

Income inequality seems to have grown over time. Bernie Sanders and Hillary Clinton want to address this issue by increasing taxes on the wealthy and redistributing the newly raised money to the less fortunate. Their solutions are, at best, temporary measures because the poor will have their economic fortunes tied to a political solution. If future political leaders want to take away the helping hand, they can at any time. The poor would be better off with a more permanent solution that does not depend upon the political whims of our ever changing leaders.

Rather than addressing the symptom of the problem, as Bernie and Hillary attempt to do, our policy should address the root cause of the problem. The main cause of income inequality is the different levels of education among our workforce. As data from the Bureau of Labor Statistics illustrates, college educated workers have always earned more than workers with just a high school degree. Back in 1980, the median weekly earnings of workers with a bachelor's degree was 1.5 times greater than the earnings of workers with just a high school diploma. Over time this wage disparity has greatly increased. In 2015, the median weekly income for workers with a bachelor's degree was 2.27 times greater than it was for workers with only a high school degree.

College graduates have always gotten paid a premium because they are the workers with the skill set that enables them to use, or to figure out how to use, new technology. There are two parts to this argument. First, using the new technology makes these college graduates very productive. Next, firms bid against each other to obtain the valuable college educated workers, which raises their wages, so that they are much higher than the wages of workers who only have high school diplomas. The big difference between 1980 and today is that firms have increased their desire to hire workers who can use new technology. This extra competition for highly educated workers has driven up the wages of workers with a college degree and it has contributed to the bulk of the income inequality that gets mentioned in the political debates.

On the surface, Bernie Sanders seems to have identified the solution – make college free. However, affordability is not the largest roadblock keeping students from going on to college. The extra income that one can earn with a college degree makes borrowing money to attend a state university a good investment. Rather, the main obstacle that prevents students from completing college is that many students leave high school without being prepared to enter college. Education reform of K – 12 classes, with the eye toward improving college readiness, would do more to increase the number of students who can complete a college degree than Bernie's free tuition proposal would.

If K-12 education reform succeeds in increasing the number of college graduates, there will be fewer workers with only high school degrees. With fewer of these workers available, firms will have to bid up wages to find the high school educated workers that they desire. On the other side of the coin, the extra pool of college graduates will make it easier for firms to find college educated workers who will accept lower wages, driving down the wages of workers with college degrees. The net effect of all of this is that the wage disparity will lessen between those who have a college degree and those without one.