America, we often use “equality” as a synonym for justice. A just society, we imply, is one in which everyone is treated equally. After all, the guiding first principle of the American founding, according to the Declaration of Independence, was that “all men are created equal.” Abraham Lincoln confirmed as much in his Gettysburg Address, proclaiming nearly a century after the Declaration that America was still “dedicated to the proposition that all men are created equal.”

But America’s founders knew that, while human beings are equal in some key respects, they are not equal in every respect. And justice also
requires that we recognize these differences. Where people are equal, it is just to treat them the same; where they are different, it is unjust to treat them the same.

So in what respects are people equal? According to the Declaration of Independence, all men are equally endowed with rights to life, liberty, and the pursuit of happiness. The author of the Declaration, Thomas Jefferson, wrote elsewhere that no one is born either with a saddle on his back or with boots and spurs to ride his fellow man. In other words, no person has an inherent duty by birth to submit to another, nor does anyone enjoy an inherent right by birth to dominate another. On the basis of this principle, justice demands that all people be treated equally before the law.

Moreover, every life, by virtue of being a human life, is equal in value. No matter how young, old, weak, or poor a man may be, his life is just as worthy of respect and protection as any other. No one should be excluded from the opportunity to live freely and contribute to society.

But our equal worth as human beings does not mean that we must be treated equally in every sense and in every situation. We need not expect to possess equal faculties; society need not provide us with equal material circumstances.

Consider, for instance, an elementary-school class. It would be foolish (and unjust) to insist that the teacher and a third-grade student have equal say regarding every choice made in the classroom—including who gets to determine classroom rules, set the curriculum, and assign homework. It would also be wrong to insist that every student—regardless of ability, effort, and achievement—receive exactly the same grade. But if a schoolbus accident during a field trip resulted in the teacher’s and students’ being admitted to a local hospital, all of them—as human beings whose lives are of equal worth—would have an equal claim to life-saving care.

This distinction was made particularly clear in the writings of James Wilson, a signer of the Declaration of Independence and one of the six original justices of the Supreme Court. Wilson argued:

When we say, that all men are equal, we mean not to apply this equality to their virtues, their talents, their dispositions, or their acquirements. In all these respects, there is, and it is fit for the great purposes of society that there should be, great inequality among men…. [But] there is still one aspect, in which all men in society, previous to civil government, are equal. With regard to
all, there is an equality in rights and in obligations. . . . The natural rights and duties of man belong equally to all.

Thus, when we address fundamental human dignity and worth—our standing before God and the law, and the value of individual lives—equal treatment of all is required. In most other contexts, however, justice calls for treating different people differently.

**Economic Justice**

How should this analysis of equality and justice apply when evaluating the American economy? To begin, a sound notion of economic justice must account for aspects of human equality as well as inequality. For instance, since all human beings possess equal dignity and an equal claim to life, a just economic system must seek to keep citizens from falling below a baseline of subsistence and dignity. A wealthy society should not stand by while some citizens starve, for instance. This threshold will differ according to circumstances; the baseline in a modern wealthy society will not be the same as that of a pre-modern or developing society. But the same principle applies: By virtue of equal humanity, every person should have access to at least the basic resources required to sustain life in his society. In the United States, this has come to include not only food, clothing, and shelter, but also free public education, legal representation in courts of law, emergency medical care, and other forms of basic welfare.

But establishing a baseline of dignity does not mean that the responsibility for providing these essential resources must belong exclusively to government. We should not narrow the obligation to only the state when, in fact, many social institutions—including families, private charities, churches, and businesses—share responsibility for sustaining a just society. The state should maintain the social conditions that allow these other institutions to contribute, in appropriate ways, to a minimum provision of basic economic resources for all citizens. The state is authorized and equipped to protect the public’s freedom, order, safety, and peace by meeting needs that require the use of force (such as defending against military threats, providing for public safety, enforcing contracts, and upholding laws). Civil-society institutions like families, churches, and community groups, in turn, are better equipped to fulfill mutual obligations and enable people to care for one another.
In other words, the state generally creates the conditions for a just society, and the institutions of civil society help citizens live out that vision of justice. For people who would otherwise slip through the cracks, government should step in to provide a basic safety net, but only as a last resort, temporarily, and in ways that support—rather than crowd out—civil society.

In many cases, of course, we will seek more than the minimum level of provision for one another. A sense of justice may spur citizens to work for—and petition government for—better education, less expensive health care, or more jobs in their communities. Above the baseline of necessity, however, debates about these kinds of improvements should be treated as matters of public priorities and the prudential use of community resources, not of basic human equality.

Moreover, once crucial rights have been secured and the basic subsistence level of resources has been provided, the differences between individuals should be acknowledged and respected. This means that a just government has an obligation to protect people’s freedom to exercise their differing abilities and faculties, and also to protect the property they accumulate as a result—even if these holdings vary widely. As James Madison argued in Federalist No. 10, “The protection of these faculties is the first object of government. From the protection of different and unequal faculties of acquiring property, the possession of different degrees and kinds of property immediately results.” Freedom, Madison understood, inevitably brings unequal income and wealth. This does not mean that if we are free we have no obligations to others; it does mean, however, that providing material equality is not one of those obligations we have to others—and, indeed, that having government make it such an obligation would be unjust.

This principle was ably articulated by Nathaniel Chipman, a lieutenant in the Revolutionary War who went on to be elected to the U.S. Senate from Vermont. “Riches are the fruit of industry,” Chipman observed. “Honor the fruit of merit. Both ought, as to their continuance, and the influence which attends them, to be left to the conduct of the possessor…. To exclude the meritorious from riches and honors, and to perpetuate either to the undeserving, are equally injurious to the rights of man in society.” With a scheme of equalization through government redistribution in mind, Chipman concluded: “Let us not, in a Republic, attempt the extreme of equality: It verges on the extreme of tyranny.” Rather, he argued, a just society should protect the “natural rights” of
every person while leaving free “the acquisition and disposal of property to supply the occasions of the owner.”

An intense focus on income gaps rather than on the condition of the poor is therefore not an appropriate application of the American ideal of equality, which argues for equal dignity and equal rights—including the right to have one’s unequal faculty for acquiring property protected. Today’s fixation on income gaps also incorrectly applies the classical understanding of justice, which insists that we should be treated equally in those areas in which we are equal and differently in those areas in which we are different. Indeed, the quest to establish equality through redistribution (rather than to protect equality through equal respect of fundamental rights) runs the risk of doing an injustice by failing to take account of those differences among individuals. And in practice, such an injustice would likely hurt the poor at least as much as it hurts the rich, by undermining our society’s capacity to create wealth for all.

Justice surely demands that we care for the poor, and requires us to help them find ways out of poverty. But justice does not demand that we understand poverty through the lens of equality. Why, then, do so many Americans focus exclusively on income gaps when they take up the problem of poverty? Why does their appeal to justice primarily take the form of an attack on economic disparities?

INEQUALITY AND JUSTICE

The moral critics of income inequality often begin their argument by pointing to the sheer magnitude of inequality in our country. By drawing on startling statistics about just how much the wealthiest Americans have, for instance, they seek to arouse moral indignation aimed against the rich. Their arguments, however, tend to be both factually unsound and conceptually incoherent.

For one thing, these critics exaggerate the degree of inequality (and the growth of inequality) in America. For instance, when most media outlets report on economic inequality in our country, they use a “money income” measurement provided by the Census Bureau each year. Money income measures the pre-tax revenues a household receives each year and includes earnings, interest, dividends, rents, Social Security benefits, pension or retirement income, alimony, workers’ compensation, and similar kinds of benefits. According to the latest such figure (from 2010), the top quintile of earners in America received about $15 in income
for every dollar in income received by those in the bottom quintile.

But this measurement is problematic for several reasons. First, money income alone does not tell the whole story. As my Heritage Foundation colleagues Rea Hederman, Jr., and Robert Rector have shown, the measurement used in the Census Bureau’s report does not include, for instance, the value of employee health benefits and government income transfers through welfare programs. Thus it does not take into account the Earned Income Tax Credit, food stamps, the school-lunch program, public housing, Medicare, and Medicaid. It also excludes the equalizing effects of taxes on income. A study by the Congressional Budget Office compared the share of total income in America held by households in different income groups before and after paying taxes from 1979 to 2007. The CBO found that, for each of the four lowest quintiles, the share of income rose by about one percentage point after taxes; only the top quintile’s post-tax share of income fell over that period—by about 3.5 percentage points.

Moreover, the income “quintiles” in the Census Bureau’s statistics do not contain equal fifths of the American population. While the top quintile contains 24.6% of the population, the bottom quintile contains only 14.3%. Why the imbalance? One reason is that the quintiles are based on a count of family households rather than of individuals. (For this purpose, a household is defined as a person or group of related persons living in a single housing unit.) In America, high-income households tend to include married parents (both of whom often work), while low-income households tend to include unmarried parents or the elderly. As a result, each household in the top income quintile tends to contain more people than each household in the bottom quintile. It shouldn’t come as a surprise, then, that the top quintile has 2.4 working-age adults for each such adult in the bottom quintile.

Once employee health benefits and government transfers are added, the effects of taxation are accounted for, and quintiles are adjusted to contain equal shares of population, the picture looks much different: According to Census Bureau data from the past decade, the ratio of the incomes of the top quintile to the bottom quintile drops from about $15 to one dollar down to just over $4 to one dollar. Hederman and Rector have also calculated that if the adults in each quintile worked the same number of hours at current income levels, the ratio of incomes between the quintiles would fall further, to $2.91 to one dollar.

Moreover, as a group led by Richard Burkhauser of Cornell University recently showed, the rise in income inequality in America since the
early 1990s has been smaller and has grown more slowly than in the two decades before. After adjusting the Census Bureau’s Current Population Survey data for a practice called top-coding (by which all incomes above a certain level in the survey are scored as equal to that level, to protect the identities of the wealthiest Americans), Burkhauser and his colleagues found that “the increase in American income inequality since 1993 has been significantly slower than in the previous two decades.”

More important, these arguments about the degree of income inequality would be relevant in the first place only if inequality as such were a moral problem. The American ideal of equality, as discussed above, does not demand equal wealth or income. And the economic facts do not support the notion that unequal wealth causes hardship for the poor. The implicit assumption behind the case for the injustice of income inequality is that the wealthy are the reason why the poor are poor, or at least why they cannot escape their poverty. If this claim were true, it would be much easier to connect income inequality with injustice, and so to justify a redistributionist agenda. Yet this assumption rests on another economic premise that itself is highly dubious: the idea that income is a zero-sum game. Moral critics of inequality often portray total national income as if it were a pie: There is only a fixed amount to go around, they suggest, so if someone’s slice gets bigger, another person’s must get smaller.

Much of the moral debate about income inequality seems to rest on this zero-sum theory. As Kevin Drum of Mother Jones magazine put it last year, “This income shift is real. We can debate its effects all day long, but it’s real. The super rich have a much bigger piece of the pie than they used to, and that means a smaller piece of the pie for all the rest of us.”

In a functioning market economy, however, the total amount of income is decidedly not static; economic exchange is not a zero-sum game. Through ingenuity and higher productivity, our country generates new income. Increasing the size of one person’s piece of the pie therefore does not necessarily mean smaller pieces in absolute terms for everyone else. The fact that some people make billions of dollars does not necessarily decrease income for the average worker. It is possible for everyone’s slices to get bigger, even if they grow at different rates.

Indeed, research shows that this is just what has happened in America over the past several decades. In 2009, the Economic Mobility Project sponsored by the Pew Charitable Trust released a report titled *Ups and*
Downs: Does the American Economy Still Promote Upward Mobility? The report found that, over the most recent two-year and ten-year periods studied (2002-2004, 1994-2004), almost half of Americans (46%) experienced a two-year income gain, and substantially more (58%) experienced a ten-year income gain (adjusted for inflation). During the same periods, only about a third of Americans experienced a two-year decline (37%) or a ten-year decline (35%). Moreover, among Americans who suffered a significant income drop over ten years, the share of those recovering from such an experience between 1994 and 2004 was actually slightly higher than the share of those recovering from a similar drop in the two previous decades. The report’s authors concluded:

A succinct answer to the question posed in this report’s title is that, yes, the American economy continues to promote upward absolute mobility. Claims that income volatility has measurably increased for the average family are mistaken. Income gains over time outnumber income losses, and this is as true today as it was in the past. Furthermore, recovery from income losses is comparable to that of past periods. Overall, what stands out is how minimal changes have been over the past forty years.

This confirms the Congressional Budget Office’s 2007 findings that the conditions of the poorest Americans in fact improved over the very stretch that critics often identify as the incubation period for today’s income inequalities. Between 1991 and 2005, the average annual income of the wealthiest households with children increased from $114,700 to $175,800 (in today’s dollars), or by 53.2%—about 3.8% per year. But this growth did not cause the conditions of the poor to deteriorate: During this same period, the average annual incomes of the poorest households with children also grew, from $12,400 to $16,800. Those figures represent an increase of 35%—about 2.5% per year.

These findings undercut the primary argument for treating income inequality as evidence of injustice. It is simply not true that the increased earnings of high-income workers generally cause some people to be poor or prevent them from improving their economic status. In fact, successful businessmen and others in top income brackets play a significant role in enlarging the economic pie. When high-income earners find ways to increase productivity and create income, they are rewarded for
their efforts. They also help to generate more jobs and lower prices—often by re-investing the same financial rewards that their critics begrudge them—thus benefiting Americans at all income levels.

In short, the scope of inequality in America is routinely and grossly exaggerated. More important, the primary argument for the injustice of income inequality fails because the success of the rich does not harm the poor. Income inequality as such is not behind the problem of poverty. The rich, in other words, are not the reason why the poor are poor.

Redistribution and Injustice

In fact, looked at with a clearer sense of the meaning of economic justice, it is not inequality but rather the redistributionist agenda of inequality’s fiercest critics that seems to run afoul of justice—for it deprives individuals of the rewards their successes warrant. To be sure, justice requires that the rich put their fair share into the public coffers. But in America today, the top 5% of earners pay 59% of all personal federal income taxes. If that’s not their fair share, then what portion would be considered fair?

When it comes to tax rates, there is no a priori way to determine what is fair or just. Societies need to deliberate about such questions in the context of their own circumstances and priorities—and thinking about economic justice in terms of income inequality is not conducive to such deliberation. Excessive levels of taxation not only punish the success or good fortune of high earners, but also undermine the common good by hindering economic growth, which hits the poor harder than any other group. Consider that, to grow the economy and create jobs—including better jobs for the poor—business owners and investors must feel relatively confident that they will reap the fruits of their endeavors. Punitive levels of taxation undermine that confidence and discourage innovation and investment. In one recent study published by the National Bureau of Economic Research, researchers concluded that increasing marginal tax rates would substantially reduce investment by entrepreneurs. Another report, in the Journal of Public Economics, estimated that cutting the capital-gains tax rate would increase entrepreneurial entry by roughly 10%—and an increase in entrepreneurs means an increase in innovation. Similar evidence abounds. Yet those who call for higher taxes on top earners and corporations sometimes seem to assume that income can be redistributed without these negative effects.
Moreover, to achieve strict economic equality, government would need to intervene in people's private decisions to a degree that would make even some of the most ardent equalizers uncomfortable. Strict equality would require the state to regulate income creation and prevent some people from obtaining advantages over others—for example, by attending private schools or otherwise benefiting from parents' investments of time and money in their development. Where governments tried to enforce strict equality in the past, as in socialist and communist regimes throughout the 20th century, power became more concentrated in the hands of a few (government officials) while material equality and prosperity among the general population remained elusive.

In addition to being widely unpopular, such interventions would also be exceedingly inefficient, because different people value different things (money, land, physical health, travel, consumer goods, comfort, and so forth) in different ways. And government necessarily lacks the ability to know the relative degrees to which citizens value these goods. Consider the example of a government-run health-insurance program that forces private options out of the market and dictates which medical procedures are and are not covered. Under this hypothetical program, all citizens with bad knees are treated equally, and the costs of knee-replacement surgeries are covered. This provision pleases Peter, who lives for walking outdoors. But what about Paul, whose life doesn't revolve around physical activity? Paul prefers to sit at his computer and read articles online and use the internet to communicate with his family and friends. Paul deems a treatment for arthritis in his hands—a treatment that isn't covered by the hypothetical government-run health plan—more valuable than knee-replacement surgery. In this scenario, does providing Peter and Paul with the same health insurance improve their health and the quality of their lives equally? No. Broadly speaking, would imposing plans that improve individuals' health unequally be just? No. In the case of health insurance, as in so many others, reducing justice to equal treatment leaves no room for choices that might allow for a diversity of preferences—and so inflicts injustice rather than ameliorating it.

Focusing on economic inequality also distracts from the legitimate goal of helping those who need extra help to thrive. It identifies justice with looking over one’s shoulder at how others are doing. But viewing our neighbors as rivals does not simply reinforce the false notion that income is a zero-sum game: It also subtly cultivates a desire for those
neighbors not to perform better than we do. This is not just or conducive to a healthy civic spirit; it is merely envy.

Moreover, if the size of the income gap is really the central moral issue in our economic life, the attempt to close the gap through redistribution would require decreasing the amount of income at the top. To see how this can be morally problematic when it comes to income, we can examine the equivalent in other realms. Imagine, for instance, a doctor who aimed to narrow the “health gap” between his sick and healthy patients — by making his healthy patients a little less healthy. Or consider a therapist who aimed to narrow the “happiness gap” among his clientele by making his happiest clients less happy. Not only would we refrain from calling these schemes just, we would condemn them as morally perverse. The proper goals in these realms are to help all people get healthier and happier, with special attention to assisting those who are critically sick or depressed.

The same logic applies to income. Just as we don’t help the sick by injuring the fit, we don’t help the poor by soaking the rich. When it comes to income, inequality is largely a distraction. We should be focusing on improving the prosperity and well-being of all — with special attention to helping the poor escape their poverty.

**Pros Perity, not equalit y**

In a market economy underwritten by the rule of law, the gap between rich and poor is not itself the source of injustice. The real problems have to do with underlying factors that impede success, stifle opportunity, and foster unhealthy dependence on government. If our goal is to help people in need, we can better achieve it by identifying and targeting the sources of true material deprivation. In cases of real injustice — for example, where students are trapped in failing schools or corrupt officials misuse public resources — we should focus public attention on finding effective remedies.

How, then, can we foster a national conversation focused more directly on helping those in need rather than on income inequality? One place to start is by making sure we talk about others as fellow citizens or neighbors, rather than as targets of envy or victims of greed. We should care about the condition of the poor because we want our fellow citizens to thrive, not because we resent those who have done especially well for themselves. We should be moved by compassion, not bitterness; we should want to help the poor make something of the great benefits
and advantages of our free society, rather than to limit the ability of the wealthy to do so. Reframing the debate about poverty can help us shift moral attention back where it belongs: to changing conditions that hinder economic mobility and to helping all citizens—especially the poor—improve their lives.

Changing the focus of the conversation is the responsibility of leaders in civil society and government alike. This debate touches our core sense of what justice and human equality are all about, and those intuitions are formed by parents, teachers, and other moral leaders. Religious leaders especially have the opportunity to shape public notions of justice, human dignity, envy, compassion, and mutual responsibility.

But elected government officials also have a stake in this effort. By virtue of their public voice, political leaders can direct us toward either healthy or unhealthy points of focus. It is crucial that the political gatekeepers of our financial debates in particular—including the president and congressional leaders—distinguish between income inequality and the true sources of poverty and injustice.

An improved conversation about poverty should lead to public policies that promote overall economic growth while providing an effective safety net for those who truly need it. Such an approach would reverse the push for government redistribution that stifles investment and job creation. Instead, it would promote effective pro-growth policies such as cutting government spending, easing onerous regulations on businesses, and reducing tax rates to improve incentives to produce. Good public policy would also reform government-run welfare programs along the lines of the 1996 welfare reforms, which reduced dependence on government services and contributed to a historic drop in child poverty. Entitlement spending would also be reined in and better targeted to people who truly need help. And in terms of tackling real injustice, education reforms like school choice would be implemented to liberate families and children from failing public schools.

What requires redistribution is not our income but our moral attention. The sooner our economic debates move beyond the gap between rich and poor to questions of growth, mobility, and enduring prosperity, the sooner we will be able to nurture conditions that allow everyone the opportunity to rise and flourish.