

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 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. Decreasing inequality is a sign that the economy is working right.

GINI. 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 or decrease the inequality are the following:

A. Transfer Items. These redistribute wealth without increasing wealth

1. Progressive tax rates.
2. Earned income tax credit.
3. Unemployment compensation.
4. Food stamps.
5. Housing vouchers.
6. Free education.
7. Health benefits.

B. Direct Effect On GINI. These tend to reduce GINI before the transfer items listed above are taken into account.

1. Minimum wage and living wage.
2. Union organization of low paid workers.
3. Certain government projects such as infra-structure building.
4. Education. This has a longer run effect.

These attempts to create greater equality have had some impact. But the GINI index here and in all industrialized countries has increased in recent decades. This increase in inequality occurs in spite of the above programs..

Speculation as to the reasons for this fairly 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; one two percent are farmers
2. Higher paying jobs (especially professionals) are less fungible than they used to be and can not be filled by those from outside the field involved.
3. Government limitations, most particularly licensing, limit entry into many fields of economic activity.
The cost of entry limits upward mobility. In the 1950s, one in 20 trades required a license. It is now one in four. In the 1950s less than 5% of workers required a license. It is now about 30%.
4. The increased rate at which new technology develops 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 information to allocate a greater share to themselves. This point is most speculative. The Nobel Prize winning economist Ronald Coase points out that the invention of telephone and telegraph made geographical separation less important and thus fostered internal growth of the company. The Coase insight suggests that the internet, Skype and Citrix may be extending that concentration and central control.
6. The ability of those with higher incomes to benefit their children is now more significant. This is most significant in education. The result leads to reduced economic mobility and the fixing in place of inherited economic inequality.
7. There appears to be less marriage across economic and educational strata.
8. 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 were factors during the time of GINI decrease prior to the 1990s.

We are left with the problem of what to do to establish a more equal economic distribution. There will be unintended consequences of social engineering to reduce inequality in the new type of economy; that is in the information economy. But it is harder to identify these unintended consequences 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 transfer 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 equality that provides greater respect as well as greater economic equality.

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

Increase U. S. minimum wage to about \$12.00 per hour.

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. Apparently the most difficult jobs to fill at present include: IT staff, drivers (especially truck drivers), mechanics, nurses, jobs in accounting, teachers, engineers and sales reps.

Delete much licensing thereby permitting 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 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.

Set out on a massive infra-structure repair and rebuilding program.

One suspects that there are other policies. This is a start.