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Another Fact-Checking Failure on the Wall Street Journal Editorial Page

By Timothy B. Lee – 12/8/12

Professional alarmist Peter Schiff takes to the pages of the Wall Street Journal to make the case that the income taxes in the 1950s weren't as confiscatory in practice as their high top marginal rates might make them sound in theory. I don't have a quarrel with his basic point, but in the process of making it, he mangles some key facts. And evidently no one at the Journal noticed:

In 1958, an 81% marginal tax rate applied to incomes above \$1.08 million, and the 91% rate kicked in at \$3.08 million. These figures are in unadjusted 1958 dollars and correspond today to nominal income levels that are at least 10 times higher... In 1958, approximately 28,600 filers (0.06% of all taxpayers) earned the \$93,168 or more needed to face marginal rates as high as 30%. These Americans—genuinely wealthy by the standards of the day—paid 5.9% of all income taxes.

In reality, those \$1.08 million and \$3.08 million are adjusted for inflation. The Tax Foundation has all the gory details here. If you scroll down to page 51, you'll see that the nominal cutoffs for the 81% and 91% brackets were \$140,000 and \$400,000, respectively. In 2012 dollars, those figures are around \$1 million and \$3 million. Similarly, the 30% tax bracket started at an income of \$12,000, which is around \$93,000 in today's dollars. In 1958, \$12,000 was more than twice the median household income, so these were certainly affluent households. But "genuinely wealthy" seems to be over-stating the case.

I don't have time to double-check the other figures in his piece, but I suspect that (for example) more than 28,600 income tax filers had incomes above \$12,000 in 1958, which could undermine his broader argument. If any readers have those statistics handy I'd be interested in seeing them.

This is the second time this year I've noticed serious factual errors on the WSJ's editorial page. They might want to invest in a more rigorous fact-checking process.

Update: The Journal has corrected the online version of the story. As I suspected, the number of Americans subject to the 30 percent income tax rate was 2 million, not 28,600. Similarly, the number of Americans paying the 81 percent marginal tax rate turns out to be around 10,000, not 236.