

Book Reviews

Falling Behind: How Rising Inequality Harms the Middle Class

by Robert H. Frank

University of California Press • 2007 • 160 pages • \$19.95

Reviewed by Alan Reynolds



Robert Frank, a professor of economics at Cornell, has long argued that affluent Americans spend too much on conspicuous consumption, which he relabels “positional” goods. His favorite examples include big houses, expensive watches, barbecue grills, and wine. If Smith has more positional goods than Jones, then Jones is said to suffer “relative deprivation” because “what we feel we need depends on what others have.” Poverty is relative too. A small house seemed “terrific,” he explains, “when I was a Peace Corps volunteer in Nepal.”

An affluent professor and consultant with a five-bedroom house and a taste for BMWs, Frank nevertheless boasts that he never spends much on wine and that he decided to eschew a costly Viking grill in favor of a cheap Weber.

How he spends his own money is his business. Unfortunately, Frank views everyone else’s money as collective property: “Do we want to spend our money on better teachers, better roads, and enhanced national security? Or do we want to spend it on more expensive watches, more elaborate gas grills, and bigger mansions?” Everyone else’s money becomes “our money.”

“If we all pay more in taxes,” he urges, “then we’ll all have less available for private consumption and then we won’t feel as though we need to spend as much.” He doesn’t really believe *all* should pay more in taxes. He proposes that the wealthy pay a tax on consumption (income minus saving) with marginal rates of 50 percent above \$220,000.

“Demand for many of the things we buy,” he contends, “is driven in part by their function as signals.” To illustrate, he says that increased spending on clothing

by the very rich has affected the amount a middle-class worker must spend on a professional wardrobe. Nonsense. Even the fanciest brands have never been cheaper, thanks to outlets and eBay.

The author’s thesis depends on inequality of *consumption*, not of income. That difference is less than you’d think, however. W. Michael Cox and Richard Alm in a recent *New York Times* op-ed found that average consumption *per person* among the top fifth is just slightly more than double the average consumption of the bottom fifth.

Frank ignores such inconvenient evidence in favor of badly garbled secondhand data about income and wealth. All his figures came from Chris Hartman at inequality.org—a writer who specializes in “travel, sports, persuasive, and media-friendly political research.” Many of Frank’s assertions are based on easily refuted data—for example, his false claim that “asset ownership has become even more heavily concentrated during recent years.”

Frank’s biggest complaint is not about big incomes but big *houses*. He worries that “the median size of a newly constructed house in the United States, which stood at 1,600 square feet in 1980, had risen to more than 2,100 square feet by 2001, despite the fact that the median family’s real income had changed little in the intervening years.” As with the data on income and wealth, Frank’s evidence is sloppy. The National Association of Realtors’ “affordability index” shows that housing affordability has *improved* from 1979 to 2008.

Putting aside the many problems with Frank’s data, his case for redistributionist taxation is just a weak excuse for having the federal leviathan gobble up more of the wealth created by individuals. Allowing politicians in Washington to increase their spending on whatever they please (there is no magic fairy to ensure that any added revenues will be devoted to better teachers and roads) is not going to make the relatively poorer people feel better. It might cost some of them their jobs, however. Think back to the impact of the luxury boat tax of the early 1990s, the only discernible effect of which was to cause high unemployment among the workers who had been building yachts for the rich and famous to enjoy.

We should not overlook the ethical muddle of Frank's call for coercive redistribution. He disapproves of individuals' spending money they have peacefully acquired in ways that give them satisfaction, but insists that the government forcibly take money away from the wealthy so that egalitarians can pat themselves on the back. Frédéric Bastiat called that legal plunder.

Frank has spent many years writing books and devising phrases to remind us that he disapproves of status symbols (*Luxury Fever*, 1999), overpaid superstars (*The Winner Take All Economy*, 1995), and people who try to keep up with the Joneses (*Choosing the Right Pond*, 1985). This slim volume repeats those egalitarian themes in a condensed way. Minimizing the surplus verbiage starkly reveals that the author's strong opinions remain based on remarkably weak evidence. **FEE**

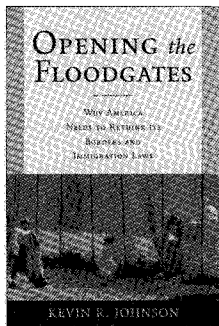
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Opening the Floodgates: Why America Needs to Rethink its Borders and Immigration Law

by Kevin R. Johnson

New York University Press • 2007 • 304 pages • \$35.00

Reviewed by George C. Leef



In recent years there have been numerous highly publicized federal raids against companies that had violated the law by employing illegal aliens. The hapless people were deported and the companies slapped with stiff penalties. Generally, the reaction has been, “Well, it’s about time the government got tough!”

For the most part, the strident voices of the anti-immigration crowd have drowned out and intimidated those who do not believe that illegal immigration is a threat to the nation. There are, however, some people willing to stand up for the right of people to move across international borders freely. One of them is Philippe Legrain, whose book *Immigrants: Your Country Needs Them* was reviewed in the May 2007 issue of *The Freeman*. Another is Kevin Johnson, a law professor at

the University of California – Davis. His book *Opening the Floodgates* makes an impassioned case for an open-borders policy. Although the book has some serious flaws, it makes a worthwhile contribution to the debate over this key issue.

Johnson writes, “To the extent that the idea of open borders is even mentioned in public discussions, it is immediately brushed off as hopelessly impractical and not worthy of in-depth analysis and consideration as a possible policy option.” He wants to change that by showing the numerous, frequently tragic consequences of our current, highly restrictive immigration policy and emphasizing the benefits of scrapping it in favor of openness.

The most visible harm resulting from the status quo is that many people die every year in the effort to move to the United States. It’s strange that Americans who used to be appalled when East German border guards killed people trying to leave are mostly indifferent when Haitians drown or Mexicans die of heat and dehydration trying to leave those countries. Johnson shows that the death toll from our immigration laws is very high, but largely ignored.

Another harm is that illegal immigrants are outside the protection of the legal system. Unscrupulous employers can and do cheat them. Sometimes the immigrants are hardly more than slaves. Anti-immigrationists retort that those unfortunate people have only themselves to blame for having had the temerity to disobey our laws. Johnson finds this morally chilling. It is.

Johnson aptly compares our efforts to stop immigration to Prohibition. The latter didn’t prevent people from drinking alcoholic beverages but instead led to unsafe products sold by criminal syndicates, violence, and a gigantic waste of resources. Our prohibition of immigration has similar consequences. The parallels are strong and Americans ought to ponder them.

What about the impact immigrants have on our culture? Writers like Samuel Huntington wring their hands over the “damage” that dark-skinned and non-English-speaking immigrants (legal and illegal) inflict on “America’s” culture. Johnson says: Relax. Similar attacks were made in the past against the Irish, Italians, Chinese, and other groups. But more to the point, there