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CRITICAL-RETROSPECTIVE ESSAY

Why the Surge in Income Inequality?

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Inequality: What Can Be Done? by **Anthony Atkinson.** Cambridge, MA: Harvard University Press, 2015. 400 pp. $29.95 cloth. ISBN: 9780674504769.

The Race between Education and Technology, by **Claudia Goldin** and **Lawrence F. Katz.** Cambridge, MA: Harvard University Press, 2010. 496 pp. $24.00 paper. ISBN: 9780674035300.

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Capital in the Twenty-First Century, by **Thomas Piketty.** Cambridge, MA: Harvard University Press, 2014. 696 pp. $39.95 cloth. ISBN: 9780674430006.

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The Price of Inequality: How Today's Divided Society Endangers Our Future, by **Joseph E. Stiglitz.** New York: W.W. Norton, 2012. 523 pp. $17.95 paper. ISBN: 9780393345063.

Rewriting the Rules of the American Economy: An Agenda for Growth and Shared Prosperity, by **Joseph E. Stiglitz.** New York: W.W. Norton, 2015. 236 pp. $15.95 paper. ISBN: 9780393353129.

The Killing Fields of Inequality, by **Göran Therborn.** Malden, MA: Polity, 2013. 212 pp. $19.95 paper. ISBN: 9780745662596.

The Spirit Level: Why Greater Equality Makes Societies Stronger, by **Richard Wilkinson** and **Kate Pickett.** New York: Bloomsbury Press, 2009. 374 pp. $18.00 paper. ISBN: 9781608193417.

Income inequality is more severe in the United States than in any other affluent long-standing-democratic country, and it has increased sharply in the past generation. The rise in inequality is mainly a story of growing separation between households in the top 1 percent and those in the "bottom" 99 percent. Income inequality within the

lower 99 percent increased in the 1980s and 1990s, but since then it hasn't changed much.

A common measure of top-end income inequality is the share of income that goes to the top 1 percent of households. According to the World Wealth and Income Database (Alvaredo et al. 2016), the top 1 percent's share of pretax income increased from 18 percent in 1913, the first year of available data, to 24 percent in 1928. It then fell sharply during the Great Depression and World War II to 13 percent in 1945. Between 1945 and the end of the 1970s it continued to decrease, slowly but steadily, reaching 10 percent in 1979. By 2014 it had jumped to 21 percent. For the period since 1979, the Congressional Budget Office (2016) has compiled estimates of the top 1 percent's share of posttax income (that is, with tax payments subtracted from income), and the upward trend is similar.

The United States isn't the only rich democratic nation to have experienced rising top-end income inequality since the late 1970s. The top 1 percent's income share has risen sharply in the United Kingdom, Canada, Ireland, and South Korea too, though not quite as rapidly as in the U.S. Many other nations have had more modest increases. Some, such as Denmark, France, Japan, the Netherlands, Spain, and Switzerland, have seen little or no increase.

A significant part of our surge in top-end inequality owes to a subset of the top 1 percent. There are about 120 million households in the United States, so the top 1 percent are approximately 1.2 million. According to the World Wealth and Income Database, among the 600,000 or so that constitute the lower half of the top 1 percent, average pretax income roughly doubled between 1979 and 2014, from $275,000 to $500,000. Among the 12,000 households that make up the top 0.01 percent, average income quadrupled during those years, from $7 million to $29 million.

Of income earners in the top 1 percent, about one in three are executives, managers, or supervisors, and one in ten are in financial professions. These two groups account for about half of the income share of the top 1 percent and nearly two-thirds of the increase in that share since the late 1970s (Bakija, Cole, and Heim 2012). Unlike in the 1920s, most of their income comes from compensation—salaries, bonuses, fees, stock options, stock awards, golden parachutes—rather than from assets they own (Saez 2015).

The rise in the top 1 percent's income share is one of the most striking developments in the United States in the past generation. It raises obvious questions of justice, particularly in an era of economic insecurity and slow income growth for many ordinary Americans. In addition, according to Richard Wilkinson and Kate Pickett's *The Spirit Level*, Joseph Stiglitz's *The Price of Inequality*, and Göran Therborn's *The Killing Fields of Inequality*, high levels or sharp increases in income inequality may have harmful effects on other things we value, such as economic growth, health, happiness, and democracy.

What has caused the surge in top-end income inequality? Is it a product of changes in the economy? Or, as Paul Krugman's *The Conscience of a Liberal* and Jacob Hacker and Paul Pierson's *Winner-Take-All Politics* contend, have the key shifts been in America's politics and policies?

Education

Explanations of rising income inequality often begin with education. In *The Race between Education and Technology*, Claudia Goldin and Lawrence Katz describe how educational attainment in the United States increased steadily from the late 1800s through the 1960s. But then the pace of advance slowed, and as it did, the "college pay premium"—the ratio of the earnings of persons with a four-year college degree to the earnings of those without—began to rise.

Goldin and Katz aim to explain developments in income inequality within the bottom 99 percent, and patterns of educational attainment are surely helpful for that purpose. But they can't tell us much about why the top 1 percent's incomes have separated from everyone else in recent decades because Americans in the top 1 percent aren't better educated than those just below them.

That also holds for some other factors commonly invoked in explanations of rising income inequality. High earners more commonly couple with other high earners today than in former generations, but this doesn't distinguish the top 1 percent from the rest of the top 10 or 20 percent of households. Manufacturing employment has declined,

the statutory minimum wage has been flat, and unskilled immigration has risen sharply, but these are more likely to have contributed to rising inequality between the middle and the bottom than between the top and everyone else.

Product Market Size

In the 1950s, the consumers for America's most popular sports team, the New York Yankees, were primarily people who lived in New York and purchased tickets to see the team play in person. Today, top teams in many sports can be watched by people all over the world via television. The TV contracts, along with sales of team jerseys, hats, and other paraphernalia, have massively increased those teams' revenues. The same is true for movies, pop music, and fiction books. This in turn has led to huge pay increases for recognizable sports and entertainment stars. People in Shanghai and Sao Paulo are more likely to watch a professional basketball game or a Hollywood movie if LeBron James or Tom Hanks is in it. Technological advance, globalization, and name recognition have produced large increases in revenues, and this translates into big payoffs for superstars.

A related logic applies to the financial sector. Computerization and modern communications technology have enabled a big expansion in the volume of trades, as well as creation of new financial tools and instruments (leveraged buyouts, junk bonds, home equity loans, subprime mortgages, derivatives, collateralized debt obligations, credit default swaps). These in turn have increased the volume of fees earned by large financial firms, which has made it possible for these companies to handsomely reward their top creators, analysts, deal makers, and traders. At the summit, a superstar investor can set up a hedge fund, attract tens of billions of dollars of investment, and charge a yearly management fee of, say, 3 percent of the fund's asset value ($30 million for a fund with assets of $10 billion) in addition to pocketing a share of the returns.

Yet beyond sports, entertainment, and finance, growth in product market size probably can't account for much of the rise in top-end income inequality. Technological improvements—large shipping containers, lighter and stronger packaging materials, computerized logistics management, the internet, and more—have helped to globalize markets, boosting their size significantly. But they've also brought heightened competition. American companies now face foreign competitors not only abroad but also here in the domestic market. Barriers to entry by new competitors have fallen too, as venture capital firms ease access to financing and the information and communications revolution enhances the ability of start-ups to join and utilize global supply chains. As Robert Reich notes in *Supercapitalism*, the rate at which firms disappeared from the Fortune 500 accelerated sharply in the 1970s and 1980s.

Also problematic for the product market size explanation of rising top-end income inequality is the fact that many successful American companies enjoyed soaring revenues in the early post-World War II decades, before the technology-spurred globalization of product markets. At Coca-Cola, for instance, revenues rose from $2 billion in 1955 to $13 billion in 1979, then to $26 billion in 2005. The story is similar for General Motors, Procter and Gamble, and many others. Yet compensation increases for CEOs (chief executive officers) and other high-level executives were modest during the former period, then huge during the latter.

Corporate Governance

In the mid-to-late 1970s, higher-ups in large American firms began to change their perceptions of the core mission of the firm, of whom its most valuable members are, and of how to compensate them. This shift had a number of elements.

During the "golden age" of post-World War II capitalism, boards of directors of large publicly owned corporations saw the firm's mission as increasing market share, revenues, and profits. Profits were invested in research or equipment, passed on to employees in the form of wage increases and new hires, or distributed to shareholders as dividends. Beginning in the late 1970s, this orientation was replaced by the notion that

the principal aim should be to maximize ''shareholder value'' by increasing the firm's stock price. The shift was spurred by Michael Jensen and William Meckling's ''Theory of the Firm'' article, published in 1976 and widely embraced in business schools, and by the growing importance of large institutional investors such as pension funds and mutual funds.

Wanting to maximize gains for shareholders doesn't automatically entail offering large compensation to high-level executives, but it just so happened that around the same time corporate boards began to view top executives, and in particular the CEO, as the key to lifting the firm's share price. There were a number of reasons for this.

Globalization increased the number of competitors large American companies faced, making the firm's environment seem more precarious and unstable. Competition also rose significantly in industries with purely domestic firms. In retail sales, for instance, Sears, JC Penney, and countless small ''mom and pop'' stores around the country were now confronted by Walmart, a hyperefficient and rapidly expanding behemoth.

Firms also faced a new and growing threat of external takeover. As Reich points out in *Saving Capitalism*, whereas in the 1970s there were just a dozen hostile takeovers of American firms valued at more than $1 billion, in the 1980s there were 150. Corporate executives now had to worry not only about running the company effectively, battling competitors, and boosting revenues and market share. They also had to fend off takeover attempts. This is no simple task, and board members, many of whom are themselves high-level executives, tend to be sympathetic to the challenge. The takeover threat eased a bit in the 1990s but then took off again in the 2000s as private equity firms, hedge funds, and shareholder activists initiated a new round of buyouts and mergers.

The 1980s also ushered in a new appreciation of the influence of leaders. Lee Iacocca, the former Ford executive, was CEO of Chrysler as it emerged from bankruptcy in the late 1970s to become profitable and competitive in the 1980s. Though this may have owed largely to the fact that Chrysler had stumbled onto what was to become a hugely popular new type of car, the minivan, the company's success accentuated the emerging cult of the superstar CEO. Other successful CEOs—Bill Gates at Microsoft, Steve Jobs at Apple, Lou Gerstner at IBM—seemed further proof that the key to driving up the firm's share price is having the right person at the helm.

Prior to the 1980s it was common for large American firms to hire for top executive positions mainly from within. This meant budding executives had a financial incentive to stay put, and it meant they had limited ability to decamp if they wished to. In the 1980s that norm evaporated, probably pushed along by a similar development in sports (baseball free agency began in 1976) and entertainment. The ability of top executives to move among firms increased their leverage in negotiating salaries, bonuses, and stock options.

As firms increasingly hired CEOs and other high-level executives from a pool that included outsiders, and as large compensation packages became the norm, boards of directors turned to compensation consultants for information about whom to hire and how much to pay them. This has created a benchmarking and leapfrogging process whereby newly hired executives insist on compensation slightly above most of their peers, some are granted this demand, and the norm shifts steadily upward (DiPrete, Eirich, and Pittinsky 2010).

An additional piece of the corporate governance story is the coziness between top executives and the boards of directors who decide on their compensation packages. Many members of these boards are in effect handpicked by the CEO and then approved by shareholders who have little information and limited interest in the details of a company's governance. Some board members are executives within the firm itself, and others are top executives at other publicly owned companies. They thus have a direct interest in seeing executive compensation levels rise. In addition, some know each other personally and hence are more likely to vote for a generous pay package.

In 1993, the Clinton administration and Congress ruled that a publicly traded corporation can deduct executive compensation from its taxable income only if that

compensation is tied to the firm's performance. As a result, more and more of executive compensation began to come in the form of stock options—shares in the firm that can be sold after a specified number of years. As the stock market soared, the payoff from stock options turned out to be enormous (Murphy 2013).

Executives also discovered a way to help temporarily boost their company's stock price when it came time to cash in their stock options: stock buybacks. Purchasing shares of the firm's own stock drives up the price of the stock. It also increases the firm's earnings per share (by reducing the denominator), a metric investment analysts use in judging a firm's performance. Between 2003 and 2012, firms listed on the Standard & Poor's (S&P) 500 index used, on average, 54 percent of their earnings to buy back their own stock (Lazonick 2014).

Because the corporate governance explanation has a number of components, it is difficult to quantify in a way that allows statistical testing. The explanation works well in terms of timing in the U.S. case; most of its components are coincident with the rise in executive compensation and in the top 1 percent's income share. It also seemingly works well in helping us understand country differences. In other rich nations, the shareholder value revolution, CEO free agency, and compensation via stock options either didn't occur at all or happened later than in the United States. And a number of European countries have institutions—strong unions and employee election of some members of the board of directors—that are likely to obstruct sentiment among corporate boards in favor of huge executive compensation packages.

On the other hand, compensation at the top has risen sharply in a number of occupations—not just among executives in publicly traded firms but also among their counterparts in privately owned companies and among financial professionals, partners in large law firms, and top physicians, athletes, and entertainers (Kaplan and Rauh 2013). So corporate governance shifts can take us only part of the way in explaining the rising income share of America's top 1 percent.

Large-Firm Market Power

Two recent books—Joseph Stiglitz's *Rewriting the Rules of the American Economy* and Robert Reich's *Saving Capitalism*—argue that the market power of large firms accounts for a significant share of the growth in top-end income inequality in the United States. Firms with a dominant position in their product market can deter potential entrants, weaken existing competitors, and extract more revenue from customers. They then pass on the resulting above-market profits, or "rents," to their top executives.

In Stiglitz's telling, this process began with government deregulation of key industries such as airlines and railroads in the 1970s, eventually extending to telecommunications, finance, and other industries. Economists and policy-makers embraced the notion that ensuring competition via government oversight and regulation was unnecessary, even counterproductive. Markets, according to the new perspective, would ensure ample competition if left alone, particularly in an age of rapid technological advance and globalization.

Instead, in industry after industry, we've gotten the opposite—weaker competition, more firms with a monopoly or quasi-monopoly position, less pressure for productivity improvement, more rent-seeking. Patent and copyright protections give pharmaceutical firms and software developers exclusive access to revenues from a new innovation. Tech titans benefit when their service or platform becomes an industry standard—think Microsoft, Apple, Google, Facebook, and Amazon. According to Reich, America's large banks and other Wall Street firms have colluded to enlarge their profits by driving down the price of corporate takeover targets, influencing the setting of interest rates, engaging in insider trading, and more. Large firms also use their resources to lobby for regulations that further advantage them vis-à-vis competitors, with cable providers securing local monopoly rights being only the most visible example.

Yet while market dominance matters for some firms, this explanation can take us only so far. We observe sharp increases in the compensation of CEOs and other high-level executives across a wide range of

industries. In how many of them is the power of the largest firms greater now than in the 1950s and 1960s, when there was less domestic competition and little globalization? Neither Stiglitz nor Reich addresses this question. Interestingly, the emphasis on large firm market power and monopoly position is contrary to what Reich himself described in his 2007 book, *Supercapitalism*, which emphasized the increase in competitive pressure faced by American firms.

Financialization

Over the past century, the financial sector's share of America's GDP has correlated fairly strongly with the top 1 percent's share of income; it was high in the 1920s, then lower for about 50 years, then high again since the late 1970s. Financial firms' revenues have grown in recent decades, and the salaries and bonuses of top financial managers, traders, and analysts have risen sharply. The amounts for some, particularly hedge fund managers, are staggering. Moreover, many large nonfinancial companies have added financial operations such as loans and credit cards on top of their core business.

The expansion of finance has multiple causes. Globalization, the emergence of large institutional investors, advances in computing and telecommunications, the creation of new financial instruments, and reductions in regulatory constraints have allowed financial companies to draw on larger pools of funds and to channel those funds into a wider array of investments. The growing size of large financial firms has allowed them to seek more risky investments. This has been accentuated by the expectation of a government bailout should too many of those bets go sour, on the grounds that a bankruptcy by one or more such firms would create too much uncertainty in global financial markets. Nonfinancial companies, struggling in a more competitive global economy and facing investor demands for strong short-term profit performance, have turned to financial operations to shore up revenues and profits.

Finance clearly has contributed to America's top-heavy increase in income inequality (Philippon and Reshef 2013; Tomaskovic-Devey and Lin 2013; Flaherty 2015). It too, however, is only part of the story. Financial professionals get one-seventh of the top 1 percent's income, and they account for about one-quarter of the rise in its income share (Bakija et al. 2012). The financial sector's share of income actually has been rising since the 1950s, whereas the top 1 percent's income share only began to increase around 1980. And if we look across countries, we find a number of anomalies. For instance, the Netherlands and Japan look similar to the United States in over-time trends in financial regulation, in finance's share of income or value-added, and in financial-sector wages relative to wages in nonfinancial sectors, yet they are among the rich countries in which the top 1 percent's share of income has risen the least over the past generation.

The Stock Market

An important but little-commented-upon part of the story of rising top-end income inequality in the United States is the rise in stock prices. The S&P 500 is a common measure of stock-market values. Over the six decades since the mid-1950s, the correlation between the inflation-adjusted value of the S&P 500 and the top 1 percent's income share is +0.92. Both were flat through the late 1970s and then shot up.

As I noted earlier, most of the income gains for America's top 1 percent have come from increases in compensation rather than in capital income. Yet a lot of the movement in compensation over time is tied to the stock market. A large portion of the mammoth compensation increases for high-level executives in big firms has come in the form of stock options, which hinge on increases in the share price of the executive's firm. A key part of the rise in pay for financial professionals is linked to trading in stocks and related financial instruments, which tends to increase when stocks' values rise.

The growth of incomes among the top 1 percent also fuels rising stock values. The rich tend to save and invest a larger portion of their income than do middle-class and poor households, so as the incomes of those at the top soar, more money will go toward

purchase of stocks, increasing the demand for them and hence their price.

When we turn to other rich nations, stock values aren't always helpful in accounting for changes in top-end income inequality. In a handful of countries, the over-time correlation is as strong as in the United States. In others, though, it is weak or nonexistent.

Unions

Where unions exist and are sufficiently strong, they can force firms to distribute more of the profits to ordinary workers and less to top executives. Computers, robots, the ability to move to another state or country, immigration, high unemployment rates, and other developments have increased employers' leverage vis-à-vis workers, and in this context union strength is likely to be especially critical. Unions also can affect income inequality via a political channel, by pressuring policy-makers and influencing election outcomes.

The unionization rate in the United States has declined sharply during the period of rising top-end income inequality, falling from 23 percent in 1979 to 10 percent in 2014. Then again, the drop in unionization began in the 1950s, and the decrease in the 1950s, 1960s, and 1970s was comparable to what has happened since.

Cross-county comparison suggests that union strength has mattered for income inequality. The contrast between the United States and Canada is illustrative. Canada's unionization rate has remained fairly constant over the past generation, and the top 1 percent's income share in Canada has risen only half as much as in the U.S. Several recent quantitative studies that examine developments over the past generation in the United States alone or in the U.S. along with other affluent democracies have found unionization to be one of the best predictors of variation in top-end income inequality (Volscho and Kelley 2013; Jaumotte and Buitron 2015; Huber, Huo, and Stephens 2015).

In this instance, however, the best predictor isn't an especially good predictor. The only one of these studies that provides information needed to gauge the magnitude of unions' impact has it predicting a rise in the top 1 percent's income share in the United States of 0.5 percentage points. The actual rise was 10 percentage points.

Taxes

Analyses of the impact of taxes on income inequality typically focus on how a progressive tax system reduces the share of income that goes to the rich, and accounts of the rise of top-end inequality in the United States often point to the Reagan and (George W.) Bush tax cuts as key contributors. However, the best estimates we have of the top 1 percent's posttax income share, from the Congressional Budget Office, suggest that those tax cuts didn't in fact do much to change the picture. And tax changes during the Obama presidency have brought the effective federal tax rate (taxes paid as a share of pretax income) on the top 1 percent back up to the level it was at in 1979.

Taxes may have a larger influence on the pretax distribution of income. Two recent books—Thomas Piketty's *Capital in the Twenty-First Century* and Kenneth Scheve and David Stasavage's *Taxing the Rich*—suggest that when top statutory income tax rates are lower, people and households at the top have greater incentive to try to maximize their income. They may do so by working harder or smarter, or perhaps by grabbing more "rent."

In the United States, the top statutory federal income tax rate and the top 1 percent's share of pretax income have indeed tended to move in opposite directions over time. In the 1920s the top tax rate decreased and the top 1 percent's income share shot up. The top tax rate rose sharply between 1929 and 1945, and the top 1 percent's income share fell sharply. From 1979 to 2007, the top tax rate decreased a good bit and the top 1 percent's income share jumped.

However, there are notable exceptions. The 1963 Kennedy tax reform reduced the top statutory tax rate from 90 to 70 percent, yet the top 1 percent's pretax income share continued its slow, steady post-World War II decline. In the early 1990s the (first) Bush administration and the Clinton administration increased the top tax rate from 28 to 40 percent, yet the top 1 percent's income share

continued its sharp post-1979 rise. Carola Frydman and Raven Molloy (2011) have looked closely at whether compensation for top executives in large U.S. firms changes in response to shifts in top statutory tax rates. Drawing on data going back to the 1940s, they find no noteworthy correlation between top tax rates and executive compensation.

What does the experience of other countries suggest? Data are available for most of the rich longstanding democracies since the mid-1970s. In some of them—Australia, Canada, Ireland, New Zealand, Norway, Portugal, and the United Kingdom, along with the United States—we observe the predicted increase in the top 1 percent's income share when the top statutory tax rate decreases. But in others—Denmark, France, Italy, Japan, the Netherlands, Spain, and Sweden—we don't.

All of these countries reduced top income tax rates during this period, but they differed significantly in the *degree* of reduction. Did the nations with larger decreases in top tax rates experience larger increases in their top 1 percent's income share? Yes, but the correlation isn't especially strong (Kenworthy 2016b). Particularly noteworthy is that four English-speaking countries—the United States, the United Kingdom, Canada, and Australia—are among those with the largest increase in the top 1 percent's income share even though only one of them, the United States, enacted very large tax-rate reductions.

Why isn't the association stronger? Part of the reason is that hiding behind statutory tax rates are an assortment of loopholes, deductions, and ''tax expenditures.'' These reduce the effective tax rate on persons or households with high incomes by shielding some, potentially much, of their pretax income from taxation. Warren Buffett's famous discovery that he pays a lower effective federal income tax rate than his office staff illustrates the point. Moreover, different parts of high incomes—salary, business income, capital gains—may be taxed at different rates.

What Do We Know?

Researchers tend to search for a dominant cause. We want to identify the most important determinant, partly because finding one reduces complexity and partly because it implies a straightforward solution to the problem. Much of the research on the rise of top-end income inequality has proceeded in this vein, with analysts focusing on one or another hypothesized cause and frequently concluding that it is indeed the key contributor. I don't think any such conclusion is justified. The rise in the top 1 percent's income share since the late 1970s is a product of multiple developments—growth in product market size, shifts in corporate governance, increases in the market power of some large firms, financialization, soaring stock values, union decline, and reductions in top tax rates—no one or two or even three of which look to have been dominant or decisive.

To some degree it's pure historical coincidence that these developments occurred around the same time. But they also reinforced and accentuated one another.

Is the origin of these developments mostly economic or mostly political? Are they, in other words, a product of markets or a product of policy? My answer is: both. Deregulation, tax cuts at the top, the 1993 cap on deductibility of non-performance-related executive compensation, lack of support for labor unions, and other policy actions and inactions have played an important role. But so too have technological advances, the expansion of markets, changes in corporate culture, and other economic developments. And even where policy has mattered, it hasn't necessarily been decisive. Deregulation of finance is a prominent culprit in many accounts of rising income inequality, yet nearly all affluent nations had deregulated their financial sectors as much as the United States by the early 1990s, with many experiencing nothing like our surge in top-end income inequality. And unions have weakened not only here in the Unites States, but in many other affluent countries, some of which have a much less hostile legal climate.

Just as there is no single dominant cause of the rise in top-end income inequality, there is unlikely to be a silver bullet when it comes to solutions. Here Anthony Atkinson's *Inequality: What Can Be Done?* is helpful, offering a menu of reasonable and practical proposals for policy steps, from higher tax rates on top incomes to guaranteed employment to more generous government benefits

and much more. If fully implemented, Atkinson's slate of recommendations might well take us a significant part of the way toward reversing the past generation's shift in favor of the top 1 percent.

How vital is it to achieve that? While hypotheses about income inequality's harmful effects on other social, economic, and political outcomes abound, supportive evidence is sparse (Kenworthy 2016a). For some of these outcomes, perhaps many, policy changes that aim to improve outcomes directly, rather than indirectly via income inequality reduction, may be a better approach. There is, arguably, a strong case for attempting to reduce top-end income inequality on fairness grounds alone. But even this is subject to caveat, for a variety of policy reforms that would enhance societal fairness, from early education to fully universal health insurance to affordable housing and college, could be achieved with little or no shift in the distribution of income. Income inequality ought to be on the list of problems in need of attention from American policymakers, but it isn't clear that it should be at the top of the list.

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