

# THE WALL STREET JOURNAL.

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OPINION | BEST OF THE WEB

## *U.S. Income More Equal than Advertised*

Do the people who bought Piketty's famous book realize how much of it has been debunked?



By  
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Confident consumers through the Macy's Herald Square flagship store in New York last month. PHOTO: RICHARD B. LEVINE/LEVINE ROBERTS/ZUMA PRESS

Remember the 2014 bestseller “Capital in the Twenty-First Century” by French economist Thomas Piketty? Beachgoers in the Hamptons couldn't be seen without it tucked under an arm if they wanted to be regarded as serious people concerned about the plight of the less fortunate.

The dismal tale of exploding inequality and capitalist failure has been a recurring theme in political chatter ever since. But a new report highlights just how poorly Mr. Piketty's thesis has held up under further study.

This column should note that some scholars saw problems right from the start. In a 2014 Journal op-ed, Harvard economist Martin Feldstein ticked off a series of fundamental errors, including those related to Mr. Piketty's practice of comparing the incomes of top earners with total national income. "National income excludes the value of government transfer payments including Social Security, health benefits and food stamps that are a large and growing part of the personal incomes of low- and middle-income households," wrote the Harvard prof.

Then Chris Giles of the UK's Financial Times examined Mr. Piketty's work and found that "the rock-star French economist appears to have got his sums wrong." He added:

The data underpinning Professor Piketty's 577-page tome, which has dominated best-seller lists in recent weeks, contain a series of errors that skew his findings... The central theme of Prof Piketty's work is that wealth inequalities are heading back up to levels last seen before the first world war. The investigation undercuts this claim, indicating there is little evidence in Prof Piketty's original sources to bear out the thesis that an increasing share of total wealth is held by the richest few.

Now a new report from the Urban Institute goes back further, to Mr. Piketty's influential research with University of California, Berkeley professor Emmanuel Saez published in 2003. Stephen Rose writes:

Piketty and Saez's findings garnered tremendous attention and were cited repeatedly. But many researchers eventually found problems with Piketty and Saez's approach and developed income inequality measures that led to different findings.

Phil Magness of the American Institute for Economic Research writes today:

In short, the widely reported explosion of inequality in the past three decades is likely a myth, built upon outdated and flawed statistics... Whereas Piketty and Saez show a massive century-long swing of almost 20 percentage points in the income share of the top 10 percent, the adjusted figures show a much flatter curve with a little over half the variation. Inequality still falls and rises under the revised numbers, but at a comparatively subdued rate. Under the adjustments, the top 10 percent income share seldom strays more than 5 percentage points away from a century-long average of about 35 percent.

Perhaps instead of assuming that we're in the midst of a surging inequality crisis, we should first settle more fundamental issues affecting the accuracy of our measurements over the past century.

Perhaps we should also focus on ensuring an abundance of opportunity, rather than regarding it as a problem when some people inevitably make more than others.

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## Schumer and Shutdowns

In his Oval Office argument with the President on Tuesday, Senate Minority Leader Chuck Schumer (D., N.Y.) worked very hard to emphasize in front of the assembled media that the President is the one who wants to “shut down” the government if Congress will not meet Mr. Trump’s border funding request. Of course government “shutdowns” typically don’t disrupt what voters consider the core functions of government. But if some “non-essential” federal personnel get to stay home for a few days, Mr. Schumer seems to think the author of the impasse could suffer lasting political damage.

Perhaps this is because memories of last January are still fresh on the mind of the New York Democrat, who beat a hasty retreat when it became clear he wasn’t going to get his way during the last shutdown.

But the political pain doesn’t necessarily last forever. President Ronald Reagan shut down the government once in 1981, twice in 1982, once in 1983 and twice more in 1984, the year he was re-elected in a landslide.

The second term brought two more shutdowns, and when he left office in January of 1989, the New York Times reported:

As President Reagan prepares to leave office this week, two-thirds of the American people approve his performance over the last eight years, the highest rating given any President at the end of his term since World War II.

The latest New York Times/CBS News Poll showed that Mr. Reagan has maintained this extraordinary popularity by succeeding in the two areas that are central to any President: peace and prosperity.

This is a good lesson for politicians regardless of the offices they hold. If voters are enjoying peace and prosperity, they’re inclined to tolerate a few days of not getting all the bureaucracy

they pay for.

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### *In Other News*

#### **Because He's So Authentic**

"Beto O'Rourke narrowly tops wide-open MoveOn 2020 presidential straw poll; Biden is runner-up," NBC News, December 11

#### **Another Presidential Straw Poll**

"We Asked Dozens of Bloomberg Staffers if They Want Him to Run in 2020. Only 1 Said Yes," Daily Beast, Dec. 10

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### *Bottom Stories of the Day*

#### **Winner of the Campus Straw Poll**

"Ohio State's bacon vending machine proves quite popular," Columbus Dispatch, Dec. 8

#### **Fox Butterfield, Is That You?**

"By the early 1880s, American statesmen realized that, despite several tax cuts, the Treasury was still yielding surpluses, year after year."

-- Fareed Zakaria, *From Wealth to Power: The Unusual Origins of America's World Role* (Princeton University Press, 1998)

#### **'Major, Massive Retaliation' Predicted**

"Bah, Humbug: Florida neighbors scorn woman over display," Associated Press, Dec. 6

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*This column has been corrected. An earlier version misspelled the first name of Emmanuel Saez.*

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*Mr. Freeman is the co-author of "Borrowed Time," now available from HarperBusiness.*

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