

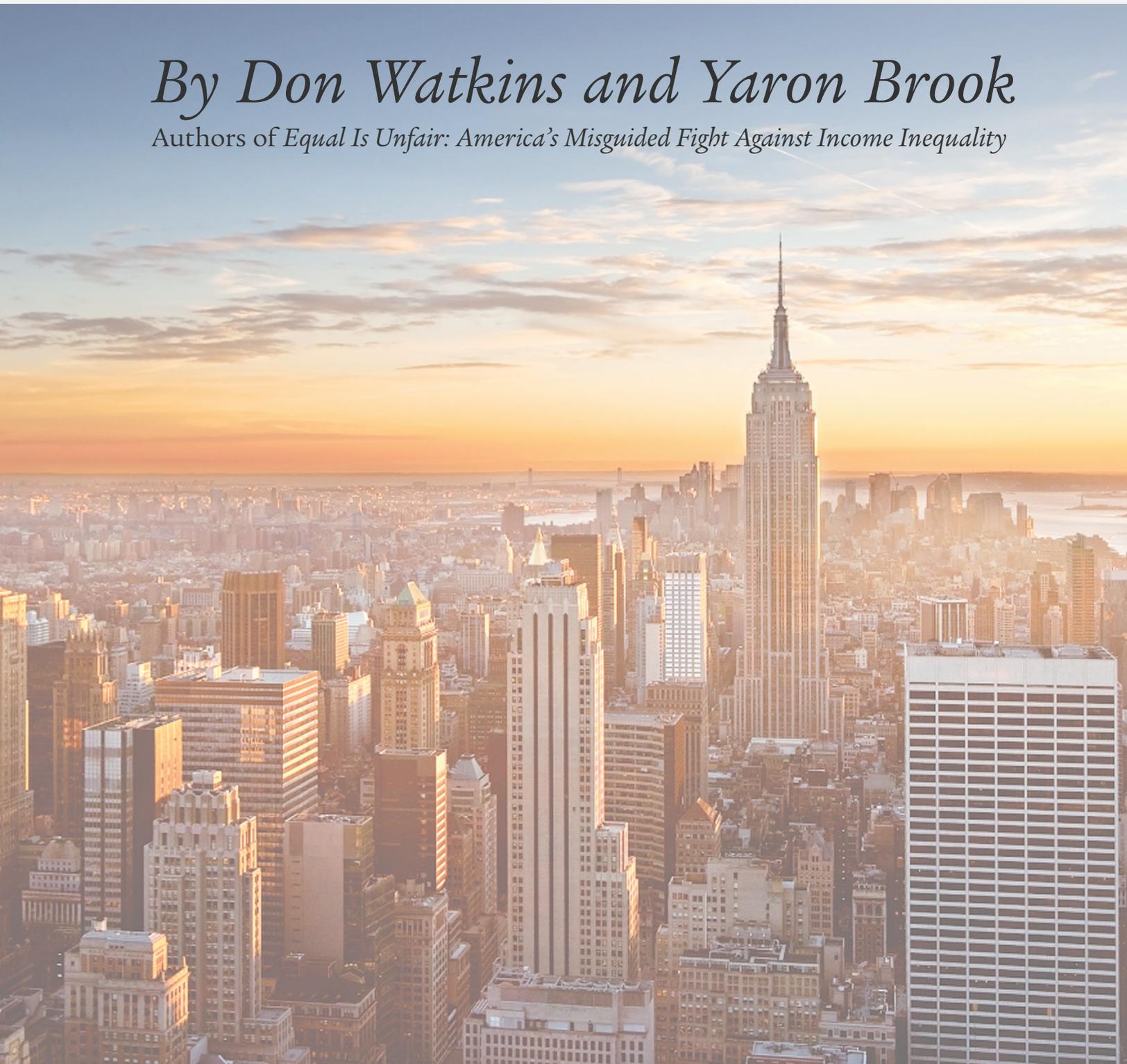


Turning the Tables on the Inequality Alarmists

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By Don Watkins and Yaron Brook

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Don Watkins and Yaron Brook

Here's the familiar narrative on inequality: the American Dream is vanishing. The rich are getting richer, while the rest of us are struggling to keep our heads above water, and unless the government fights economic inequality through tax hikes on "the rich," a larger welfare state, and a "living wage," things are going to get much worse. "The rich" will not only continue to amass huge (and usually undeserved) fortunes, but they will use their power to game the political system for their own ends. Fighting this alarming trend of rising economic inequality, in President Obama's words, is "the defining challenge of our time."

What's been the response from those who reject this narrative?

Some challenge the statistics behind these claims, and argue that economic inequality really isn't as bad as the inequality alarmists suggest. Others challenge the solutions advocated by the alarmists. They say that the best way to achieve economic equality is to embrace market-oriented policies rather than higher taxes and higher government spending.

But both of these approaches commit a deadly error: they grant the inequality alarmists the moral high ground by conceding that economic equality is the ideal. This allows the alarmists to present themselves as idealists who are trying to move this country in the direction of equality by pursuing an agenda of economic leveling, and it allows them to paint their opponents as "deniers" who are trying to delude Americans into believing that leaving CEOs free to make tens of millions of dollars a year will somehow make us more equal.

Ceding the moral high ground to the alarmists is a losing strategy. The fact is, if economic equality is an ideal, then free-market capitalism is immoral. Free markets don't lead to economic equality. They

make it possible for each individual to rise as far as his ambition and ability will take him: some will make huge fortunes, most will make a good living, and some will make a mess of their lives. Freedom provides us with economic opportunity—not economic equality.

But how do we go about challenging the moral ideal of the inequality alarmists? Some have argued that they are sacrificing liberty to equality. The alarmists' problem, they say, is that they care too much about equality to the detriment of other values.

“Freedom provides us with economic opportunity—not economic equality.”

But that's not the problem. The problem is that the inequality alarmists are the enemy of the only kind of equality that matters: political equality.

As we'll see, it is *political* equality that secures the opportunity that allows individuals to make the most of their lives—and it is the slow erosion of political equality that is threatening to turn the American Dream into a fading memory.

Political Equality: The Foundation of the American Dream

Before the creation of the United States, every system of government had taken for granted that some people were entitled to rule others, taking away their freedom and property whenever some allegedly "greater good" demanded it. Such systems were rigged against any outsider or innovator who wanted to challenge convention, create something new, and rise by his own effort and ability rather than through political privilege. But building on the achievements

of thinkers like John Locke, the Founding Fathers established a nation based on the principle, not of economic equality, but of *political equality*.

“ The Founders transformed the state from an instrument of oppression into an instrument of liberation. ”

Political equality refers to equality of *rights*. Each individual, the Founders held, is to be regarded by the government as having the same rights to life, liberty, and the pursuit of happiness as any other individual. When the Founders declared that “all men are created equal,” they knew full well that individuals are unequal in virtually every respect, from intelligence to physical prowess to moral character to wealth. But in one respect we *are* equal: we are all human beings, and, despite our differences, we all share the same mode of survival. Unlike animals that have to fight over a fixed amount of resources in order to survive, human survival is achieved by using our minds to *create* what we need to live. We have to think and produce if we want to live and achieve happiness, and as a result we must have the *right* to think and produce (and to keep what we produce) if we are to create a society where individuals can flourish.

What can violate those rights? What can stop us from exercising the thought and productive effort human life requires? Basically, just one thing: physical force. The only way human beings can coexist peacefully is if they “leave their guns outside” and agree to live by means of production and voluntary trade rather than theft and brute violence. This is the purpose of government: in Locke’s words, to protect the rights of the “industrious and rational” from violation by “the quarrelsome and contentious.”¹

By making the government the guardian of our equal rights rather than a tool for the politically privileged to control and exploit the rest of society,

the Founders transformed the state from an instrument of oppression into an instrument of liberation: it liberated the individual so that he was free to make the most of his life.

It’s important to keep in mind that the Founders failed to fully implement the principle of equality of rights, above all by failing to end slavery. And although that doesn’t change the essential issue, it is worth noting that the opponents of slavery mounted their moral opposition to “the peculiar institution” by appealing to the principle of political equality, and to the way in which slaves were treated unequally by being deprived of their right to property. In Frederick Douglass’s words, the slave “can own nothing, possess nothing, acquire nothing, but what must belong to another. To eat the fruit of his own toil, to clothe his person with the work of his own hands, is considered stealing. He toils that another may reap the fruit; he is industrious that another may live in idleness; he eats unbolted meal, that another may eat the bread of fine flour.”² This was the ultimate form of political inequality because, as Abraham Lincoln put it in his debates with Stephen Douglas, it is precisely “in the right to eat the bread, without the leave of anybody else, which his own hand earns, [that the slave] is my equal and the equal of Judge Douglas, and the equal of every living man.”³

To the extent it was realized, then, political equality was the foundation of the American Dream. The reason America became a land in which there was “opportunity for each according to ability or achievement,” as James Truslow Adams put it when he coined the phrase “the American Dream,” was because political equality ended the exploitation of the individual by the politically powerful. If you

1. John Locke, *The Second Treatise of Government* V, sec. 34.

2. Frederick Douglass, “Lecture on slavery, No. 1.”

3. Abraham Lincoln, “Abraham Lincoln, First Debate with Stephen A. Douglas at Ottawa, Illinois, August 21, 1858 (excerpt),” http://mason.gmu.edu/~zschrag/hist120spring05/lincoln_ottawa.htm (accessed July 20, 2015).

wanted to make something of your life, nothing would be given to you—but no one could stop you. In place of the guild systems, government-granted monopolies, and other strictures that had stifled opportunity in the Old World, the New World provided an open road to the visionaries, inventors, and industrialists who would transform a virgin continent into a land of plenty.

Political equality is a moral ideal because it is the foundation of economic progress, it is the foundation of economic mobility—and it is the foundation of fairness in political and economic affairs.

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Why Political Equality Leads to Economic Inequality

Political equality and the opportunity it unleashes have always gone hand-in-hand with enormous economic inequality. There is no contradiction in that fact. Political equality has to do with how individuals are treated by the government. It says that the government should treat all individuals the same—black or white, man or woman, rich or poor. But political equality says nothing about the differences that arise through the voluntary decisions of private individuals. Protecting people’s equal rights inevitably leads to enormous differences in economic condition, as some people use their freedom to create modest amounts of wealth while others reach the highest levels of success.

It also leads to differences in *opportunity*. To be sure, political equality does provide a level playing field, in the sense that everyone plays by the same rules. Each of us is free to use our talents and

resources to pursue happiness and success, without interference by others. But it is obviously true that some people will find the struggle to succeed harder than others. If you’re born to loving, educated, and affluent parents, you will likely find it easier to achieve your aspirations than someone born in less desirable circumstances.

But that does not mean we should pursue an agenda of “equality of opportunity,” as some advocate. As the critics of economic inequality are the first to point out, the only way to equalize opportunity is to equalize outcomes. “Inequality of outcomes and inequality of opportunity reinforce each other,” writes economist Joseph Stiglitz.⁴ Every time a person achieves a successful outcome, such as finishing college, that opens up a new range of opportunities—opportunities not enjoyed by those who haven’t achieved the same outcome. When parents rise from poverty to become affluent, their outcomes translate into unequal opportunities for their children, who can now enjoy better health care, go to better schools, and afford to take prestigious but low-paying internships. “What it all comes down to,” writes economist Paul Krugman, “is that although the principle of ‘equality of opportunity, not equality of results’ sounds fine, it’s a largely fictitious distinction. A society with highly unequal results is, more or less inevitably, a society with highly unequal opportunity, too.” And so, argue the critics, to achieve genuine equality of opportunity, the government needs to equalize results: in education, in health care, in wages, in wealth. “If you truly believe that all Americans are entitled to an equal chance at the starting line,” concludes Krugman, “that’s an argument for doing something to reduce inequality.”⁵

4. Joseph E. Stiglitz, “Equal Opportunity, Our National Myth,” Opinionator, *New York Times*, February 16, 2013, <http://opinionator.blogs.nytimes.com/2013/02/16/equal-opportunity-our-national-myth/> (accessed April 28, 2015).

5. Paul Krugman, *The Conscience of a Liberal* (New York: W.W. Norton & Company, 2009), p. 249.

The key thing to keep in mind is that the opportunities enjoyed by some people don't hold others back. On the contrary, part of the reason why people flock to the United States is precisely because it is a land where other people are wealthier, better educated, and more productive than in their home countries. It is infinitely easier to prosper as a cab driver in the Hamptons than in Havana. If the greater opportunities enjoyed by some actually held back those with fewer opportunities, then instead of foreigners immigrating to America, Americans should be immigrating to places like Mexico and India, where they would be among the wealthiest and best educated people in the country. The reason almost no one does that is because we know in some terms that we aren't locked in a zero-sum battle for success, where we have to conquer opponents in order to achieve victory. In reality, we succeed by producing values and trading them with other producers, in exchanges where *both* sides win—and the more others have to offer, the easier our success becomes.

If we genuinely care about opportunity, we need to reject the concept of “equality of opportunity,” and put the focus squarely back on equality of rights and the freedom it gives us to take advantage of life's limitless opportunities.

Is Economic Inequality Unfair?

So if economic inequality necessarily emerges from political equality, is that fair? To answer that question we need to start by realizing that the inequality alarmists have tried to smuggle into the discussion a perspective on wealth that tacitly *assumes* that economic inequality is unjust.

The “fixed pie” assumption. The alarmists often speak of economic success as if it were a fixed-sum game. There is only so much wealth to go around, and so inequality amounts to proof that someone has gained at someone else's expense. Arguing that “the riches accruing to the top have come at the expense of those down below,” Stiglitz writes:

One can think of what's been happening in terms of slices of a pie. If the pie were equally divided, everyone would get a slice of the same size, so the top 1 percent would get 1 percent of the pie. In fact, they get a very big slice, about a fifth of the entire pie. But that means everyone gets a smaller slice.⁶

What this ignores is the fact of *production*. If the pie is constantly expanding, because people are constantly creating more wealth, then one person's gain doesn't have to come at anyone else's expense. That doesn't mean you *can't* get richer at other people's expense, say by stealing someone else's pie, but a rise in inequality per se doesn't give us any reason to suspect that someone has been robbed or exploited or is even worse off.

“The inequality alarmists have tried to smuggle into discussion a perspective on wealth that tacitly assumes that economic inequality is unjust.”

Inequality, we have to keep in mind, is not the same thing as poverty. When people like journalist Timothy Noah complain that “income distribution in the United States is now more unequal than in Uruguay, Nicaragua, Guyana, and Venezuela,” they act as if it's irrelevant that almost all Americans are rich compared to the citizens of these other countries. Economic inequality is perfectly compatible with widespread affluence, and rising inequality is perfectly compatible with a society in which the vast majority of citizens are getting richer. If the incomes of the poorest Americans doubled while the incomes of the richest Americans tripled, that would dramatically increase inequality even though every single person would be better off. Inequality refers not to deprivation but *difference*, and there is nothing suspicious or objectionable about differences per se.

6. Joseph E. Stiglitz, *The Price of Inequality* (New York: Norton, 2013), p. 8.

The “group pie” assumption. In a famous speech denouncing economic inequality, President Obama said, “The top 10 percent no longer takes in one-third of *our* income—it now takes half.”⁷ (Emphasis added.) This sort of phraseology, which is endemic in discussions of inequality, assumes that wealth is, in effect, a social pie that is created by “society as a whole,” which then has to be divided up fairly. What’s fair? Economists Robert Frank and Philip Cook start off their book on inequality with a simple thought experiment. “Imagine that you and two friends have been told that an anonymous benefactor has donated three hundred thousand dollars to divide among you. How would you split it? If you are like most people, you would immediately propose an equal division—one hundred thousand dollars per person.”⁸ If the pie belongs to “all of us,” then absent other considerations, fairness demands we divide it up equally—not allow a small group to arbitrarily “take” a third of “our” income.

But although we can speak loosely about how much wealth a society has, wealth is not actually a pie belonging to the nation as a whole. It consists of particular values created by particular individuals (often working together in groups) and belonging to particular individuals. It is not distributed by “society”: it is produced and traded by the people who create it. To distribute it, “society” would first have to *seize* it from the people who created it.

This changes the equation dramatically. When individuals *create* something, there is no presumption that they should end up with equal shares. If Robinson Crusoe and Friday are on an island, and Crusoe grows seven pumpkins and Friday grows three pumpkins, Crusoe hasn’t grabbed a bigger piece of (pumpkin?) pie. He has simply created more wealth than Friday, leaving Friday no worse off. It is dishonest to say Crusoe has “taken” 70 percent of

“the island’s” wealth.

It’s obvious why these two assumptions about wealth would lead us to view economic inequality with a skeptical eye. If wealth is a fixed pie or a pie cooked up by “society as a whole,” then it follows that economic equality is the ideal, and departures from this ideal are *prima facie* unjust.

But if wealth is something that individuals *create*, then there’s no reason to expect that we should be anything close to equal economically. If we look at the actual individuals who make up society, it is self-evident that human beings are unequal in almost every respect: in size, strength, intelligence, beauty, frugality, ambition, work ethic, moral character. Those differences will necessarily entail huge differences in economic condition—and there is no reason why those differences should be viewed with skepticism, let alone alarm.

If we keep in mind that wealth is something individuals *produce*, then there is no reason to think that economic equality is an ideal or even that economic inequality is something that requires a special justification. On the contrary, it is an inevitable byproduct of the ideal of political equality.

But as the above analysis suggests, differences in productive achievement aren’t the only source of economic inequality. Economic inequality *can* result from injustices. To think clearly about inequality, we have to be able to distinguish between the *earned* and the *unearned*.

What does it mean to say that someone “earned” his income? In short, that he *produced* it. If Robinson Crusoe builds a spear and uses it to catch a fish, he earned that fish—he produced it, it belongs to him, and it would be wrong for Friday to come along and take it. By the same token, we can earn values *indirectly*, by trading what we produce for the things that others produce. If Crusoe chooses not to eat his fish, but exchanges it with Friday for a coconut Friday chopped down from a tree, then Crusoe earned that coconut by obtaining it through the voluntary consent of Friday in a value-for-value trade.

7. Obama, “Remarks by the President on Economic Mobility.”

8. Robert H. Frank and Philip J. Cook, *The Winner-Take-All Society* (New York: Free Press, 1995), p. vii.

In a division of labor economy, the principle is the same, but its application is less obvious. We don't produce and trade concrete items like fish and coconuts, as people do in barter economies. Instead, we produce in exchange for money, and we exchange money for the things that others produce. What determines how much money we receive for our productive efforts, and what we are able to buy with that money? The voluntary consent of the people we exchange with. To earn something, in a division of labor context, is to acquire it through production and voluntary exchange. What we merit is the economic value we create, *as judged by the people who voluntarily transact with us.*

“ To earn something, in a division of labor context, is to acquire it through production and voluntary exchange. ”

It's a mistake to view economic rewards as payment for merit as such. We do not get paid in proportion to the laudable qualities we display—virtues such as diligence, integrity, and effort. Bill Gates worked hard to build Microsoft, but he's not a billionaire because he worked 20,000 times harder than the average American. To be sure, when a person is enormously successful, this almost always indicates virtue on his part. But the essential issue is that what a person merits or earns or deserves, in an economic context, is that he is able to reap whatever rewards he can achieve through productive effort and voluntary exchange.

In 1997, J.K. Rowling published the first book in her Harry Potter series. Over the course of the next decade, she published six more Harry Potter books. Millions of delighted readers willingly paid about \$10–\$20 for each one, making Rowling a billionaire.

One of the highest paid CEOs over the last decade was Steve Jobs, who took home several billion dollars (mostly in the form of stock options). But over the course of his tenure as CEO, Jobs not only saved Apple from bankruptcy, but helped grow it from \$3 billion in market capitalization to \$347 bil-

lion—all through creating products that improved the lives of millions of customers, who happily paid hundreds or thousands of dollars for their Macs, iPods, iPhones, and iPads.⁹

Warren Buffett is the wealthiest investor of all time, with a net worth of about \$60 billion. That's a lot of money, but Buffett helped grow his company, Berkshire Hathaway, from \$22.1 million in market capitalization to more than \$300 billion. Put another way, a \$20.50 investment with Berkshire Hathaway in 1967 would be worth more than \$200,000 today—a track record no one else even comes close to.¹⁰ Buffett's net worth came from using his genius to identify opportunities that no one else could see, putting resources into companies that created an enormous amount of value for their customers and shareholders, standing by those companies through thick and thin, and helping guide them so that they could prosper.

These men and women of extraordinary ability achieved their fortunes through merit. They *deserve* their riches. The insignia of deserved rewards is that they don't come at other people's expense. Bill Gates's billions didn't make anyone else poorer. He *created* billions of dollars of value by producing products that fueled the prosperity of his customers, suppliers, software makers, and that played a pivotal role in the Internet revolution. His \$50 billion gain is puny in comparison. However great the fortunes earned

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9. Jay Yarow and Kamelia Angelova, “CHART OF THE DAY: Apple's Incredible Run Under Steve Jobs,” *Business Insider*, August 25, 2011, <http://www.businessinsider.com/chart-of-the-day-apples-market-cap-during-steve-jobs-tenure-2011-8> (accessed May 28, 2015).
 10. JPL, “A Look at Berkshire Hathaway's Annual Market Return from 1968 – 2007,” AllFinancialMatters.com, April 2, 2008, <https://web.archive.org/web/20080412003318/http://allfinancialmatters.com/2008/04/02/a-look-at-berkshire-hathaways-annual-market-returns-from-1968-2007/> (accessed May 28, 2015); “Berkshire Hathaway Inc. (BRK-A),” Yahoo! Finance, May 28, 2015 <http://finance.yahoo.com/q?s=BRK-A> (accessed May 28, 2015).

by the most successful creators, they represent but a fraction of the total value they create.

To fully grasp this point, the thing to ask about these billionaires is why, since every dollar they earned came from the voluntary consent of other people, so many people were willing to give them so much money. In short, it's because what they got in return was even *more* valuable. This is the key to understanding how inequality arises under freedom—and why it should.

In 1996, J.K. Rowling's net worth hovered somewhere in the neighborhood of nothing. She grew rich through a massive number of voluntary transactions. Because millions of individuals chose to pay \$20 for a copy of one of her books, inequality increased: her income and wealth rose, her fans' income didn't budge and their wealth fell slightly. But the net result was that everyone involved in these transactions was *better off*. The readers valued the book more than the \$20; Rowling (and her publisher) valued the \$20 more than that copy of the book. They were win/win transactions, and the totality of those voluntary, win/win transactions meant that Rowling joined the ranks of the top 0.1 percent of earners. Inequality increased, and the world was a better place as a result.¹¹

If the insignia of deserved rewards is that they emerge from voluntary, win/win transactions, then the insignia of undeserved gains is that the relationship is involuntary and win/lose. Someone gains at someone else's expense. There is no question that there are a lot of people who have achieved undeserved gains today, above all through the rising trend of cronyism. And there is no question that it is becoming harder and harder for Americans to earn their way to success. These facts have created an opening for the inequality alarmists to make Americans care about economic inequality—and to endorse their program for fighting it.

Political Equality and the State of the American Economy Today

Historically, Americans haven't cared about economic inequality, and it continues to be low on our list of concerns. But that is starting to change. Why?

The inequality alarmists have crafted a narrative that claims that inequality threatens the American Dream. It claims that incomes for all but the very rich are stagnating, and that mobility is declining: if you're born poor, you're going to stay poor, and if you're born rich, you're going to stay rich. What's responsible for this situation, according to this narrative? The rich have used their power to pervert democracy so that the government works for "the 1 percent" rather than "the 99 percent." As just one piece of evidence, the alarmists point to the fact that "the rich" who allegedly created the 2008 financial crisis got bailed out, while poor Americans (supposedly) saw the social safety net pulled out from under them. The game is rigged in favor of the already-rich, and the result is a vicious circle: high inequality gives "the rich" more power to stack the deck in their favor, leading to further inequality, ad infinitum.

Americans *are* concerned about the state of opportunity today—and rightfully so. When the alarmists say that the American Dream is on life support, their arguments often resonate because, in many instances, the problems they are pointing to are real (if sometimes exaggerated). In some ways, the road to success is *not* as open as it once was. Progress *is* slower than it should be. There *are* people getting their hands on money they do not deserve. But not in the way, or for the reasons, that the inequality alarmists say.

“ Americans are concerned about the state opportunity today—and rightfully so. ”

There are genuine barriers to opportunity, and the deck is becoming stacked against us—but not because “the rich” are too rich and the government is doing too little to fight economic inequality. The

11. Robert Nozick famously gives a similar analysis using the example of Wilt Chamberlain in *Anarchy, State, and Utopia* (New York: Basic, 1974), pp. 160-164.

real threat to opportunity in America is increasing *political* inequality.

“ *The real threat to opportunity in America is increasing political inequality.* ”

In a land of opportunity, an individual should succeed or fail on the basis of merit, not political privilege. You deserve what you earn—no more, no less. Today, however, some people are being stopped from rising by merit, and others are getting the unearned through political privilege. But the real source of this problem is that we have granted the government an incredible amount of arbitrary power: to intervene in our affairs, to pick winners and losers, to put roadblocks in the way of success, to hand out wealth and other special favors to whatever pressure group can present itself as the face of “the public good.” Some of these injustices *do* increase economic inequality, but it isn’t the inequality that should bother us—it’s the injustices.

When a bank or auto company that made irrational decisions gets bailed out at public expense, that *is* an outrage. But the root of the problem isn’t their executives’ ability to influence Washington—it’s Washington’s power to dispense bailouts. When an inner-city child is stuck in a school that doesn’t educate him, that is a tragedy. But the problem isn’t that other children get a better education—it’s that the government has created an educational system that often doesn’t educate, and that makes it virtually impossible for anyone but the affluent to seek out alternatives.

The same goes for countless other ways the government gives special privileges to some people at the expense of others:

- **Cronyism**—whether in the form of bailouts, subsidies, government-granted monopolies, or other special favors—benefits some businesses at the expense of competitors and buyers.
- **Occupational licensing laws** in fields as varied as hair-braiding and interior decorating protect

incumbents from competitors by arbitrarily preventing individuals from freely entering into those fields.

- **The minimum wage** raises some people’s incomes at the expense of employers and customers as well as other low-skilled workers, who are priced out of the labor market and thrown onto the unemployment rolls.
- **The welfare state** openly deprives some people of their earned rewards in order to give other people the unearned.
- **The Federal Reserve**, through its control over the banking system and manipulation of the money supply, transfers massive amounts of wealth mainly into the hands of financial insiders.

Of course people will try to influence a government that has so much arbitrary power over their lives, and *of course* those with the best connections and deepest pockets will often be the most successful at influencing it. The question is, what created this situation, and what should we do about that? The inequality alarmists tell us that the problem is not *how much* arbitrary power the government has, but whom the government uses that power *for*. They say that by handing the government even more power, and demanding that it use that power for the sake of “the 99 percent” rather than “the 1 percent,” everyone will be better off.

We believe that only when the government is limited to the function of protecting our equal rights can people rise through merit rather than government-granted privilege, and that the cure for people seeking special favors from the government is to create a government that has no special favors to grant.

What’s required to save the American Dream is not to wage war on economic inequality, but to recommit ourselves to the ideal of political equality. We need to liberate the individual so that each of us is equally free to pursue success and happiness.

The alarmists’ program to fight economic inequality will only make that harder. Whether it is

dramatically raising taxes, doubling down on the bloated regulatory state, capping CEO pay, raising the minimum wage, or giving more political power to unions, their agenda consists of propping up those at the bottom and chopping down those at the top—always at the expense of the person who desires the opportunity to build a successful life for himself through his own thought and effort. The alarmists don't oppose people gaining the unearned or losing what they have rightfully earned—they merely want to change who gets sacrificed and who gets unearned rewards so as to make us more economically equal. This is what they refer to as “social justice.”

“*What's required to save the American Dream is not to wage war on economic inequality, but to recommit ourselves to the ideal of political equality.*”

The Importance of Challenging Immoral Ideals

In recent years, some defenders of free markets have started to realize the importance of not ceding the moral high ground to the inequality alarmists. But with few exceptions, their strategy has been to repackaging their own agenda in the alarmists' moral language—to say that free-market supporters are the true champions of economic equality and social justice. This is a mistake. It implies that they agree with the alarmists at the level of values and disagree with them only about the means of securing these values. This has the paradoxical effect of taking the debate *off* of the moral issues and quibbling over data and economic theory.

When it comes to the debate over economic inequality, the real clash *is* a clash of values and the purpose of a moral argument is to make clear what values are at stake.

Americans today face a choice between two moral views. One view upholds *justice*: it says that each individual has an equal right to pursue his own happiness and success, and that whatever wealth, income, and opportunities he earns in that pursuit belong to *him*.

Another view upholds “social justice”: it says that the government must restrict our freedom to make us economically equal, and that if one person produces “too much,” his hopes and dreams should be sacrificed for the sake of those who haven't produced.

Either we're all equal in our rights or some people are to be met with burdens and others with special privileges. That is the choice.

The worst error we can make is to endorse an ideal we disagree with. To say, as some on the right have, that “our policies will truly make Americans more equal economically” comes off as insincere—and, in the end, it is suicidal. Because the fact is that if economic equality is a moral ideal, then economic freedom *is* immoral. If it's wrong for some people to make huge fortunes while others don't, then the government *should* prop up the bottom and chop down the top.

The American Dream is under attack today, but the threat is not economic inequality. It is the war on political equality. To win this debate, *that* is the ideal we need to champion.

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Don Watkins and Yaron Brook are the authors of *Equal Is Unfair: America's Misguided Fight Against Income Inequality* (Palgrave Macmillan, 2016).

About the Authors



Don Watkins is one of today's most vocal opponents of the welfare state and coauthor, with Yaron Brook, of the national best seller *Free Market Revolution: How Ayn Rand's Ideas Can End Big Government*.

A fellow at the Ayn Rand Institute, Mr. Watkins studies Social Security reform, the welfare state, and the moral foundations of capitalism. He has been interviewed on hundreds of radio and TV programs, and speaks regularly at conferences and university campuses, including Stanford, Brown, University of Virginia, and the University of Chicago. He frequently debates supporters of the welfare state. Mr. Watkins is the host of a weekly podcast on the welfare state, *The Debt Dialogues*.

A Forbes.com columnist from 2010 to 2013, his writings have appeared in *The Guardian*, *USA Today*, *Forbes*, *Christian Science Monitor*, *Investor's Business Daily*, *The Daily Caller*, and FoxNews.com, among many others.

Mr. Watkins is an alumnus of ARI's Objectivist Academic Center. His latest published book is *RooseveltCare: How Social Security Is Sabotaging the Land of Self-Reliance*.



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He was a columnist at Forbes.com, and his articles have been featured in the *Wall Street Journal*, *USA Today*, *Investor's Business Daily* and many other publications. He is a frequent guest on national radio and television programs and is a contributing author to *Neoconservatism: An Obituary for an Idea*, *Winning the Unwinnable War: America's*

Self-Crippled Response to Islamic Totalitarianism and *Big Tent: The Story of the Conservative Revolution—As Told by the Thinkers and Doers Who Made It Happen*.

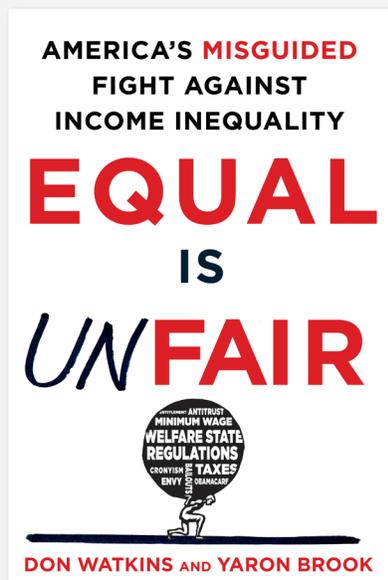
Dr. Brook was born and raised in Israel. He served as a first sergeant in Israeli military intelligence and earned a BSc in civil engineering from Technion-Israel Institute of Technology in Haifa, Israel. In 1987 he moved to the United States where he received his MBA and PhD in finance from the University of Texas at Austin; he became an American citizen in 2003. For seven years he was an award-winning finance professor at Santa Clara University, and in 1998 he cofounded BH Equity Research, a private equity and hedge fund manager, of which he is managing director and chairman.

He serves on the boards of the Ayn Rand Institute, the Clemson Institute for the Study of Capitalism and CEHE (Center for Excellence in Higher Education), and he is a member of the Association of Private Enterprise Education and the Mont Pelerin Society.

The Ayn Rand Institute (ARI) is a 501(c)(3) nonprofit organization that works to introduce young people to Ayn Rand's novels, to support scholarship and research based on her ideas, and to promote the principles of reason, rational self-interest, individual rights and laissez-faire capitalism to the widest possible audience.

EQUAL IS **UN**FAIR:

AMERICA'S MISGUIDED FIGHT AGAINST INCOME INEQUALITY



Is Income Inequality Destroying the American Dream?

Every day we hear from our political leaders and the media that the American Dream is vanishing, and that the cause is rising income inequality. The rich are getting richer by rigging the system in their favor, leaving the rest of us to struggle just to keep our heads above water. To save the American Dream, we're told that we need to fight inequality through tax hikes, wealth redistribution schemes, and a far higher minimum wage.

But what if that narrative is wrong? What if the real threat to the American Dream isn't rising income inequality—but an egalitarian war on success?

In this challenging and timely work, best-selling authors Don Watkins and Yaron Brook reveal that almost everything we've been taught about inequality is wrong. You'll discover:

- Why successful CEOs make so much money—and why they should
- How the minimum wage hurts the very people it claims to help
- Why claims of middle-class stagnation are a myth
- The fatal flaw in Thomas Piketty's celebrated prediction of ever-rising inequality
- How the little-known history of Sweden reveals the dangers of forced equality
- The disturbing philosophy behind Obama's "You Didn't Build That" comments

The critics of income inequality are right about one thing: the American Dream is under attack. But instead of fighting to make America a place where anyone can achieve success, they are fighting to tear down the successful.

The key to making America a freer, fairer, more prosperous nation is to protect and celebrate the pursuit of success—not denounce success because it is unequal.

For more information, visit: equalisunfair.com