



The Daily Dish

Rethinking the Economic Facts

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John Maynard Keynes famously said: “Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back.” He had a point. As an example, it has become accepted fact on the left that in the United States the share of income and wealth held by the top of the distribution has increased dramatically since the 1960s. This has led to a progressive policy agenda that focuses on mitigating the presumed fallout – stagnating middle-class wages, increased monopoly power, greater political power of the affluent, and so forth.

These “facts” stem directly from the work of [Thomas Piketty](#), [Emmanuel Saez](#), and [Gabriel Zucman](#), and are based primarily on tax-return data. Tax researchers have been aware for some time that the basic results – that the top 1 percent share of income rose from about 8 percent in the 1980s to reach 27 percent by 2021 – are quite sensitive to a variety of assumptions made by the authors. But now the debate has broken into the open, including this recent [opinion piece](#) in the *Financial Times*. As the author puts it: “How would you feel if you found out that US income inequality had not risen over the past 60 years; the rich had not taken the lion’s share of economic growth since the 1980s; and the poorest half of US society had about the same share of total income in 2020 as they had in 1960?”

It’s worth thinking about a bit because the original narrative is quite likely not true. Recent [work](#) by Auten and Splinter shows just how this research house of cards falls apart under scrutiny, leaving the much less dramatic result that a modest rise in the income share at the top has been more than offset by greater redistribution, especially health care subsidies.

This gives good reason to question the pervasive “equality agenda” of the Biden Administration, in which all growth is sacrificed in order to equalize outcomes in income, health, environmental exposures, unemployment, and other aspects of policy. Unfortunately, the political right has yet to either absorb this critique of the empirical foundations of progressive policies – the populist right buys it in its entirety – or offer a viable alternative agenda based on more rapid growth. This is probably the most important potential development to look for in the coming election cycle.