

Redistributing wealth upward

By Harold Meyerson



Which is the more redistributionist of our two parties? In recent decades, as Republicans have devoted themselves with laser-like intensity to redistributing America's wealth and income upward, the evidence suggests the answer is the GOP.

The most obvious way that Republicans have robbed from the middle to give to the rich has been the changes they wrought in the tax code — reducing income taxes for the wealthy in the Reagan and George W. Bush tax cuts, and cutting the tax rate on capital gains to less than half the rate on the top income of upper-middle-class employees.

The less widely understood way that Republicans have helped redistribute wealth to the already wealthy is by changing the rules. Markets don't function without rules, and the rules that Republican policymakers have made since Ronald Reagan became president have consistently depressed the share of the nation's income that the middle class can claim.

Part of the intellectual sleight-of-hand that Republicans employ in discussions of redistribution is to reserve that term solely for government intervention in the market that redistributes income downward. But markets redistribute wealth continuously. In recent decades, markets have redistributed wealth from manufacturing to finance, from Main Street to Wall Street, from workers to shareholders. Rules made by “pro-market” governments (including those of “pro-market” Democrats) have enabled these epochal shifts. Free trade with China helped hollow out manufacturing; the failure to regulate finance enabled Wall Street to swell; the opposition to labor's efforts to reestablish an even playing field during organizing campaigns has all but eliminated collective bargaining in the private sector.

The conservative counter to such liberal cavils is to assert that the market increases wealth, which will eventually descend on everyone as the gentle rains from heaven. Decrying such Keynesian notions as unions or federally established minimum wages, hedge fund guru Andy Kessler recently argued in the *Wall Street Journal* that “it is workers' productivity that drives long-term wage gains, not workers' wages that drive growth.”

But Kessler assumes — and this is the very essence of the “trickle-down” argument — that workers reap the rewards of productivity gains. Believing and asserting that requires either ignorance or willful denial of economic history. The only time in U.S. history when workers substantially benefited from productivity gains was the three decades that followed World War II, when median household income and productivity gains both increased by 102 percent. Not coincidentally, that was also the only period of genuine union power in U.S. history, and the time when the tax code was at its most progressive. During the past quarter-century, as progressivity

was lessened and unions diminished, all productivity gains have gone to the wealthiest 10 percent, according to research published by the National Bureau of Economic Research. In 1955, at the height of union strength, the wealthiest 10 percent received 33 percent of the nation's personal income. In 2007, they received 50 percent, Economic Policy Institute data show.

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The problem is not just that everyone but the wealthy is claiming a smaller share of the nation's income; the absolute amount of income they're getting is declining as well. Median household income has dropped to the levels of the mid-1990s, according to Pew analysis of census data, while the income of the 400 wealthiest Americans rose by a tidy \$200 billion last year, according to data released this month by Forbes magazine.

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Indeed, the United States has experienced an upward redistribution so profound that it affects far more than incomes. Whole sectors of the economy and regions of the country have been decimated by these economic changes. The descent in all manner of social indexes is most apparent among poorly educated whites. Conservative commentator Charles Murray has documented in his new book the decline in marriage rates and family stability within the white working class. And now, as the New York Times' Sabrina Tavernise has reported, that decline includes longevity as well. While other Americans' life expectancy has advanced, the life expectancy of whites without high school diplomas has declined since 1990 — by three years among men and five years among women.

The market is not just redistributing income in the United States, then. It is redistributing life.

So, which party can claim credit for this — the real redistribution this nation has experienced over the past 30 years? Many Democrats have been complicit in this calamity by their indifference to the consequences of deregulation and trade. But the trophy for promoting the policies that have redistributed wealth, family stability and longevity upward goes to the Republicans, whose standard-bearers are championing even more radical versions of these policies today.

A pro-life party? More like its opposite.

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