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The chart that closes the case on the inequality myth

By James Pethokoukis
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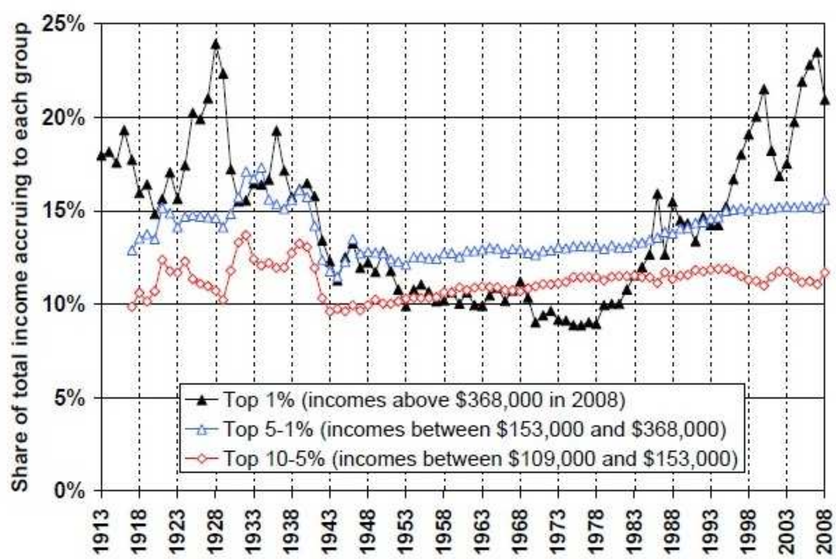
U.S. income inequality has exploded to levels not seen since the 1920s or perhaps even the Gilded Age of the late 19th century. At least that's the oft-repeated claim from the Obama White House, Occupy Wall Street and a hoard of liberal policymakers and pundits — not to mention their fellow travelers in the media. (You can see my some of counter arguments here.)

And to prove their point — that the 1 percent has gotten amazingly richer in recent decades — the inequality alarmists will inevitably trot out a study produced by economists Emmanuel Saez and Thomas Piketty, that includes the following:



Case closed, right? But income has a tendency to fluctuate a lot from year to year and seems a narrow way of looking at inequality. Why not instead look at wealth — all financial and nonfinancial assets? Economist Saez has done research on that subject, too. And he even created a revealing chart documenting the ups and downs of U.S. wealth over the past century. But it's a chart the inequality alarmists never show you (nor Saez's conclusions). First, the chart illustrating the wealth of the top 1 percent:

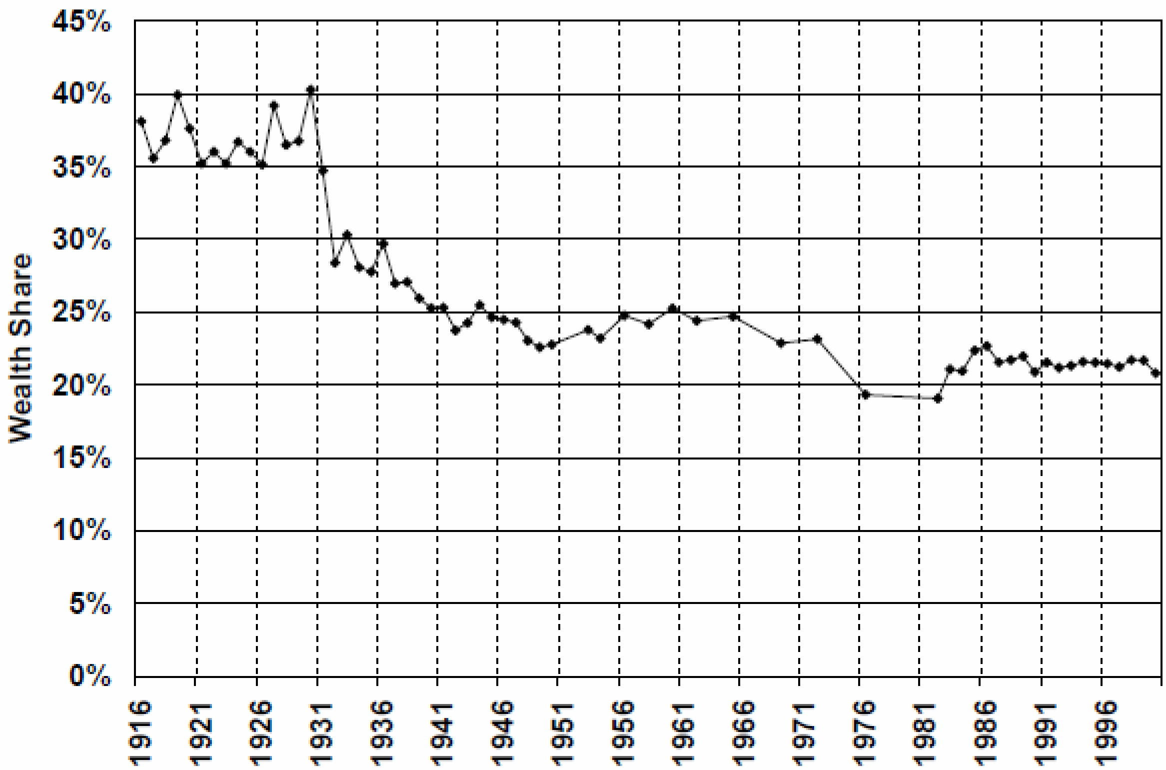


FIGURE 2
The Top 1% Wealth Share in the United States, 1916-2000

And here is Saez and co-author Wojciech Kopczuk: **"Our series show that there has been a sharp reduction in wealth concentration over the 20th century: the top 1% wealth share was close to 40% in the early decades of the century but has fluctuated between 20 and 25% over the last three decades."**

Saez and Kropczuk cite a number of possible reasons for the big decline: a) the democratization of stock ownership, b) the emergence of a large middle-class in the post-World War Two period, c) higher income and estate taxes, and d) the equalization of wealth across genders.

But the big point here, I think, is that inequality hasn't exploded. The top 1 percent aren't doing abnormally well by U.S. historical standards. And that if you want to go back to the Golded Era of equality, you need to time travel to the 1930s and 1970s — two of the worst decades ever for the U.S. economy.

Oh, but wait, the chart only goes up to 2000. What about after that? Probably made little difference as suggested by this handy analysis from the Cato Institute, which shows various estimates of wealth inequality (the Federal Reserve's Survey of Consumer Finances, the Economic Policy Institute, and Kopczuk/Saez):

The Top 1 Percent's Estimated Share of Wealth

wealth1percent

	Survey of Consumer Finances	Economic Policy Institute	W. Kopczuk & E. Saez
1962	31.6	33.4	24.4
1983	31.5	33.8	21.1
1989	30.1	37.4	22.0
1992	30.2	NA	21.2
1995	34.6	NA	21.5
1998	33.9	38.1	21.7
2001	32.7	33.4	20.8
2004	33.4	34.3	NA
2007	33.8	34.6	NA

The Kopczuk & Saez estimate for 2001 is actually 2000.
SCF estimates are from Kennickel except 1962 and 1983 from Scholz.
EPI estimates from Allegretto

Indeed here is Kopczuk in 2009: ” … there is no compelling evidence that wealth concentration has significantly increased, in fact it does not appear to have changed much since the early 1980s.”