

Proposal

Income Inequality Knowledge and Research Gaps

Dr. John Merrifield, Principal Investigator
Professor of Economics, Emeritus
President, Institute for Objective Policy Assessment (IOPA)
February 10, 2021

I. OVERVIEW

Misunderstandings about the nature and meaning of *Income Inequality* are a clear and present threat to economic and political liberty. We can see that most clearly through what pursuit of a more equal distribution of income (smaller monetary distance between the top and bottom income quintiles) – *perhaps* based on a terrible misunderstanding – is [doing to Chile](#). Mostly, because of that, Chile is losing the gains realized through 30 years of relative economic liberty that left it as South America’s most prosperous nation, by far. I say ‘perhaps based on a terrible misunderstanding’ because Chile may have much less income mobility than the USA.

Though U.S. income mobility has been significant, and may still be, the USA seems to be on the same road as Chile; seeing growing support for government efforts to engineer equal outcomes, even to the point of establishing socialism. Much of that may be due to the virtually unrecognized need – to perhaps avoid terrible policy errors – to consider income inequality (monetary distance between the top and bottom income quintiles) and income mobility, *together*. For example, if the vast majority of folks currently in the bottom 20% of income earners quickly exit that quintile, perhaps typically rising well above the bottom 40%, then, arguably, income inequality (monetary distance between quintiles) is actually good, NOT a reason to strangle economic activity (and income mobility) to engineer more equal outcomes. That appears to be the case. According to Thomas Sowell, it took only a year for half of the folks now in the bottom 20% to no longer be there. Only 2.6% of folks in the bottom 20% were there all of their lives!!!! Those findings need to

be updated, and thoroughly explained. *Whether to regret or celebrate significant income inequality seems to depend, heavily, on income mobility.* The aim of the proposed work is to document and assert that connection in the USA, alongside considerations such as wealth inequality and mobility, and document what typical anti-inequality policies do to income mobility. The proposed work will also document research gaps, and how to address them.

II. Specific Tasks Underlying the Proposed Analysis

- 1.) Literature review to document that income inequality and mobility need to be examined together, and to document failure to do so.
- 2.) As part of that review, identify experts capable of jointly considering income inequality and mobility, and wealth income and mobility.
- 3.) Through that review, PI Merrifield develops the appropriate questions for the recruited, qualified expert[s] to address in a White Paper.
- 4.) Recruit one or two of the qualified experts to write the White Paper. Recruit at least one additional qualified expert to write a review of the White Paper. IOPA's coin of the realm is civil, informed disagreement, so reviewers likely to have an informed disagreement with the White Paper author are strongly preferred.
- 5.) After the White Paper is written, and reviewed, the White Paper author will have a chance to revise the White Paper, and post a reply to the reviewer comments.
- 6.) Identify research gaps, and propose how to address them.
- 7.) The revised White Paper-comment-reply combination is then posted to an IOPA online conversation forum for mass distribution and endless, further vetting.
- 8.) Extract Op-Eds from the White Paper; some as videos.

III. Products and Dissemination

White Paper, review(s), and endless online forum-based assessment
Op-Eds; some as videos – likely outlets other than IOPA include R Street, Heartland Institute; Independent Institute; Cato Institute; Mercatus Center; Institute for Humane Studies; American Enterprise Institute.

IV. Success Measures

Short-Term: IOPA website hits; Op-Ed uptake; citations of the White Paper; IOPA conversation forum participation.

Long-Term: Conversations about income inequality increasingly include income mobility levels and trends.

V. Budget

Total Requested:

\$9750