

The GINI Problem (Income Inequality).

Almost all indices of social and political matters have consistently improved over the last 100 years. This improvement includes higher life expectancy, lower disease rates, lower hunger rates, lower violence rates, lower food costs. But income inequality has increased in the last couple of decades, after 100 years of slow improvement.

Most of us believe that the good society should provide somewhat more economic equality than is now the case in the U.S. and in all countries.

This inequality is measured by an index called GINI. This index was developed in 1912 by an Italian statistician and sociologist Prof. Corrado Gini. The index ranges between "0" (complete equality) and "1" (all income in one person) The greater the GINI number, the greater the inequality. In the U. S., between 1984 and 2009, the before tax GINI increased from 0.44 to 0.49 and the after tax GINI increased from 0.34 to 0.38. Please keep in mind that a GINI index increase means a decrease in equality. This is the best measure we have of economic inequality.

We only vaguely know why this GINI index has recently increased and what can be done.

Among the things we do which ameliorate the inequality are the following:

1. Minimum wage and living wage.
2. Union organization of low paid workers.
3. Progressive tax rates.
4. Earned income tax credit.
5. Unemployment compensation.
6. Food stamps.
7. Housing vouchers.
8. Free education.
9. Health benefits.

These attempts to create greater equality have had some impact. But the GINI index here and in all industrialized countries has been increasing in recent decades. One wonders if these programs are sufficient to provide a better level of equality.

Speculation as to the reasons for this recent GINI increase include:

1. The information economy leaves out those who are deficient in symbol manipulation. In the U.S. today only about 12% of employed work at manufacturing
2. Higher paying jobs (especially professionals) are less fungible and can not be filled by those from outside the field involved.
3. Government limitations – and most particularly, licensing- limit entry into many fields of economic activity.
4. The increased rate of new technology squeezes out those who built their life on old technology.
5. Centralized control of large amounts of knowledge and information appears to be easier to create than control of property and plant. That is, it may be easier to monopolize symbols than factories. This permits those who control such to allocate a greater share to themselves. This point is most speculative.
6. The ability of those with higher incomes to benefit their children is now more significant. This leads to reduced economic mobility and the fixing in place of inherited economic inequality.
7. We have been evolved to survive through physical effort; as in hunting and farming and, to some extent, in heavy industrialized activity. This biases against adapting to the information society and to facility in use of symbols. That is, symbols replace things in the jobs available. This tends to exclude many from participation in economic growth.

These are speculations and to some extent have been factors during the time prior to the 1980s of GINI decrease; that is during the times when equality was increasing.

We are left with the problem of what to do to establish a more equal economic distribution. The unintended consequences of social engineering in the information economy are harder to identify than in the earlier industrial economy and the even earlier agricultural economy.

Jobs generally provide increased equality. Fully as important, jobs provide self-esteem and social respect. Although the programs listed above are important, they generally do not address the value of having a society in which all are part of what makes the society work. We need to address job development as well as creating a more economically equal society. We need greater respect equality as well as greater economic equality.

Some actions which should help reduce the inequality (reduce GINI) are:

Increase U. S. minimum wage to \$10.00.

Change the income tax code to (a) place the threshold for payment at median income and (b) omit all deductions and favored treatment.

Consider taxing unearned income at a slightly higher rate than earned income. We now tax most unearned income at a lower rate.

Establish non-academic education, in cooperation with industry, geared to the jobs now out there.

Delete much licensing to permit easier entry to better paid jobs. One would keep certification and registration for inspection. Occupational licensing tends to be captured by the parties licensed and serves to restrict entry and competition.

Set a maximum executive wage in publicly traded corporations; possibly 40 to 50 times minimum wage.

Establish support and incentives for unionization of workers having a below median wage. This could be important if we could figure out a way to achieve such support.

Modify the educational process to adapt to the physical needs of boys. Certainly put back gym periods and possibly free play yard time.

One suspects that there may be other policies. This is a start.