Macro Roundup Article

Headline: Comment on "Income Inequality in the United States: Using Tax Data to Measure Long-Term Trends" by Auten and Splinter

Article Link: https://static1.squarespace.com/static/59ae6e08914e6b4040aa9716/t/668c070921c7b01ece4c38df/1720452873889/CommentAutenSplinter.pdf

Author(s)	John Iselin and Daniel Reck
Publication	University of Maryland
Publication Date	July 09, 2024

Tweet: .@john_iselin @danhreck propose an alternative estimate of unreported income and find that pre-tax income share of the top 1% rose by 0.52pp from 1962-2014. (labeled in the chart as "PSZ Macro.")

Summary: We argue that Auten and Splinter [AS] results are driven by the assumption that detection of noncompliance in random audit data is equally good in the bottom 99% as in the top 1%. This reduces the growth in the share of pre-tax national income held by the top 1% by 0.46 pp. We argue that the rise of pass-through business income since 1986 likely causes this bias to grow significantly over time, leading to an understatement of the increase in inequality. We also review related methods by Piketty, Saez, and Zuckman [PSZ]. These authors' methods are rooted in the assumption that if reported income grows in concentration, then so should unreported income. We propose a simple alternative method that explicitly imposes this via a distributional neutrality assumption. Under this assumption, growth in the top income share increases by 0.52 pp.

Related Articles: Income Inequality in the United States: Using Tax Data to Measure Long-Term Trends and Comment on Auten and Splinter (2023) and Short Reply: Comment on Auten and Splinter (2023)

Primary Topic: Inequality

Topics: Academic paper, Database, Inequality, Workforce

PDF File URL: 'https://www.edwardconard.com/wp-content/uploads/2024/07/comment-on-income-inequality-in-the-united-states-using-tax-data-to-measure-long-term-trends-by-auten-and-splinter-university-of-maryland-2024-07-09.pdf

Permalink: https://www.edwardconard.com/macro-roundup/john_iselin-danhreck-propose-an-alternative-estimate-of-unreported-income-and-find-that-pre-tax-income-share-of-the-top-1-rose-by-0-52pp-from-1962-2014-labeled-in-the-chart-as-psz-macro?view=detail

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/22262-comment-on-income-inequality-in-the-united-states-using-tax-data-to-measure-long-term-trends-by-auten-and-splinter-featured-thumbnail-image.png