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"Inequality is what economics should be all about," argued the late R.H. Tawney. It isn't, because concern with the patterns of distribution of wealth and income is shared with production, upon which consumption is contingent. Concentration of wealth and unequal levels of income largely reflect the patterns of returns to labor and investment in a traditional capitalist economy. Additionally, income transfers, rationalized on other than a labor or investment compensation basis, alter the patterns of income and wealth holdings. Pronounced economic inequality, while prevalent in capitalist economies, would not seem to result from the market mechanism. Broadly based ownership of the means of production, by workers and others, perhaps linked to co-determination schemes for direction of production policies, has evolved as a potential alternative to wealth concentrations of an extreme form as a source of investment capital. It should be cautioned that the feasibility of this investment source substitute for wealth formation has not yet been fully established.

Capitalism, through either compensatory redistribution schemes or restructuring of the capital mobilization mechanism, embodies the potential for eliminating, or at least reducing, economic inequality as the basis and outcome of the market oriented production system. Socialism, incorporating state control of productive capacity, avoids reliance on capital generation through private sources. Therefore, the socialist system does not promulgate economic inequality through personal control of and compensation for the output of capital equipment. However, in socialist, as in capitalist societies, unequal compensation to labor, and to those incapable of labor, is a source of economic inequality. It is evident that some degree of economic inequality exists in all modern industrial economies, socialist or capitalist, and in most pre-industrial economies as well, except perhaps for those operating at a primitive level. Considered in this context, it appears that the matter of economic inequality may be examined from these three vantage points: the desirability of lessening, or even eliminating, economic inequality; the methodology by which economic inequality is assessed; the devices by which economic inequality may be alleviated.

Enhancement of economic equality, within a narrow spread of incomes, is a commonly eulogized ideal of a variety of societies, including: agricultural systems based on a yeomanry, established on family sized farms; systems largely composed of craftsmen, shopkeepers and other small scale entrepeneurs; modern capitalist systems where the bulk of the population prefers self-identification as 'middle class'; socialist societies incorporating equalitarian goals. The socialist society has an explicit source of inspiration, the Marxist edict: "From each according to his ability, to each according to his needs." Equalitarian aims are more subdued in non-socialist societies, although traditions of a religious and moral nature may act to discourage obstentatiousness, acquisitiveness and indifference to the needs of others.

Behavioral scientists attribute some part of the total of property and person related crimes and other anti-social behavior to the poverty experiences of the perpetrators. Economists and others cite the incapacitating effects, in terms of production and consumption, of poverty upon the work and lives of people. The poor may be denied development of talent and ability, condemned to perform at low levels of productivity, and make uninformed choices as consumers. Although more respect is usually reserved for the wealthy, their inadequacies also occasionally come under scrutiny. Recipients of inherited rather than productively earned assets are commonly held in low esteem by economists because these beneficiaries had not acquired their wealth as the result of astute market decisions. Economists sometimes express a low regard of the consumer expenditures, seemingly on items of increasing triviality, originating with the wealthy.

It might be contended that a society with income and wealth distribution falling within a narrow range is likely to accomodate to patterns of social homogeneity, with uniform values prevailing. Whether or not this is perceived as desirable will depend upon the values of the observers. If critics feel that increasing affluence, accompanied by expanded levels of personal consumption, may corrupt or debilitate ideology or morality, they may be persuaded to argue for diminished material demands. However, it should be noted that no definitive connection has been established between levels of material consumption and degrees of affinity to ideological or moral principle.

Narrowing of the range of income and wealth would not go unnoticed by others than the previously poor, who would be justified in celebrating their improved circumstances, and the previously rich, who would have cause to lament their decline. How profound an economic impact such a narrowing might have would depend upon a number of factors, including the former range, the pre and post range contraction distribution patterns of income and wealth, the sources of investment and the patterns of consumption. Aggregate consumer demand could be importantly effected by a narrowing of income and wealth range, unless offsetting measures are inaugurated. Purchases of new automobiles and expensive appliances, as well as investment in owner-occupied housing, are disproportionately concentrated among more affluent elements in most societies. Increased demand for public goods could have a compensatory effect but, even then, there would be costs associated with dislocation. In the absence of effective offsetting public demand, diminished private demand for output would have repercussions in terms of reduced investment and employment-earnings opportunities.

Goals of removing families and individuals from near subsistence levels and from positions of extreme **affluence** are accorded different levels of priority under different economic systems and different societies. Accessibility to economic opportunity - epitomized as 'equal opportunity' - is implicit in the rationale of the framework of both capitalism and socialism. A divergence between theoretical and operational models resulting from the inaccessibility of workers to appropriate positions commensurate with ability potential is likely to diminish the efficiency of the system. Endorsement and implementation of meritocracy-based hierarchies in production firms, government administration and other activities, reflect general acquiescence of this concept in modern economies. Extremes of wealth and income, existing on a large scale, tend to frustrate the installation of meritocratic schemes.

The urgency for lessening economic inequality, at least in part, is a function of range and distribution of income. A predominantly affluent society, with relatively few people experiencing extremes of great poverty or wealth, may be noticeably unresponsive to demands for the elimination of these extremes. In contrast, demands for redistribution may be easily stimulated in a generally poor society having a very wide range of economic inequality. Ironically, confiscation of the assets of a wealthy few would probably make only a weakly perceptible contribution to the welfare of a poverty stricken mass. With respect to the pressures generated for redistribution, anticipated effective gain may be subordinated to achievement of non-economic goals. Class consciousness and ideological awareness may represent important forces in stimulating change, irrespective of their economic effects.

Relatively superior economic position may generate satisfaction among the recipients of material benefits, based upon the relative deprivation of others. Economic disparity, per se, as the source of incentive is not an attractive proposition. It is conceivable that individuals may be motivated to perform economic activities primarily because the rewards achieved greatly exceed those conferred on others for performing other tasks. Consumption, in turn, may be pleasurable with the knowledge it is denied to all but a few others at that level. The non-economic counterpart to such economic response may be identified with assumption of political position for the authority the holder may exert over others. Argument for retention of economic inequality founded on disparity-related satisfaction has its origins in a pre-industrial mentality, with more concern displayed for the arrangements than the magnitude of output of production. While modern economic man is formulated as rational, some residual of economic disparity orientation is detectable in industrialized capitalist and socialist societies.

Enthusiasm for defending retention or initiating reform of patterns of economic inequality frequently exceeds the ability of participants in the debate to define and analyze the problem. Unless we can conceptualize the nature of economic inequality, we cannot be confident we are employing the appropriate strategies and are directing them to the intended objectives. Lorenz Curve analysis is designed to measure with coefficients and graphical portrayal the extent of economic inequality. In terms of the Lorenz Curve diagram, cumulative percentage of households is measured along the horizontal axis, from left to right, and cumulative percentage of wealth or of income is measured along the right side vertical axis, from bottom to top. Because the vertical axis measures either income or wealth, but not both simultaneously, one graph can only show equality in the holding of wealth or equality in the distribution of income. The entire length of each axis is equal to one hundred percent of households, or of wealth or of income, respectively. A diagonal line connects the point of zero percentage of households with the point of one hundred percent of wealth or of income, to form a triangle of the lower right half of the graph. The origin, in the lower right hand corner of the graph, is formed by the juncture of the axis lines

Perfect equality in the distribution of wealth or of income would occur in the case where the Lorenz Curve coincided with the diagonal line, with cumulative percentages of households having proportionate cumulative percentages of income or of wealth. When either wealth or income is disproportionately distributed, with a larger share to part of the households and a smaller share to the rest, the Lorenz Curve assumes a bowed shape, convex with respect to the origin. The greater the inequality with respect to either wealth or income, the more pronounced the bowed shape or convexity. It is interesting to note that in the case of the United States, the Lorenz Curve has not changed its bowed shape perceptibly over the third quarter of the Twentieth Century; its shape has apparently not changed substantially over the first half of the century. Over this period the average size of households has decreased, with diminished average family size and an increase in the share of unrelated individuals of total households. The increased share of total households represented by unrelated individuals is mainly accounted for by the increasing numbers of surviving elderly and, to a lesser extent, by divorce and other factors. Translated from household into population terms, the Lorenz Curve would have a tendency to show greater inequality, in the context of income shares, because of the disproportionate concentration of elderly and the persistence of larger family size in lower income categories. Tendencies for contrasting asset holding extremes among the elderly than the population at large suggests that wealth shares might appear even more unequal in population than household terms. Income, although not assets, of those at the lower end of the economic scale would be increased somewhat with the inclusion of various forms of public assistance, in kind and in cash. Deficiencies in data - and its format - for income distribution, and particularly for the distribution of wealth shares, make such conclusions somewhat conjectural.

Comventional Lorenz Curve analysis is inadequate for assessment of economic inequality because it deals with income or with wealth distribution at one point in time instead of over a period of useful comparison - a lifetime. The lifetime measure has greater validity than one point in time because household income will change over the length of the productive and nonproductive years of the household members. Different types of households, in terms of occupations and other characteristics of members, will experience different patterns of lifetime earning or wealth distribution patterns. Manual workers will have generally earlier entry into the workforce and an earlier peaking of annual earnings than will professional workers who characteristically defer early entry and earnings for acquisition of additional qualifications. The typically higher peak annual earnings during advanced years of the professional worker represent compensation for earlier non-remunerated training periods. More advanced preparation embodies productivity in the professional worker superior to that of the manual worker, so that while the lifetime earnings of professional and manual worker are likely to be closer together than their earnings at any one point, they are unlikely to be equal. Workers in the same experience-preparation stream, who might have somewhat similar lifetime earnings have income discrepancies most likely at one point in time because of different entry dates and seniority-experience wage increments.

Lifetime rather than current earnings provides a more realistic framework for assessing the distribution of income inequality because the income available to the non-productive elderly, normally in any modern society, can seldom be expected to remain at the level of prior productive years, unless exceptional provision is undertaken. The economic needs of the elderly have been interpreted as diminishing with age, presumably reinforced by frugality in many cases. However, it would seem at least equally plausible that the elderly, in these cases, are merely accomodating to their contracting resources. Uncertainty about the continuity of public forms of assistance, particularly if elderly persons had been confronted with adverse experience in this respect, would only seem to reinforce their apprehensiveness about the source of future income. Unclear prospects for survival into some specific future period, concern for solvency to cover unexpected events, ultimately funerals, and bequests for relatives, compel many elderly to conserve dwindling estates. In terms of wealth holdings, immobility of assets of the elderly may tend to exaggerate the value of their accumulations. Convertibility requirements of an urgent nature may substantially depreciate estates. If the elderly, generally, were to indulge in the levels of health care and other services and goods required to prolong health, effectively resist senility and postpone death, albeit temporarily, it would be reasonable to expect their expenditures would greatly exceed income and wealth in most cases. Examined in a current context, the wealth shares of the elderly are disportionately greater than the younger households. But wealth accumulation for similar stream households, having similar preferences, would be expected to tend toward convergence over a lifetime period.

Current income inequality and wealth disparity may be attributable to family size, just as it can be attributed in part to age and work entry date differences. Child bearing and rearing families represent a high opportunity cost, particularly with a rising rate of female labor force participation, since mothers frequently effectively sacrifice income for child care.

Presumably, the satisfaction derived from juvinile offspring compensates for potential earning losses which serve to reinforce current and even lifetime household income disparities. Small family size permits increased capacity for wealth accumulation, as compared with large family size, even though the per capita consumption levels may exceed those of the large.

Household preference patterns with respect to consumption and saving offer partial explanation of disparities of wealth distribution, in current and, more particularly, lifetime terms, in which the impact may be more obvious. Wealth holdings are disproportionately concentrated with the elderly - or, more accurately, with some elderly - as compared with the general non-elderly households. Some of this accumulation of wealth is attributable to inheritance and some through the appreciation of invested wealth. And the elderly have simply had longer periods in which to accumulate wealth. Neglecting the important elements of inheritance and appreciation, it is obvious that at least some inequality in the holding of wealth in a current context disappears when viewed in terms of lifetime saving. The current inequality of wealth **holdings** due to restraint of consumption in favor of savings tends to perpetuate and strengthen over the lifetime period.

Income disparities, examined on a current or even a lifetime basis, may reflect voluntary as well as involuntary economic inequality. Some individuals trade off income for leisure. People quite frequently choose occupations in which they earn less than the maximum they are capable of securing on the job market. Their reaons for doing so may appear to be quite reasonable: they may prefer to avoid high tension positions; they reject working conditions they view as intolerable; they prefer lower paying creative activities; they do not wish to exert authority. Within national manpower requirements, modern economies generally recognize the advantages of workers selecting their own jobs, even though, inadvertently and through choice, some may achieve lower productivity and income as a result.

A dynamic economy, characterized by continuing economic growth and technological innovation, will have an earning capacity bias favoring later entrants. The entry earnings of current entrants, in this situation, would be expected to exceed the entry level earnings of those recruited to comparable positions at earlier dates. In terms of academically acquired technical skills, individuals become conveyors of change and rewards to knowledge become an integral part of payments to entrant technically trained workers. Workers doing jobs of similar complexity in newer industries might, in general, expect higher earnings than their counterparts in older industries. Workers with more capital equipment supporting their jobs have greater likelihood of high earnings than those with less capital equipment at their disposal, which is more likely to be the case within the same industry for the later entrant. In both capitalism and socialism, there is a reluctance to divert, at the expense of the recent entrant, some of this earning increase to more veteran workers. The sheer complexity of calculation of the division to be made, in addition to such factors as labor morale, discourage this.

A Lorenz Curve adjusted to measure lifetime earnings or wealth accumulation would be expected to have less convexity with respect to its origin than would a curve measuring current income or wealth holdings. Households would be expected to have more similarity with respect to income or wealth over a lifetime than at a particular point in time. Lifetime income and wealth calculations present formidible data collection problems as well as problems of a methodological nature, as to what constitutes a household or what period of time actually represents a lifetime for a household composed of different age groups, and entering and exiting members. Conceptually, however, lifetime comparisons have greater validity than current comparisons. Briefly reviewed, lifetime earnings or wealth holdings will differ as between households because of different workforce entry dates, compensation for work deferred training and productivity potential, savings - consumption pattern variations, leisure and occupational preferences, length of periods for wealth accumulating opportunities, household size and numbers of working members, and other factors. Current income or wealth measurements distort the degree of economic inequality between households because they involve only one 'slice' of time, as compared with lifetime measures reflecting different stages of wealth and earning experiences over a prolonged interval.

Inequalities with respect to lifetime earnings and wealth accumulation are likely to persist, to at least some degree, in all modern industrial societies, whether capitalist or socialist. Diminished disparities in pay scales, greater conformity to family size norms, reduced opportunities for consumption - savings variations and the substitution of public goods and services for some share of private, can act to alleviate household economic inequality. Some part of this inequality is inevitable, however, because of differing preferences for training and occupation, consumption patterns and the unlikely universal coincidence of family size. Authorities in even more ideologically doctrinaire systems would undoubtedly be reluctant to introduce the costly and unpopular instruments required to attempt to establish economic equality as between households. The inevitability of household lifetime economic inequality tends to magnify differences between households in terms of current economic inequality.

Economic inequality is only partial explainable by inevitable differences from a household lifetime perspective or from the somewhat exaggerated current income and wealth holding view. In addition to the differences attributable to households and the job market structure, previously referred to, inheritance and earnings differentials unrelated to work performance, training and responsibility, would appear to be major explanatory variables. The first, inheritance, is obvious with respect to its role in perpetuating economic inequality. As families pass along wealth, offspring are provided with unearned advantages. These benefits can be translated by the beneficiaries into attractive earning opportunities or they can be parlayed into yet greater holdings of assets. Socialist societies may be less tolerant of inheritance than are capitalist societies, but no modern industrial societies are likely to allow assets to be transmitted from source to beneficiary completely intact. On the other hand, few societies, regardless of ideology, are dispossed to the confiscation of all forms of inheritable assets. And wealth inheritance has its equivalence in terms of position. Parents entrenched in positions of prestige or prominence, with associated wealth or perogatives, enhance the probability their offspring will rise to comparable positions, under socialism as well as under capitalism.

Economic theory, in spite of a huge volume of literature dealing with the subject has little to contribute, of an applicable nature, to the question of work-related rewards. Theory concerned with wage rates in accordance with marginal productivity has limited influence with respect to the hiring and wage determination decisions of firms. In practice, it is difficult to establish the marginal contributions of labor in modern complex industry. It is no less difficult to relate to output and profits the earnings of management than of production workers. Bonuses and salary increments may rise more rapidly in periods of increasing profits but they are unlikely to decline dramatically - or at all, for that matter - with reduced profit or even loss. Upper echelon management is the main influence with respect to the level of its own remuneration, at least under capitalism, and tends to be somewhat generous in this regard. Under socialism as well the earnings of higher management substantially exceed the incomes of blue collar workers. In both socialist and capitalist systems, the privileges and benefits extended to senior management, supplementary to salaries, further reinforce economic disparities.

Monopoly in the labor market, under capitalism, creates disparities in the incomes of workers in production and service activities, even though these workers may perform comparable tasks and have similar skill levels. Discriminatory practices based on race, sex and age are examples of forms of monopoly in the job market as are labor organization restrictions on entry into employment. Professional workers, through their organizations, also employ monopolistic tactics to control their levels of remuneration. Entry or promotion eligibility in certain types of work, based on political affiliation or sympathy, could conceivably represent an analagous monopolistic restriction in a doctrinaire socialist economy. Arbitrary disparities and monopolistic practices with respect to income, and inheritance with respect to wealth, would appear to be important determinants of economic inequality not encompassed by the area of inevitable inequality analyzed earlier.

There is no formula for determining the range of income and wealth disparities tolerable within a 'just' society. Economists are capable of specifying optimal wealth holding and income distribution patterns with respect to designated charactistics of the economy and identified goals, such as maximizing growth or employment opportunities. But the economist cannot pretend to be able to identify the wealth holding and income distribution patterns which would 'optimize' satisfaction among the population. Abstract models borrowed from utility, indifference curve and modern welfare theory shed little light on practical problems of economic distribution and recipient satisfaction.

Questions raised regarding the relevance of economics in the construction of an ideal pattern of wealth holding and income distribution are not intended to convey an overall sense of dismay about the applicability of the discipline to problems associated with economic inequality. If economists are incapable of providing practical definitions of economic 'optimality', in terms of the relationship of income and wealth patterns to satisfaction, it should be remembered that other social scientists are also inadequate to the task of formulating an operational model of the 'just' society. The answers to questions such as what constitutes an ideal society reflect value judgements. Social scientists can analytically describe an issue, trace its ramifications and suggest its consequences, costs and benefits, but the ultimate choice must be made by those who anticipate benefit to society and, perhaps, themselves.

The matter of dealing with economic inequality is somewhat simplified if attention is focussed on the areas susceptible to change rather than on the whole, including the intractable areas where some degree of economic inequality, even in lifetime rather than current terms, is inevitable. Pay-off to effort is likely to materialize with attention to the concentration of wealth due to inheritance and high income due to excessive reward and monopolistic practices, on the one hand, and on the other, poverty due to causes other than voluntary work abstinence and large family size. Any permanent solution to the poverty-related problems of work evading employables and expanding families, while they might include material assistance, are also linked to work orientation counseling and family planning guidance, respectively.

Generous rewards, in the form of earnings and wealth accumulation which are unrelated to productive motivation and are not the result of self-accumulation, can be reduced through the instrument of taxation. Inheritance tax laws can be strengthened to restrict estate transfers to modest levels. The net effect of federal taxes on personal income in the United States, on balance, appears to be that essentially the same rate is levied on income within a broad range, while state and local taxes are regressive somewhat with respect to lower income households. The internal revenue service, if it operates reasonably cheaply and efficiently, as in the case of the United States, represents an accessible mechanism for redistributing income and wealth holdings to some extent. There would seem to be some opportunity to reduce exemptions and deductions for income and for investment of higher income households. However, any significant changes are bound to inconvenience long established beneficiaries. For instance, elimination of interest deductions and local tax credits on property of homeowners, which are of disproportionately greater benefit to the wealthy than the poor, would most likely have a disruptive impact not only on the wealthy, but on the whole economy. Nonetheless, the tax structure modification alternative to other forms of economic redistribution retains considerable potential.

The negative income tax permits the transfer of income, mechanically and inexpensively, as merely the reversal of the conventional flow from taxpayer to internal revenue service. The extension of income in this manner would probably appear as more 'legitimate' to the general public than the forms of assistance it would replace. It would remove stigma-ridden intermediaries, although in the process it would eliminate useful as well as redundant aspects of official communication with the poor. The patterns of consumption by the poor, reinforced by the transfer of income, would be largely independent of any authority. Insofar as the poor are intimidated or co-erced by visible echelons of functionaries, the benefits of their removal are obvious. But, to some extent, poverty may be at least reinforced by the decisions of its victims, so there is no assurance that funds transferred in this manner would be fully effective in relieving poverty situations.

A negative income tax related to earnings permits income transfers to the poor without supressing their motivation to work, in cases where they are eligible to do so. Incentives to increased earnings are built into transfer scales, so that each additional amount of income earned, to a specified level, reduces transfers by a smaller amount. When earnings are low, transfer reductions would be slight, whereas transfer payments would be reduced substantially as income rose to a more nearly adequate level. However, the comprehensive adoption of a negative income tax scheme must also be linked to minimum wage legislation sufficient for assuring that a negative income tax for the working poor does not merely become a supplement to inadequate work remuneration, a sort of modern 'Speenhamland plan'.

The involuntarily unemployed and those ineligible for work by virtue of age, disability, number of dependents and similar reasons cannot rely on any objective economist-conceived formula to reveal the levels of income transfers to which they are to be entitled. Economists are limited to describing the living conditions which certain levels of transfers can purchase for recipients. In the case of families, at least, it would seem reasonable to extend transfers at a level which might offer fair prospects for offspring to escape poverty in adulthood. Provision of universal essential goods and services, particularly such elements as medical care, should basically be premised upon economies of scale and benefits to aggregate society. But there may also be spillover benefits to the poor. The poor would derive additional benefits from any differences between a universally accessible health service, presumably with public scrutiny of quality, and a service reserved exclusively for low income clients.

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