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OPINION | BEST OF THE WEB

Income Inequality Is Often by Choice

The latest Census data show that America is still the land of opportunity.

By

James Freeman

Sept. 20, 2021 5:26 pm ET

Sen. Bernie Sanders, a Vermont socialist, promotes a $3.5 trillion federal spending plan in Indiana last month.

PHOTO: DARRON CUMMINGS/ASSOCIATED PRESS

As if one couldn't tell by observing the daily crowds of people of color risking life and limb trying to enter the United States, America is not a fundamentally unjust society, but rather a beacon of hope for those fleeing injustice. New data from the Census Bureau confirm that the aspiring new citizens at our southern border are 100% correct that the U.S. remains the land of opportunity. Yet even as the rebounding U.S. economy continues to a be a global talent magnet, Democrats in Congress are still pushing the Bernie Sanders plan to disrupt American prosperity.

As the pols attempt to perform multi-trillion-dollar surgery on a U.S. economy in no need of government assistance, the argument rests on the specious claim that a sharp rise in U.S. income and wealth inequality necessitates a societal rearrangement. The Sanders myth is that Americans are trapped by greedy corporations and destined for low incomes. In truth Mr. Sanders sees no inequality problem when it comes to the bosses of communist dictatorships enriching themselves while their peoples share the equality of misery.

As for the United States, the good news is that the facts don't bear out his socialist critique. Americans rise up and fall down the income ladder over time, in large part because of the individual decisions they make. Mr. Sanders is living proof, as he and his wife have chosen to build a personal fortune estimated at more than 25 times that of the median U.S. household.

Each of the rest of us enjoy a great chance to become as wealthy as Mr. Sanders. Shocking at it may be to those claiming American injustice, it turns out that income has a lot to do with how much people work. Mark Perry at the American Enterprise Institute writes on the latest income statistics from the Census Bureau:

> Household demographics, including the average number of earners per household and the marital status, age, and education of householders are all very highly correlated with Americans' household income. Specifically, high-income US households have more income-earners on average than lower-income households, and individuals in high-income households are far more likely on average than individuals in low-income households to be well-educated, married, working full-time, and in their prime earning years. In contrast, individuals in lower-income US households are far more likely than Americans in higher-income households to be less-educated, working part-time, either very young (under 35 years) or very old (over 65 years), and living in single-parent or single-member households.

> The good news about the Census Bureau is that the key demographic factors that explain differences in household income are not fixed over our lifetimes and are largely under our control (e.g., staying in school and graduating from high school and college, getting and staying married, working full-time, etc.), which means that individuals and households are not destined to remain in a single-member, low-income quintile forever. Fortunately, studies that track people over time find evidence of significant income mobility in America confirming that individuals and households move up and down the income quintiles over their lifetimes…

Mr. Perry notes "the research of social scientists Thomas Hirschl (Cornell) and Mark Rank (Washington University) showing that as a result of dynamic income mobility nearly 70% of Americans will be in the top income quintile for at least one year while almost one-third will be in the top quintile for ten years or more".

This research comes on top of a series of reports in recent years poking holes in the claim that the U.S. has seen a dramatic rise in income inequality in recent decades. Leftist economists celebrated in the media have been exposed over various math errors related to income and taxation, even if many academics remain afraid to acknowledge the problems in the surging inequality thesis.

A 2019 paper from government economists Gerald Auten and David Splinter reported that the inequality surge has been overstated:

> Top income share estimates based only on individual tax returns, such as Piketty and Saez (2003), are biased by tax-base changes, major social changes, and missing income sources. Addressing these issues requires numerous assumptions, especially for broadening income beyond that reported on tax returns. This paper shows the effects of adjusting for technical tax issues and the sensitivity to alternative assumptions for distributing missing income sources. Our results suggest that top income shares are lower than other tax-based estimates, and since the early 1960s, increasing government transfers and tax progressivity resulted in little change in after-tax top income shares.

The enormous wealth in the U.S. means that even for people who aren't working, the outcomes aren't necessarily catastrophic. Andy Serwer and Max Zahn write for Yahoo Finance:

> Almost one-third of all working-age men in America aren't doing diddly-squat. They don't have a job, and they aren't looking for one either. One-third of all working-age men. That's almost 30 million people!

> ... Fact is there is just a ton of money sloshing around in our country. And men seem to be able to get their hands on it, whether obtained legally, borrowed, leeched off of or stolen.

> It seems like working legally to provide for yourself in America is really just one option these days.

Working to provide for oneself and others remains a wonderful option, and it is still being rewarded in the world's largest economy.

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James Freeman is the co-author of "The Cost: Trump, China and American Revival."

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