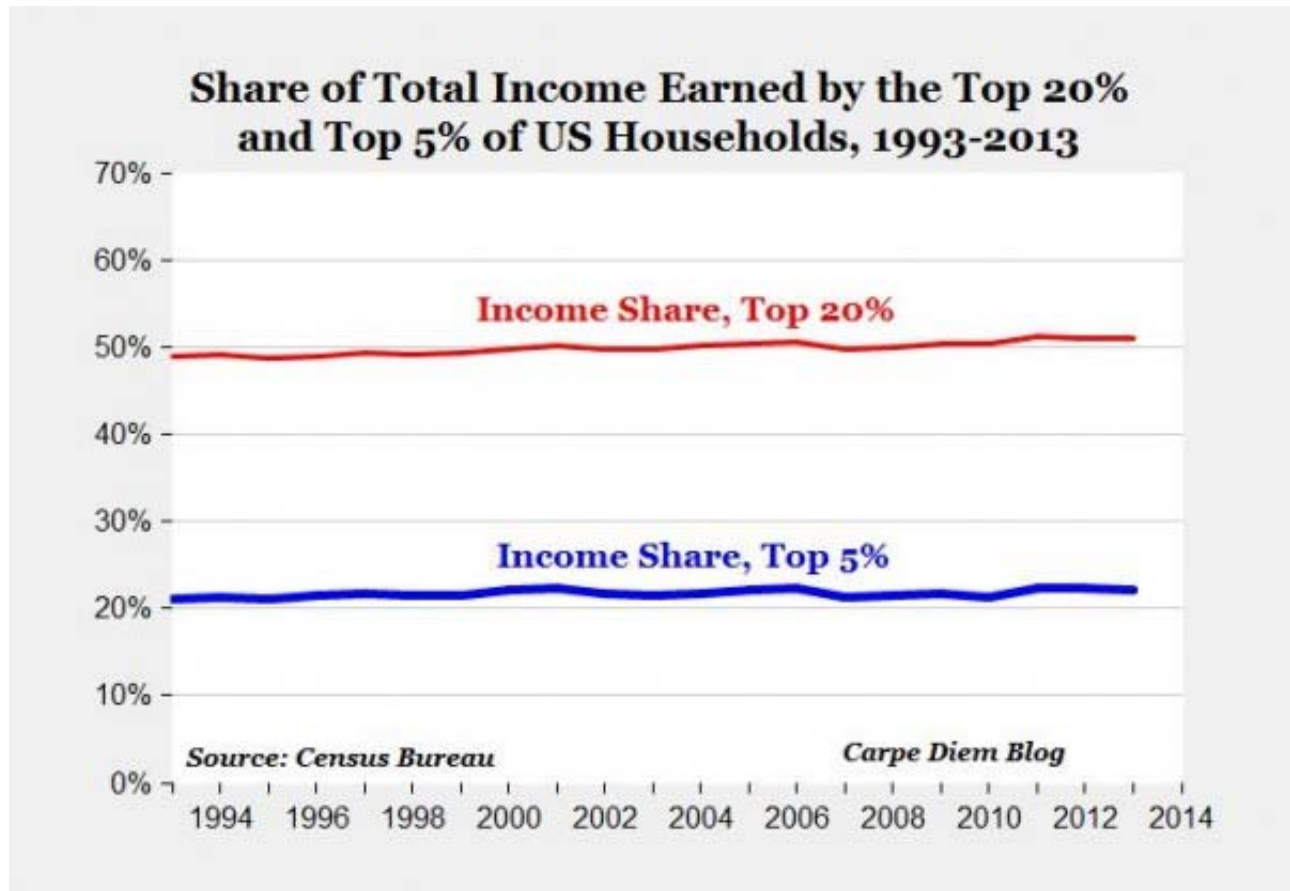
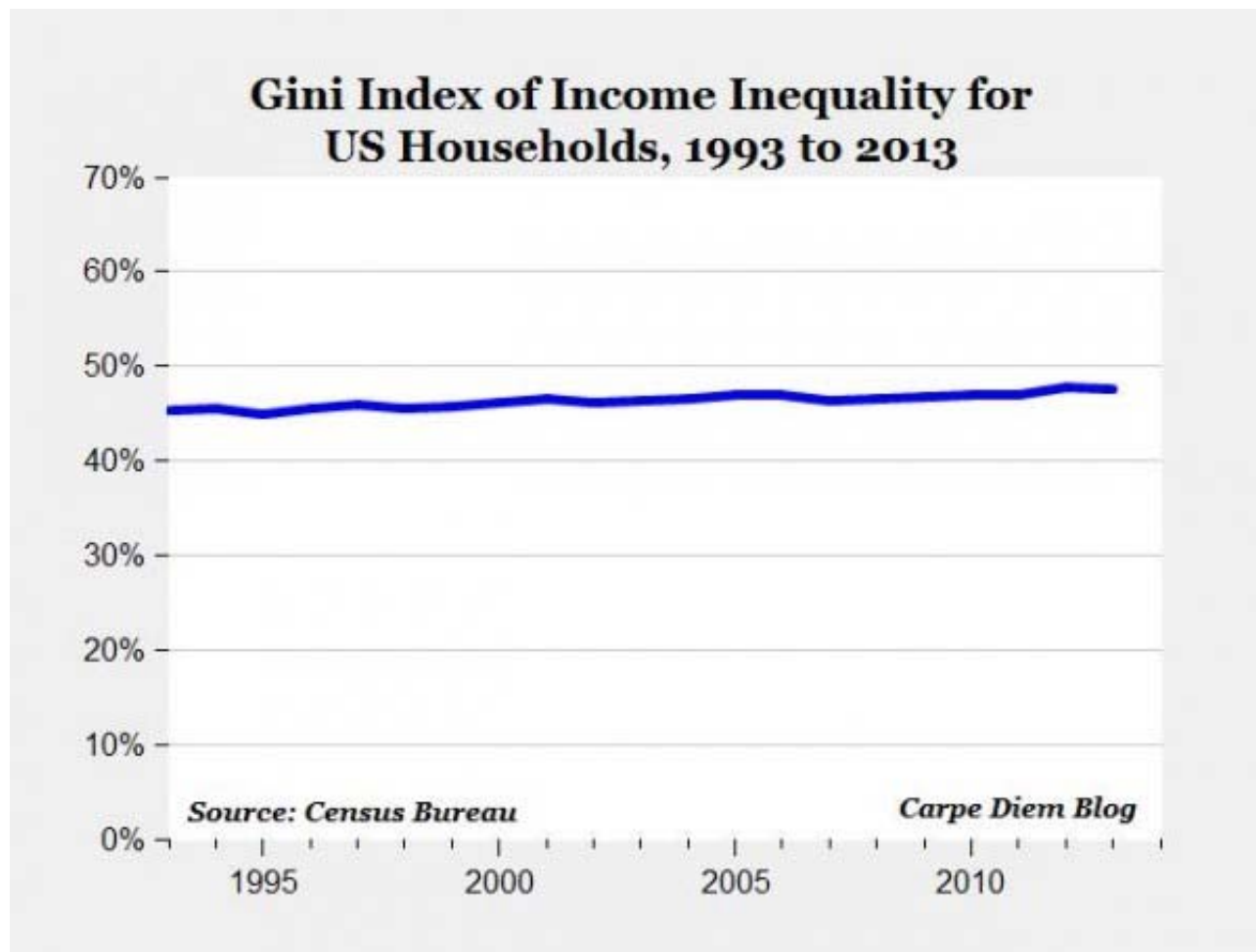


More on the 'imaginary hobgoblin' of 'rising income inequality' with new data from today's Census report

Mark J. Perry | September 16, 2014, 2:26 pm





We hear all the time about “rising income inequality” in America (there are about 1 million Google search results for that term), about “the rich getting richer and the poor getting poorer,” the “stagnant or disappearing middle class,” all of recent income gains going to the rich,” the lack of income mobility and other narratives of pessimism. And yet, nobody seems to have shared those negative narratives with the Census Bureau, which released new data today on “Income and Poverty in the US: 2013,” because some of those data tell a slightly different story.

1. The top chart above shows the shares of total income earned by the top 20% and top 5% of US households from 1993 to 2013 (from Table A-2). In 1993, 49% of total income went to the top quintile of US households, and 20 years later in 2013, the share of income going to the top 20% has increased to only 51%. Likewise, in 1993 the share of total income going to the top 5% of US households was 21%, that share had increased to only 22.2%. Interestingly, the 22.5% share last year was slightly lower than the 22.4% of income that went to the top 5% in 2001. Over the last two decades, the income share of the top 20% (top 5%) has been remarkably stable at about 50-51% (21-22%) and there has been no statistical evidence of “rising income inequality” according to this measure.

2. The bottom chart above shows annual Gini indexes of income inequality (a statistical measure of income dispersion that quantifies income inequality on a range from 0% for complete equality to 100% for complete inequality) for US households from 1993 to 2013 (also from Table A-2). Like the first two measures above, the Gini index measure of income dispersion reveals that there has been no significant trend of “rising income inequality” for US household income in recent decades – the Gini index in 1993 was 0.454 and in 2013 it was 0.476, a slight decrease from 0.470 in 2010 and 2011 and 0.477 in 2012, and has shown remarkable stability for the last several decades.

MP: Whether we look at Census Bureau data on the share of total income going to the top fifth and top 5% of American households, or Census data on Gini coefficients for U.S. household income, there is absolutely no statistical support for the commonly held view by the public, academia and the mainstream media that income inequality has been rising in recent years or decades. A more accurate description of income inequality over the last several decades would be to say that it "flat-lined" starting in about 1993.

So why are we even having this national debate about solutions to the "non-problem" of rising income inequality that doesn't even exist by these Census Bureau measures? Maybe it's another example of what H.L. Mencken called an "**imaginary hobgoblin**":

The whole aim of practical politics is to keep the populace alarmed (and hence clamorous to be led to safety) by menacing it with an endless series of hobgoblins, all of them imaginary.

See previous CD post on this topic here.

Tags: Income inequality



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