Introduction

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The inspiration for these essays is the life and career of Gary Becker. One of the leading economists of his generation and a winner of the Nobel Prize, Becker was a senior fellow at the Hoover Institution for over twenty years. Importantly for the purposes of these essays, Becker was also a leading researcher on the subjects of human capital and income inequality. Many of the questions raised by Becker's research continue to spark vigorous debate among economists, none more so than the effect of inequalities of human capital. The diverse ways in which the essays bring data and analysis to bear on the questions of human capital and inequality are a fitting demonstration of Gary Becker's lasting influence on economics.

The question of income inequality has risen to the forefront of public debate in recent years. Has income inequality increased? If so, what factors are driving this shift? What is the relationship between inequality of income, wealth, and consumption? Is there persistence of inequality from one generation to another? To what extent should we consider higher income inequality a problem? And what role, if any, should public policy play in addressing it?

In different ways, economists have always been interested in, and have debated, these questions. Yet while the essays in this volume engage with these long-term debates, they are motivated by two recent developments. The first is increased interest in inequality, both among the public at large and within the political process.

If we are going to talk about inequality, we need a solid factual and theoretical basis underlying our discussions. All of the essays presented here are written in part with this goal in mind. A second motivation for the essays is the exceptional array of new empirical work on inequality, especially on the incomes and wealth of top earners. Understanding these new data requires careful study and interpretation, and these essays all aim to address this issue.

For Gary Becker, economics and economic policy were inseparable. When he talked to a politician running for office or to a public official already in office, his policy recommendations would be exactly the same as if he were speaking to a student or a colleague. Gary Becker was diagnosing and looking for solutions to income distribution problems decades ago. And some of his most recent work at the Hoover Institution was on inequality across generations.

In chapter 1, James Piereson outlines the existing debate on inequality, surveying the data collected by Thomas Piketty and Emmanuel Saez that show a remarkable increase in top incomes. From a public policy perspective, Piereson argues, inequality presents a serious intellectual challenge, because many policies that could reduce inequality might also slow economic growth.

Joshua Rauh asks, in chapter 2, why top incomes have increased rapidly in recent decades. Drawing on a wide array of data, Rauh shows that top incomes have increased across different sectors, from corporate managers to sports stars. Rauh concludes that this suggests broad market forces such as globalization or technological change caused top incomes to rise.

In chapter 3, Chad Jones proposes a model to explain why inequality varies across different countries. He examines how the processes of creative destruction and innovation interact to shape the returns to entrepreneurship. Jones's model suggests that a wide range of variables—from research subsidies to barriers to market entry—affect inequality levels.

Jorg Spenkuch develops a model of an equally important issue in chapter 4, exploring the relationship between intergenerational mobility and income inequality. Spenkuch argues that parents with high human capital are likely to invest more effectively in the development of human capital in their children. Spenkuch argues that this fact explains why children of parents at the top of the income distribution are themselves likely to reach the top of the income distribution. Another surprising conclusion is that increasing education spending by an equal amount per student might lead to an increase in inequality.

In chapter 5, Casey Mulligan explores the downsides to policies which are often used to combat inequality. Mulligan shows how policies such as changes to health insurance and anti-poverty programs raise implicit tax rates on employment. Arguing that higher taxes on employment in recent years have caused lower employment levels, Mulligan cautions against ignoring the side effects of policies intended to reduce inequality.

Emmanuel Saez and Kevin Murphy debate the causes of rising top incomes in chapter 6. Murphy focuses on human capital, arguing that high demand and low supply of highly educated workers have pushed up top wages. Helping lower-skilled workers increase their human capital, he suggests, would reduce inequality while promoting economic growth. By contrast, Saez suggests that rent-seeking explains much of the increase in top incomes and argues that government needs to play a big role in reducing inequality.

In chapter 7, John Cochrane, Lee Ohanian, and George Shultz examine the implications for public policy. Cochrane argues that inequality is an unhelpful intellectual framework and suggests that focusing on inequality distracts from challenges such as promoting economic growth and decreasing poverty. Ohanian argues that improved education and increased immigration could boost wages for low-income workers. George Shultz concludes by discussing two case studies of organizations that work to fight poverty and related social ills.

In the final chapter, Eddie Lazear and George Shultz reminisce about the life and career of Gary Becker. Becker's work touched a wide range of subjects, from the economics of sports to family structures. Lazear and Shultz celebrate Becker's path-breaking research and share personal stories borne out of decades of friendship.

Together, the chapters illustrate the complexity of scholarly debate about income inequality. Not only do economists disagree about which forces are driving changes in the distribution of income, they also continue to debate the relevance of inequality itself as a concept for public discussion and policymaking. Needless to say, given the complexity of the issue, income inequality is a topic that economists will be debating for some time to come. The essays presented here, however, not only represent the current state of economic thinking regarding inequality, they lay out a rich agenda for future research. In that sense, these essays not only constitute a remembrance of Gary Becker, but also a continuation of his scholarly work.