

 **ENVY vs.
INEQUALITY!
AND THE REAL
PROBLEM IS?
It's Stephens
vs. Krugman**

 **Stephen L. Bakke
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*Hey SB! Before I read your draft dealing with this envy vs. inequality spat, I must remind you not to forget that if we are ever going to make a difference by implementing some sort of economic solution, we first need to **PROPERLY** define the problem. - Stefano Bachovich - obscure curmudgeon and wise political pundit - a prolific purveyor of opinions on just about everything - my primary "go to guy."*

I am now spending a lot of time digging into the broad issue of economic inequality and mobility. These general subjects are things I have written about several times before. Check out links to some of my prior reports about poverty, inequality, and economic mobility by clicking [HERE](#), [HERE](#), [HERE](#) and [HERE](#)! All are on my [WEBSITE](#) listed under the "[Economic Issues](#)" tab.

Obama has raised the debate to new heights as he has declared economic inequality as the defining issue of our time. (Cynics accuse him of trying to change the subject away from ObamaCare - perhaps so!) The points and counterpoints are all about economic inequality, mobility, poverty, minimum wage, welfare, and unemployment compensation. These all seem to huddle under the ill-defined, totally subjective banner of "fairness." In particular, there recently was an unnecessary flurry of attention given to the attack made on the WSJ 2013 Pulitzer Prize winning columnist Bret Stephens, by the NY Times' 2008 Nobel Prize winning economist and columnist Paul Krugman.

This dispute has been called to my attention by several friends and I'm taking a closer look.

First of all, when I see Krugman's signature or fingerprints on anything, I try to keep in mind things he has spoken or written. He comes across as having a depressing, gloomy outlook on the world:

He has a dark view of the U.S. - *The problem isn't that people don't understand how good things are. It's that they know, from personal experience, that things really aren't that good.*

He brazenly points out the necessity of ObamaCare "death panels." - *We're going to need more revenue, we're going to need, and probably in the end, surely in the end it will require some sort of middle class taxes as well... We're going to have to make decisions about health care, not pay for health care that has no demonstrated medical benefits. So you know the snarky version I use, which is, I shouldn't even say because it will get me in trouble, is death panels and sales taxes is how we do this.*

He is an egalitarian socialist to the max! - *I believe in a relatively equal society, supported by institutions that limit extremes of wealth and poverty.*

Any evaluation of Krugman should be made in the context of his radical ideas and public record. Even Obama is way too conservative for Krugman to enthusiastically endorse. His style is impolite, rude, sarcastic (which is OK), and ideologically far left. He and his followers often refer to opponents opinions as “garbage.”

He admits to being a radical progressive, and seems to be becoming more so. In my opinion, he has bad journalistic habits and a bitter economic “bed-side manner.” Consider this comment once made by then NY Times public editor Daniel Okrent:

Op-Ed columnist Paul Krugman has the disturbing habit of shaping, slicing and selectively citing numbers in a fashion that pleases his acolytes but leaves him open to substantive assaults ... some of Krugman’s enemies are every bit as ideological (and consequently unfair) as he is. But that doesn’t mean that their boss, publisher Arthur O. Sulzberger Jr., shouldn’t hold his columnists to higher standards.

The question at hand deals with Mr. Krugman (and others) attacking Bret Stephens’ December 30 article about envy and inequality, published in the NYT. There are two basic differences of opinion at work here.

First is the accusation that Stephens didn’t adjust for inflation when presenting relative increases in wealth between 1979 and 2012. In that accusation, Krugman is correct, and Stephens acknowledged that as a mistake within 24 hours of the public accusations by Krugman. Stephens used the wrong statistical table and admitted it. But his acknowledgement points out, Krugman is also making an even more important error. Stephens includes, and Krugman excludes, all of the income received by citizens i.e. the non-cash benefits that go to many of the poor, such as food stamps, Medicaid, Chip and housing subsidies. Stephens correctly points out these must be included when measuring one’s net economic condition and relationship to other economic classes. He had the right conclusion but embarrassingly referenced the wrong table of statistics. Using the proper numbers, Stephens’ analysis does in fact support the assertion that people are getting richer **across all income levels**. Some are improving faster than others, but is that all bad?

Second, Krugman took exception to the claim by Stephens that Obama was way off base when he claimed the top 10% or earners take half the income in the U.S. Stephens correctly states that the number is 20%. Why is Krugman wrong in stating Stephens had pulled a fast one with this one and claiming Obama’s facts are right on? Because, as Stephens points out in his rebuttal, once again there is a problem with the definition and measurement of income. i.e. Krugman’s number incorrectly omits many government transfer payments, they do not adjust for household size, and do not include

nontaxable compensation received by lower income levels.



And there's another "biggy": all comparisons of rich to poor use "pre-tax numbers" in Krugman's comparison. After-tax comparisons would have been materially different – i.e. adjusting for taxes (to produce **real disposable income**) would have left the lower and lower/middle income levels mostly unchanged from Krugman's analysis, and since virtually all federal taxes are paid by the top 50% of earners, the top level incomes would have been appreciatively less. So, Stephens can back up his basic premise – i.e. virtually all Americans are becoming wealthier over time, albeit at different rates. And he asserts that envy outweighs inequality as a U.S. problem. **But is Stephens correct that inequality is not a problem??**

To conclude this "bloviation," let us not foolishly ignore this truism:

The main vice of capitalism is the uneven distribution of prosperity. The main vice of socialism is the even distribution of misery. – Sir Winston Churchill

Hey SB! I'm not very impressed with the depth of your recent analysis of the Stephens vs. Krugman spat! There's a lot more work to do!! – **Stefano Bachovich** – obscure curmudgeon and wise political pundit – a prolific purveyor of opinions on just about everything – my primary "go to guy."

To which I respond, YES INDEED! OK, I've dealt at least superficially with the minor skirmish between these two award winning economic columnists. But I still need to dip back into the terribly important topics of inequality and mobility. Like Stefano says, if we are to make a difference by implementing some sort of economic solution, we first need to PROPERLY define the problem. I believe, as I have discussed many times, one of the liberal/progressive failures is the proper definition of problems. They suffer from too much emotion, politics and demagoguery – and often ignore facts and logic!

Once again, take a look at some links to other reports I have written on poverty, inequality, and economic mobility by clicking [HERE](#), [HERE](#), [HERE](#) and [HERE](#)! All are on my [WEBSITE](#) listed under the "[Economic Issues](#)" tab.

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