

American Wealth Disparity and Government Intervention:

What to do About America's Wealth Gap

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According to Business Insider, in 2019, the top 10% of American families held 72% of the country's wealth, while the bottom 50% of families held 2%. Additionally, the top 1% still held more wealth than the bottom 50% and the 51st-90th percentile combined, with the 1% holding 34% of America's wealth and families below the 90th percentile holding 28%.<sup>1</sup> It is inarguable that a wealth gap is present within America's economy, but debated whether or not this gap is just and fair. It's speculated as to why this gap is even present, to begin with, but is usually attributed to work ethic and individual desire to succeed. Capitalism values individuality and the lengths people are willing to take in order to make it to the top. In turn, Americans use these values to justify such a wealth gap. However, the wealth gap is more nuanced than that and caused by the institutions that American society follows and upholds. The wealth gap within the United States is unjust, and will not be fixed until there is greater government intervention, which follows American philosopher John Rawls' theory of Egalitarianism.

American Philosopher John Rawls' theory of Egalitarianism is based upon two principles of justice. He lays out these principles to act as a blueprint for all societal policies, including economics. The basic understanding of these principles must be fair to all and just. He describes his principles as "required for choosing among the various social arrangements that determine this division of advantages and for underwriting an agreement on the proper distributive shares. These principles are the principles of social justice: They provide a way of assigning rights and duties in the basic institutions of society and they define the appropriate distribution of the

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<sup>1</sup> Kaplan and Hoff, "The Bottom Half of American Families Hold Just 2% of the Country's Wealth — While the Top 1% of Families Have a Third."

benefits and burdens of social cooperation...For us the primary subject of justice is the basic structure of society, or more exactly, the way in which the major social institutions distribute fundamental rights and duties and determine the division of the advantages from social cooperation.”<sup>2</sup> With this in mind, Rawls’ proposes “The Original Position” which entails a hypothetical situation of equality in which people are able to choose the principles of the world, but do not know their respective places in society/their stations in life. This means they would know nothing about traits such as their gender, race, ability, amongst other aspects. People within the original hypothetical position are aware that they will “go back” to their respective– and presently unknown– place in society and will then have to follow the guidelines of their chosen principles. He argues that since people are unable to know where they will end up, that people will choose principles that would be overall fair to everyone. Rawls believes that two principles of justice would be chosen: that each person will have an equal right to basic liberties and that economic inequalities are to be allowed, but only if some conditions are met. These conditions are that the inequalities must be to everyone’s advantage (especially to those who are the most disadvantaged) and that the sources of wealth that produce said economic inequalities must be attached to offices and positions open to everyone.

What is important to note of the second principle is that if the conditions are not met, then it’s necessary there be a redistribution of goods within society in order to follow in line with said principle. This would be accomplished through means of government intervention like taxation and federal programs. He states that if opportunities for some groups, especially the disadvantaged, are lacking, then policy change and legal action are required to fix such through

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<sup>2</sup> Rawls, *A Theory of Justice: Revised Edition*. (1999): 4-6.

respective means (ie: educational programs, affirmative actions, etc). This position essentially argues for the requirement of the government to limit economic liberty to make sure that the overall system is fair and beneficial to all, especially to the economically disadvantaged. The general basis of what Rawls is arguing for is a regulated equitable market. Rawls calls for government intervention to be able to fill in the vastly present wealth gaps in order to create an economic system which would help everyone to maintain a quality standard of living. As presently, America stands in a position where the second principle of justice is unmet, Rawls would see it fit that the redistribution of goods and resources within society is implemented. This would be considered to be socialist policy and also directly opposes Libertarian philosophy.

“Robert Nozick was a prominent libertarian philosopher who claimed that if you started with resources that were legitimately yours in the first place, and you make further wealth using those resources by legitimate market transactions, then the wealth you gain is yours, and the government has no right to it.”<sup>3</sup> This is the basis of Libertarianism. Libertarian philosophy—Entitlement Theory—directly goes against Rawls’ theory of egalitarianism, as it believes that one’s holdings are justified if and only if the following: (1) they are acquired according to just principles of transfer (voluntary exchange); or (2) You produce them through just means from goods acquired through just principles of transfer; or (3) You acquire them by way of a gift from another person.<sup>4</sup> He then goes on to say that taxation is theft on the basis that it is an intrusion on peoples’ lives. However, these arguments fail to consider multiple objections.

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<sup>3</sup> Robert Nozick, *Anarchy, State and Utopia*, 2nd ed. (New York: Basic Books, 2013). Robert Nozick, *Anarchy, State and Utopia*, 2nd ed. (New York: Basic Books, 2013).

<sup>4</sup> Nozick

First, it is impossible to wholly own the resources one “owned in the first place”. These resources and factors for wealth development are not “earned” by anyone. For example, a person being born into a rich and well-connected family is not “earning” a person’s position in life/economic status. The same can be applied to a person born into a third-world country; they didn’t gain their nationality/ethnicity, it was merely given. Gains from factors such as birth disposition, genetic inheritance, psychological disposition, etc., are not earned by a person in any obvious sense, but are rather randomly afforded to them. This makes the gain morally arbitrary. The same logic can also be applied to those who are hindered by the market. Since for everyone it is the case that some factors help or hinder an individual in the market, those factors were not and never “earned”. Therefore, since nothing is entirely deemed yours to begin with, it is more than justified that the wealthy are taxed more than others in order to balance wealth and resources.

Second, the way that Nozick defines “just principles of transfer” is dubious, because the basis of the statement is defined on merely agreement and does not consider morality. With Nozick’s logic, a person who has no choice but to take a loan/go into debt to support their family would be just, as it was their decision to go into debt in the first place. This argument also fails to consider institutions that uphold economic inequality such as red-lining, wage inequality, and poor quality of education based on district property value. Nozick fails to consider the possibility of a lack of choice when it comes to maintaining a quality standard of living for oneself (and their family). No one would willingly agree to undergo poor living conditions if they had the choice not to, but some people have no choice but to take sacrifices. Mere agreement devoid of the context of morality is unjust, as by its logic it equates choices such as voluntarily going to

pay to see LeBron James play and voluntarily choosing a monumental wealth gap. Those two things do not carry the same weight, especially economically speaking. Like every argument, there are also objections to Rawls' theory of egalitarianism. The objections include the concern of lack of incentives/people not wanting to work, reliance on welfare, and undermining of work ethic.

The idea that socialist programs create a lesser desire to not work is untrue. People are worried that government intervention and socialist policy will cause people to be unmotivated to work hard if they can't reap the rewards from their work (which is also used as an argument against taxation). This is based on the idea that it is incentives that drive people to work. First, incentives *are* already in place. People have the ability to gain from their hard work, so long as the conditions for Rawls' second principle of justice are being met. It is important to know that Rawls is not arguing for total economic equality, but that economic inequalities are to the advantage of everyone and not a select few. The main objective is to have economic justice, and only once that is solved people are able to reap full rewards from their work. The rewards will still be there, they'll just be received later down the line. Another thing that people also don't consider is that government intervention does not merely stop at taxation and welfare programs. Government programs can go as far as also be ones that encourage people to work in in-demand fields. One example of such is the government historically promoting people to go into the agricultural industry through means such as The Homestead Act of 1862 and subsidizing farmers through The Agricultural Adjustment Act (AAA). These programs were implemented in order to encourage American agriculture and its industry. According to the United States Department of Agriculture, since 2002 there has been a steady increase in U.S. gross farm income and the

“Median total household income among all farm households (\$92,239) exceeded the median total household income for all U.S. households (\$70,784) in 2021.”<sup>5</sup> However, even when there are economic incentives to fill in jobs in an in-demand field (in this case agriculture), the number of American farms has significantly gone down from about 2.2 million in 2000 to 2 million in 2022.<sup>6</sup> Regardless of incentive or lack of, people are motivated to take on careers for other reasons than a job’s rewards.

Another common objection to greater government intervention is welfare dependence. With the current economic state of America, more and more people are looking to apply to welfare programs to survive. However, there has been growing concern that government-funded welfare programs are merely funding undeserving lazy unemployed people’s lifestyles; a myth has been created that welfare and its benefits are more lucrative than employment. The myth also implies that taxpayer money is going into the pockets of those who are too lazy to get a job to earn it themselves. This idea creates the notion of “us” versus “them”; those who do deserve and those who don’t deserve. In addition, if the concern is the reliance on welfare, it has been proven according to The Brookings Institution, “[S]tudies conducted by the U.S. Department of Health and Human Services indicates that the employment rate among welfare leavers is approximately 60 percent just after exiting welfare. Moreover, about three-quarters of welfare leavers worked at some point in the first year after leaving the rolls. When welfare leavers work, they generally work full-time.”<sup>7</sup> This study, however, was in 2002, and government welfare has changed since.

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<sup>5</sup> “USDA ERS - Farming and Farm Income.”

<sup>6</sup> Shahbandeh, “U.S. Farming: Total Number of Farms 2022 | Statista.”

<sup>7</sup> Moffitt, “From Welfare to Work: What the Evidence Shows.”

Welfare within the recent era of the twenty-first century has proven to not be enough to live off of without employment. Even with employment and welfare, people are still struggling to maintain a quality standard of living. For example, people who are living off of SNAP comprise “[mostly] children, elderly persons, or individuals with a disability. 86 percent of all SNAP benefits go to households that include a child, elderly person, or person with disabilities.” In addition, “Many SNAP households have earned income. Almost one-third of SNAP households have earned income, though only 20 percent of households have gross monthly income above the federal poverty line. The average SNAP household’s monthly gross income is \$872 and net income is \$398...SNAP benefit adequacy is a serious concern. About 36 percent of SNAP households receive the maximum allotment. The other 64 percent of participating households receive less than the maximum and are expected to spend some of their other income on food to make up the difference. According to one calculation, the average monthly benefit per household was \$258 in fiscal year 2019. As described in a prior FRAC analysis, the greatest shortcoming of SNAP is that benefits for most households are not enough to get them through the entire month without hunger or being forced to sacrifice nutrition quality...[however, it is important to note that] SNAP fights poverty. More than 9 percent of participating households moved above the federal poverty line when SNAP benefits were included in gross income, and 10 percent of the lowest-income SNAP households moved out of deep poverty.”<sup>8</sup> American people on social welfare programs are still unable to maintain a quality of living, and therefore cannot be fully reliant on welfare. The only households that were on welfare and were able to get above the poverty line were also income-earning households. While welfare programs do help provide a stepping-stool to combat

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<sup>8</sup> Hartline-Grafton and Vollinger, “New USDA Report Provides Picture of Who Participates in SNAP - Food Research & Action Center.”



poverty, it is impossible to solely rely on welfare programs without employment. However, it still has historically proven to be beneficial to those in poverty just as seen in 2002. With welfare reform– as in furthering the implementation of Rawls’ egalitarianism and therefore socialist policy– America would be able to close its wealth gaps.

Lastly, it is also argued that implementing the socialist policy would undermine work ethic and individual drive. This would also then lead to economic disaster, as sociologist Rainer Zitzelman argues. “Such systems, critics argue, reward laziness. ‘Many excesses of the welfare state [are] absurd, including the generous sick pay...Unsurprisingly, Sweden held the...record for the highest rate of non-working adults in the labor force for several decades. Equally unsurprisingly, spikes in the rate of absence due to sickness frequently coincided with major sporting events.’” In addition, Carrie Lukas, president of the libertarian group the Independent Women’s Forum, argues “generous European-style social welfare systems have deflated individual drive and work ethic. “Americans ought to consider how welfare-state socialism undermines people's basic gumption.”<sup>9</sup>

This line of argument insinuates the idea that people need to earn their right to deserve to live, and the way to achieve this is by working themselves to death. The idea implied is that if you don’t work then what is your point of being? But even then, it’s still been found that Sweden and other Scandinavian countries have been able to maintain “instituted generous unemployment benefits, free or inexpensive child care, health care, and education programs, as well as extensive protections for workers, all while maintaining free enterprise-as examples to emulate.” In fact, “In 2017... the amount of money spent by the Finnish government equaled approximately 54

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<sup>9</sup> “Socialism: Should the United States Embrace Socialist Policies?”

percent of Finland's gross domestic product (GDP), the total value of goods and services produced in a country within a given period, compared to 38 percent in the United States...Norway and the United States have nearly identical GDP per capita. Yet Norway, unlike the United States, enjoys universal health care, child care, and elder care, as well as tuition-free universities, around 12 months of paid parental leave, and a robust social safety net [according to Norwegian writer Erlend Kvitrud]. Generous welfare benefits and public investment in education, health care, and housing contribute to vibrant markets and commercial activity in Scandinavian countries, advocates note, rather than impede them....Finland's capitalist growth and dynamism have been helped, not hurt, by the nation's commitment to providing generous and universal public services that support basic human well-being."<sup>10</sup> Scandinavian countries have proven that the systems that John Rawls advocates for are lucrative, and can be implemented within the U.S. The thing that is preventing the U.S. from doing so is its massive desire to accumulate as much wealth as possible for a select few.

While America's government does already play some role in amending the wealth gap between economic classes, America could learn a thing or two about implementing further socialist policy and adopting Rawl's principles of justice to close the unjust wealth gap. What's more is that the United States needs to take a different, less individualistic, approach when it comes to money and wealth accumulation. American culture harvests a competitive market that encourages unjust wealth gaps, as it encourages wealth accumulation by any means possible even at the expense of others. If American society were to adopt Rawl's principles of justice and reframed the way society views wealth accumulation, the wealthy would provide not just a

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<sup>10</sup> "Socialism: Should the United States Embrace Socialist Policies?"

stepping-stool, but rather a flight of stairs to the disadvantaged in regards to closing the wealth gap. It's not a matter of "us" versus "them." Who is "worthy" and who isn't? It's a matter of everyone.

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