



Written by [Selwyn Duke](#) on February 13, 2025

With Trump in Office, the Income-inequality Lie Is Again Being Pushed

Ah, the rich are getting richer, and the poor are getting poorer. Starbucks-drinking, video-game-playing, iPhone-pecking non-workers of the world unite!

Or something like that, anyway.

This may just, essentially, be the message delivered by Scott Galloway, podcaster and professor of marketing at New York University's Stern School of Business. In a *Morning Joe* appearance in which he called President Donald Trump "an insurrectionist and a rapist," Galloway claimed that "income inequality" was bringing us closer to revolution. But is it?



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Or is a *perception* of it doing so?

Related to this, are the typical presentations of income-inequality statistics enlightening or deceptive? And most significantly, does "inequality" really matter? What does it actually tell us *in and of itself*?

Class-warfare Card

Galloway made his case that an income-inequality-driven revolution is afoot. As a Moneywise article posted yesterday by MSN.com (it was originally published last month) [reported](#) on the *Morning Joe* appearance:

"Whether it's CEOs being murdered in the street, whether it's the 'MeToo' movement that had righteous components of it, or Black Lives Matter. What are these movements? They're targeting the wealthy," said Galloway on the show. "We are in the midst of a series of small revolutions to correct income inequality."

(Note: Galloway's BLM and #MeToo examples aren't actually germane here.)

Moneywise then advances Galloway's thesis, stating that some past revolutions were born of "inequality." The outlet also cites a handful of expert sources that talk about "inequalities" begetting social unrest. And after citing the French Revolution, which saw rich royals put under the guillotine, Moneywise writes:

In the U.S., income inequality has been on the rise for decades. According to the [Peter G. Petersen \[sic\] Foundation](#) [PGPF], the top 20% of wealthiest households in America have seen their income rise 165% from 1981 to 2021, while the middle and lowest quintiles have seen income growth of only 33% and 38%, respectively, over the same period.



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Under Which Shell Is the Pea?

When people start making inequality arguments using “quintiles” — the five parts of a data set divided into fifths — be suspicious. (Just as when economists cite “family income” and not individual income.) You’re probably being had.

First, the bottom four [income quintiles](#) all have *caps* (incrementally raised over time). So once individuals within a bottom-four quintile exceed its limit, they ascend to the next quintile. This doesn’t apply to the top quintile, however, because there is *no cap* and nowhere else to go. So individuals’ wealth increases in that stratum can only do one thing: raise its average income. Hence, as national wealth burgeons, it’s understandable that the gap between the first and fifth quintiles might grow. (Just imagine the effect of averaging the world’s Elon Musks, Bill Gateses, and Warren Buffetts into that top fifth.)

As indicated above, too, Americans do move among these quintiles — a *lot*. As late economist Walter E. Williams [wrote](#) in 2006, relating the findings of a study evaluating more than 50,000 families:

Only 5 percent of families in the bottom income quintile (lowest 20 percent) in 1975 were still there in 1991. Three-quarters of these families had moved into the three highest income quintiles. During the same period, 70 percent of those in the second-lowest income quintile moved to a higher quintile, with 25 percent of them moving to the top income quintile. When the Bureau of Census reports, for example, that the poverty rate in 1980 was 15 percent and a decade later still 15 percent, for the most part they are referring to different people.

(Note: Newer [research](#) paints the [same picture](#). I quoted Williams because he was concise.)

Rich Man, Poor Man — Sleight-of-hand Man?

What’s more, Moneywise cherry-picked information from its source, the PGPF, to make its inequality argument. In fact, the PGPF line right after what it cited tells the tale. To wit: “Those statistics do not account for the effect of taxes or transfer programs....”

And some effect it is. As the Cato Institute [informed](#) in 2022:

Official statistics on economic well-being distort the dialogue on public policy because they

- do not count more than two-thirds of the transfer payments that the government gives to low-income households;
- do not reduce the income that the government takes as taxes, which average 35 percent of income for the top quintile; and
- adjust for inflation using price indexes that are not the most accurate.

As a result, official statistics overstate income inequality by a factor of four and claim that inequality has been rising when it has actually been falling for the past 70 years. Similarly, official poverty counts are 10 times larger than the actual number.

Buttressing its first point, Cato later wrote:

Adding those missing transfer payments increases earned income in the bottom quintile by



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almost 700 percent and in the second quintile by more than 70 percent. For higher quintiles, the missing transfer payments are small and mostly from Medicare for seniors.

Total transfer payments reduce income inequality by 90 percent, from 60.3 to 1 to 5.7 to 1.

The Equality Fiction

If Cato is correct that inequality has been diminishing over time, people should know. But there's something even more important to know:

[Equality is irrelevant.](#)

Really.

I often illustrate this point with the following example:

Imagine there are two tennis centers training children. After a certain period of time at the first, all the kids are advanced beginners. After the same period at the second, some are also advanced beginners. But two other large groups constitute, respectively, low intermediates and intermediates. Additionally, there's a small group of advanced players while a handful of others are approaching tournament caliber. At which center is there more equality?

Okay, now, at which are the children doing far better on average?

The lesson: Equality tells you nothing about quality. It's completely irrelevant.

This relates to everything in life. If you ask a doctor after he gives your son a check-up, "How's my boy?" and he merely answers, "His health is equal to that of all my other patients," will you be satisfied? Can you draw comfort from his response? Maybe he works at a child cancer ward.

Likewise, perfect income equality can exist if everyone is making \$500 a day — or one dollar a day. What's relevant is not how much more Musk, Gates, Buffett, and others earn than we do. Relevant is whether we can afford life's necessities and some luxuries and can save for retirement. All that matters is that we can live well.

Closer to Revolution?

Now we return to Galloway's thesis. Can an irrelevant measure such inequality, *per se*, really bring us closer to revolution? Consider here that Uzbekistan has a paltry annual [per capita income](#) of \$2,700. The country is also ranked among the [bottom 50 percent](#) of nations in income equality.

Yet it's [recognized](#) as perhaps the safest country in Central Asia. There is no income-driven revolutionary bubbling. Explanation?

Uzbeks don't feel entitled to make \$180K right out of college and to be able to buy a fine car and beautiful home soon after. The difference is *expectations*.

So, no, inequality in and of itself doesn't spark revolution. But a focus on it that exacerbates an already present spirit of entitlement, and a corruptive envy, certainly can.



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