

## Macro Roundup Article

**Headline:** [Short Reply: Comment on Auten and Splinter \(2023\)](#)

**Article Link:** <https://www.davidsplinter.com/Splinter-2023-ReplyToPSZ.pdf>

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**Tweet:** David Splinter responds to Saez @PikettyWIL @gabriel\_zucman comments: "Our headline finding of relatively flat long-run top 1% after-tax income shares is robust."

**Summary:** PSZ suggest that top wealth and capital income shares should run parallel over the long run. This is a problematic assumption. Economic changes can push down capital income shares relative to wealth shares. Most importantly, interest rates fell dramatically between 1989 and 2019—the federal funds effective rate fell from 9 to 2%. This decreased the ratio of interest-income to bond-wealth and therefore falling interest rates likely increased the gap between top income and wealth shares. Also, much of top wealth patterns are driven by passthrough business, but this is fully or two-thirds excluded from PSZ's definition of "capital" income here. When fully including passthrough business, the Auten–Splinter top 1% non-housing "capital" income share increased by 5 percentage points between 1989 to 2019, about two-thirds of the Federal Reserve's estimated increase in top 1% wealth shares. Therefore, the Auten-Splinter estimates are consistent with increasing top wealth shares. Related: Comment on Auten and Splinter (2023) and Income Inequality in the United States: Using Tax Data to Measure Long-Term Trends and Elon Musk Today Claims Wealth Equal to 2.5 Million Times Median Household Income; His Predecessor Daniel Ludwig in 1982 Claimed Only 85 Thousand Times

**Primary Topic:** Inequality

**Topics:** Academic paper, Database, Important!, Inequality, Very Important, Wages/Income, Weekly, Workforce

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### Featured Image

**Link:** <https://www.edwardconard.com/wp-content/uploads/2024/01/Auten-Splinter-Figure-6.png>