Macro Roundup Artcile

Headline: Reply: Measuring Income Inequality: A Primer on the Debate

Article Link: https://www.davidsplinter.com/Splinter-2023-ReplyToBrookings.pdf

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Tweet: David Splinter argues that @WilliamGale2 John Sabelhaus @samthorpe__ critique of AS misrepresents some of the results and AS's headline finding that the US's long-run top 1% after-tax income share being relatively flat stands.

Summary: This note responds to an article by Gale, Sabelhaus, and Thorpe (GST) recently posted that comments on Auten and Splinter. GST discuss levels and trends of top income shares in AS and Piketty, Saez, and Zucman. The GST analysis, however, fails to include relevant context and misrepresents some AS results. In contrast to eight points raised or implied in GST, this note explains that: (1) GST misrepresent how different approaches in AS and PSZ explain top 1% gaps and fail to discuss the reasons for those different approaches, (2) the AS estimates are consistent with other high-quality inequality studies, (3) GST ignore crucial differences between survey and tax data when considering the distribution of underreporting in tax data, (4) GST ignore the results of special audit studies that find significantly higher misreporting rates among those with negative reported incomes or in the bottom 99% relative to the top 1%, (5) the suggested limitations of the audit studies are unsubstantiated or have little impact, (6) AS presented estimates with alternative allocations of government consumption, (7) the AS allocation of deficits is more consistent with historical precedent, and (8) the implication that AS estimates are inconsistent with financial wealth inequality trends is incorrect. Related: Measuring Income Inequality: A Primer On The Debate and Income Inequality in the United States: Using Tax Data to Measure Long-Term Trends and Comment on Auten and Splinter (2023)

Primary Topic: Inequality

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

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