

TOP CULPRITS FOR INCOME INEQUALITY? EXEC PAY AND EDUCATIONAL FAILURES

Tim Noah's great series on the causes of income inequality got a lot less attention during its second week than its first week. So I thought it worthwhile to focus on what he concluded was causing the dangerous new income inequality in America.

Here's how he described the relative importance of each of the causes of income inequality he looked at:

Here is a back-of-the-envelope calculation, an admittedly crude composite of my discussions with and reading of the various economists and political scientists cited thus far:

- *Race and gender are responsible for none of it, and single parenthood is responsible for virtually none of it.*
- *Immigration is responsible for 5 percent.*
- *The imagined uniqueness of computers as a transformative technology is responsible for none of it.*
- *Tax policy is responsible for 5 percent.*

- *The decline of labor is responsible for 20 percent.*
- *Trade is responsible for 10 percent.*
- *Wall Street and corporate boards' pampering of the Stinking Rich is responsible for 30 percent.*
- *Various failures in our education system are responsible for 30 percent.*

Most of these factors reflect at least in part things the federal government did or failed to do. Immigration is regulated, at least in theory, by the federal government. Tax policy is determined by the federal government. The decline of labor is in large part the doing of the federal government. Trade levels are regulated by the federal government. Government rules concerning finance and executive compensation help determine the quantity of cash that the Stinking Rich take home. Education is affected by government at the local, state, and (increasingly) federal levels. In a broad sense, then, we all created the Great Divergence, because in a democracy, the government is us.

Here's Noah's installment on executive pay, in which he argues that things like technology make it easier for entertainers and top execs to maximize their pay, while deregulation allowed the banksters to command huge salaries.

And here's the one on educational problems.

Largely, Noah describes, the problem is that K-12 education isn't preparing students as well for today's job market as it used to. In addition, between college costs and the removal of incentives (like the draft) to stay in school, educational attainment stalled for a number of years. As a result, the value of a college education is much greater, so those without a degree do worse by comparison.