Is it time to stop obsessing about inequality?

Perhaps it was President Obama’s speech last December, calling the nation’s vast income gap “the defining challenge of our time.” The American publication of the French economist Thomas Piketty’s blockbuster “Capital in the Twenty-First Century” must have helped.

Whatever the reason, suddenly inequality seems to be not only at the top of the liberal agenda, but in the thoughts of concerned American voters.

Yet amid the denunciations of inequity as the major evil of our era, persistent voices — mostly but not exclusively from the political right — have been nibbling away at the concern over distribution that is taking over the zeitgeist.

Some of these counterclaims are somewhat dubious — relying, for instance, on novel definitions of income and wealth to conclude that inequality is in fact declining.

Some find support in the ant and the grasshopper. As one reader articulated in a recent email: “Those who deserve to be poor should be poor. Those who desire to be rich should be rich. That is what justice looks like.”

Still, aside from these extreme views, the critique does add up to a coherent argument: The income gap cleaving society between the rich and the rest may, in fact, be a red herring.

It is not only that the accumulation of income at the apex of the pyramid of success is not the nation’s main problem. There is little we can do to redress it anyway.

“The returns to growth are going to people in other countries, most notably China, and generally to people with high I.Q., no matter where they live,” said
Tyler Cowen, a professor of economics at George Mason University and a contributor to the Economic View column in The New York Times. “I don’t really know how you could undermine this dynamic, short of wrecking the world. Trying to deny that logic is going to fail or worse, backfire.”

Mr. Cowen, who describes himself as a libertarian with a lowercase “l,” is the author of “Average Is Over: Powering America Beyond the Age of the Great Stagnation,” (Dutton, 2013), which posits that technology and globalization have essentially split the labor market in two: high and low earners. Far fewer stable jobs are left over in the middle to support what through much of the 20th century we called the middle class.

In his view, the defining challenge of our era is that workers in the bottom half of the distribution can no longer trust that their living standard will double every generation. “The right moral question is ‘are poor people rising to a higher standard of living?’ Inequality itself is the wrong thing to look at,” he told me. The real problem is slow growth.

There are nuances to this narrative. N. Gregory Mankiw, the Harvard economist who was a top economic adviser to President George W. Bush and the Republican presidential candidate Mitt Romney, contends it would be better to live in a less lopsided society. “More equality does probably mean greater social and political harmony,” he told me.

Mr. Cowen does not buy that, recalling his frequent trips to New York in the 1970s, when it was much more equal yet much less harmonious.

But otherwise the analyses and the prescriptions are similar: Technological progress has benefited well-educated workers with skills that are not easily automated and who can profitably deploy advances in technology. It has undercut less skilled workers whose jobs could be performed cheaply with software or machines.

“The best way to address rising inequality is to focus on increasing educational attainment,” Professor Mankiw said. Mr. Cowen adds other potentially useful policies, like expanding the earned-income tax credit or using urban policy to, say, make it easier for people who are not rich to live in San Francisco.

The arguments rest on broadly the same political philosophy. As Mr. Mankiw put it in a recent radio conversation with Professor Piketty, “The question is, How do we help people at the bottom, rather than thwart people at the top?”

And neither Mr. Cowen nor Mr. Mankiw seems hopeful that the inequality...
dial will move significantly. “Policies that address the symptom rather than the cause include higher taxes and a more generous social safety net,” Mr. Mankiw said. “The magnitude of what we can plausibly do with these policy tools is small compared to the size of the growing income gap.”

Mr. Cowen put it this way: “We might take people who grow up poor and stay poor and turn them into the equivalent of a midlevel carpenter. We would have a better country. We would have less crime. But it wouldn’t change the global distribution of gains.”

Is the right right?

There is evidence that inequality among the lower rungs of the socio-economic ladder can have deleterious consequences, stunting the ambition of the poor. But even avowedly liberal social scientists have had a tough time figuring out the negative consequences of the rise of the 1 percent.

In fact, not that long ago, much of Mr. Mankiw’s and Mr. Cowen’s analysis was shared across the political spectrum.

Just over two years ago, a substantial majority of economists polled by the University of Chicago’s Booth School of Business agreed that “one of the leading reasons for rising U.S. income inequality over the past three decades is that technological change has affected workers with some skill sets differently than others.”

As inequality increased during the 1990s, President Bill Clinton proposed education — rather than redistribution — as the preferred prescription.

And yet the American left has moved. “I view opinion as in flux,” Mr. Cowen said. “I find that fewer and fewer people, especially outside of academia, accept the skill-biased technical change story and more and more look to politics, privilege, rent-seeking and the like.”

So what happened? For starters, the concentration of income at the top has become even more pronounced than it was during the Clinton administration. At the same time, Supreme Court rulings allowing a rush of private money into political campaigns have underscored how plutocracy could purchase the policies it wants to maintain its privilege, locking inequity in forever.

Education, meanwhile, has not proved to be the silver bullet it once appeared to be, contributing to our stark inequities rather than mitigating them.

The college graduation rate of Americans in the bottom fifth of the income distribution rose to 9 percent for those born between 1979 and 1982, from 5 percent for those born in the early 1960s. Among the richest fifth, the graduation...
rate rose to 54 percent from 36 percent, according to Martha J. Bailey and Susan M. Dynarski of the University of Michigan.

What is more, workers with a college education may still earn substantially more than those without one. But the incomes of workers with a bachelor’s degree have barely grown over the last four decades.

“Education isn’t doing it,” said Timothy Smeeding, an economist at the University of Wisconsin.

The Great Recession seals the new narrative. If the financial crisis proved that bankers can easily bend policy in their favor, the sharp decline in the living standards of so many Americans reminded everybody that workers across much of the distribution have been losing ground for a long time, even as incomes at the very top have soared.

Which gets to the nub of the issue, even for those most interested in defending the advantages of free-market capitalism. As the richest Americans capture a larger and larger share of the fruits of growth, for many people the essential economic question becomes: What is the point of creating a larger pie?

“As long as all the boats are rising that gives us some hope,” Professor Smeeding said. “The problem is that the middle class isn’t getting that. That’s the post-Great Recession reality.”

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