

Macro Roundup Article

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

Article Link: <https://gabriel-zucman.eu/files/as-response-2023.pdf>

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Tweet: [Saez @PikettyWIL @gabriel_zucman](#) respond to Auten and Splinter's critique of their inequality findings. They claim AS underallocated a large share of untaxed business and capital income to the top 1%, significantly understating the rise of inequality.

Summary: In a nutshell: Auten and Splinter erroneously allocated a large and growing amount of untaxed business and capital income to the bottom of the distribution due to several clear and long-understood mistakes in their methodology. Business income is one of the most highly concentrated forms of income, and its concentration has sharply increased since the 1960s. The top 1% of adult individuals earn about 55% of it according to tax data today. But AS assume that untaxed business income is very equally distributed. According to them, the top 1% earns only around 15% of it (Figure 1). In other words, the observable income of doctors' and dentist practices, retail chains, real estate firms, oil and gas partnerships, law firms, etc., might be extremely concentrated, but their untaxed income, according to AS, is much more equally distributed. Is this realistic? In recent years about 50%-60% of untaxed business income corresponds to tax evasion; the rest is due to provisions in the tax code that reduce taxable income below economic income. The key provisions are the full expensing of investment for certain investments and generous depreciation schedules for non-expensed assets. These provisions accrue overwhelmingly to the very top of the distribution – owners of capital-intensive closely held businesses. As for tax evasion, there is no evidence to support the assumption made by AS that it is concentrated at the bottom of the distribution. Related: 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 and The Economics of Inequality in High-Wage Economies

Primary Topic: Inequality

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

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