

How Income Inequality Blocks Job and Pay Growth

Unbound: How Inequality Constricts Our Economy and What We Can Do About It

Reviewed by Amiri Lake

The U.S. distribution of income and opportunity has become so extreme that we routinely hear the 2020s labeled the “New Gilded Age.” While critics denounce its unfairness and plutocratic dangers, apologists defend inequality as an essential incentive for broad economic growth. In the book, *Unbound: How Inequality Constricts Our Economy and What We Can Do About It*, the author, Heather Boushey, takes direct aim at this claim. She takes us through a deep analysis of what causes inequality in America, how it impacts everyone in society, and how we can fix these problems.

The author, who currently serves on President Biden's Council of Economic Advisors was previously president of the Washington Center for Equitable Growth. *Unbound* is broken into three different sections. The first part talks about how inequality obstructs people in society from achieving their maximum potential. Investing in an individual's human capital is a major idea in the neoclassical model of a capitalist economy. Not only do these improvements in education and resources help that one person, but it also makes them more productive citizens that can contribute to society in many productive ways. Boushey realized this connection and referenced an early childhood education study showing how kids who attended preschool were more likely to graduate from high school and earn over \$20,000 annually, while it was more common for those who didn't attend to be arrested five or more times by the time they were 40. Findings like this demonstrate the long term effects adequate education can have on people as they become adults.

The lack of resources also inhibits children from growing up to be innovators in society. Studies based on recent tax returns show that people with parents in the top 1% of income are ten times more likely to hold a patent for a new invention than someone who doesn't come from a rich family. This may be caused by a lack of education that would help inspire new ideas, but this can also be a result of a lack of resources and connections that allow ideas to turn into prototypes that get private investors and eventually become publicly traded companies. Even children who scored equally on standardized tests had different odds to become inventors based on factors such as their family's wealth, race, ethnicity, and gender. Stifling children at an early age leads to a society that is not able to produce at its maximum potential.

These inequities in opportunities based on physical characteristics and social classes are not new in America and were even talked about by President Abraham Lincoln prior to the Civil War. He believed the South's mentality of using African slaves as uneducated workers would be detrimental to society in the long run because it deprives

the economy of new ideas and innovations. The long-term results of this legacy can still be seen in states like Mississippi, Louisiana, and Arkansas where the poverty rates are currently over 15%.

In the second section of Boushey's *Unbound*, she addresses how inequality subverts and the political forces that allow inequality to grow in America. One major factor that impacts the human capital of an individual is the infrastructure of their surrounding environment. If the roads and bridges in a certain community are in bad condition, it makes it difficult for employees to commute to work, children to get to school, and products and goods to be shipped in and out of the area. This may lead to an overreliance on public transportation which can cause overcrowding and sanitation issues. If not regularly maintained by the government, buses and trains may also break down which leads to even more inefficiency in the economy. President Franklin D. Roosevelt tried to address these problems by passing the New Deal, but many of its programs only applied to White neighborhoods. Public health and well-being is a similar issue that, when neglected, can starve communities of resources like hospitals, pharmacies, and planned parenthood facilities. Pollution is another major issue that can be caused by factories and power plants built too close to housing. Even certain highways around America have been built through neighborhoods, completely displacing their residents.

Many of these issues can potentially be fixed through a reallocation of government spending towards infrastructure, education, and healthcare, but a lot of the money needed to do this is held by the wealthiest corporations. Boushey blames much of this on the trickle-down economic policies of Ronald Reagan. In 1980, Americans had a share of over 65% of all national income but in 2010 it dropped below 60%. This could be a long-term effect of slashing top marginal income tax rates on the rich, which led to hoarding their increased profit margins. Another factor is that many corporations are gaining monopolistic power or forming oligopolies with a few other companies to control the markets. This directly goes against the free-market competition talked about by economists like Adam Smith and it creates a system that perpetuates inequality.

Boushey presents an argument for how inequality distorts the economy in the book's third section, It takes a direct look at investment in America and notes that even though investors may have the capital to invest into certain products or services, they won't if there isn't enough consumer demand to purchase those goods. Investors are now only investing in companies that give them the highest returns on their money instead of what serves the common good of society. This only leads to more inequality as the

rich trade money back and forth while the working class struggles to maintain their lifestyles with increasing bills and stagnant wages. The corporate profits these companies are bringing in are mainly being paid to shareholders instead of going towards new investments that would increase overall productivity like training the labor force and increasing their salaries. This repeated cycle is causing working- and lower-class citizens to take out loans and increase their debt just to stay afloat. Since 1952, household debt in America has grown from around 25% to nearly 80% in 2016. This is most likely due to major spikes in the costs of housing, education, and health care. Even though wages did grow significantly in that time, they were not able to keep up with the astronomical price increases in these markets.

In the conclusion of *Unbound*, Boushey reviews all of the issues mentioned in previous chapters and gives concise advice on how to change both the economy and the government to promote equitable growth. She advocates government policies like universal early childhood education, affordable healthcare, infrastructure investments, and accelerated action on climate change. Boushey also puts the burden on the government to take power back from wealthy corporations by increasing their taxes and creating policies that support productive investments that benefit the majority of Americans. The last and possibly most important point Boushey discusses is that economists should focus on measuring what matters most and everyone should use empirical data from scientific studies to make decisions, instead of relying on outdated theories that were crafted in perfect vacuums.

I felt that Boushey made several strong arguments about inequality in *Unbound*. One of the biggest strengths was her ability to present complex ideas in simple terms. Even if you had no prior knowledge of government policies and financial institutions, the information was given to the reader in a way that made it very easy to understand. This accessibility is something that makes the content of the book simple to grasp no matter what your educational background or political viewpoint might be.

Boushey's views appear democratic socialist, based on her desire to more equitably distribute income between all classes through government intervention. From this perspective, I feel like she made many practical policy recommendations throughout the book that consider the opinions of both left- and right-wing people, and tries to accommodate everyone fairly. This can be a very difficult task because the redistribution of income means that some people on top will have to sacrifice some of their money. This will also create an illusion in society that everyone on the bottom is living for free. Proposing plans that don't rely on welfare and other government programs that give people liquid cash is a great idea. Instead the money would be invested by the government directly into better infrastructure, healthcare, education, childcare, climate change, and other issues that would improve the lives of everyone in society.

The depth of Boushey's research is also a major strength that helps drive all of her points home. There wasn't a single opinion she stated throughout the whole book that wasn't supported with a direct

quote, chart, or graph from a respected research study. It even seemed like she went above and beyond by acknowledging any potential lurking variables that could have impacted their results. Then she was able to take the findings from small sample sizes and apply them to society on a macroscopic level that never over assumed anything.

A potential drawback of *Unbound* is the fact that it only talks about inequality in America, and doesn't consider how these problems can be solved on a global scale. Even though the inequality gap in America is vast, there are many countries that have even higher wealth gaps in places like Africa and South America. The overall inequality between countries around the world is also very large. The United States has a lot of inequality, but our Gross National Income (GNI) is still over \$70,000. Meanwhile in poor countries like Burundi and Somalia, their GNI is only a couple hundred dollars.

As you can see, inequality is a major issue that Heather Boushey tackled head on. She accurately diagnosed some major causes of inequality, determined factors that exacerbate the problem, and suggested solutions and remedies to alleviate it. I would definitely recommend this book to anyone looking to learn more about what causes inequality in the United States today. I would also suggest that anyone interested in politics or the economy reads this as well. It's very popular nowadays for people to receive one bit of information, whether it's from the news, social media, or a friend, and immediately form an opinion without doing any additional research. I think it's important that people do their due diligence and search for the root cause of the problems we see in society. It's easy to react to everything with emotion but if we can take a step back and critically think about why something is happening with a little bit of compassion and understanding in our hearts, we can truly fix these problems at the core and make the world a better place.

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1. Figure 1.1 – Early childhood education has important lifetime outcomes. Major findings of the High/Scope Perry Preschool Study.
 2. Figure 2.1 – Patent rates vary with parents' income.
 3. Figure 2.2 – Patent rates vary with third-grade math test scores by parental income, race and ethnicity, and gender.
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 5. Figure 5.1 – Household debt has grown significantly since the 1950s. US household and nonprofit liabilities relative to GDP, 1952-2018.
 6. Table C.1 – What we've learned about how economic inequality affects economic growth and stability.