Data Sources for

"The Truth About Income Inequality," *Wall Street Journal*, A17, November 4, 2019,

https://www.wsj.com/articles/the-truth-about-income-inequality-11572813786

John F. Early and Phil Gramm

Vital Few, LLC Working Paper no. 191101

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Some readers of our op ed "The Truth About Income Inequality" have inquired about the sources for our data. An op ed provides only limited space to discuss the details, so for interested researchers, here are more details on our sources.

Our principal point is that the published and publicized data on income inequality are incomplete, and, thus, inadequate for support a fact-based public debate on the topic. Consequently, there is no single source for the data we used other than our calculations, which are based almost exclusively on official government data that have not heretofore been included in the published estimates of inequality. We begin with the public-use micro data files for U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, 2018 and build on that to obtain what we believe is the most complete and accurate accounting of all the data elements required for a useful picture of income inequality in the United States.

The following table provides our final estimates by earned income quintile – the level of detail used by the Census Bureau for its published data:

Net income from earnings, transfer payment, and taxes by household earned income quintile, 2017

Earned income quintile	Earned income	Government transfers	Private transfers	Earned income plus transfers (a)	Federal, state, and local taxes	Net income after transfers and taxes
Bottom	4,908	45,389	3,313	53,610	2,709	50,901
2nd	30,931	29,793	2,041	62,765	7,074	55,691
Middle	66,148	17,850	947	84,945	17,737	67,208
4th	112,563	9,738	865	123,166	34,086	89,080
Top	295,904	7,282	845	304,030	109,125	194,906
All	*102,093*	*22,010*	*1,602*	*125,705*	*34,147*	*91,558*
(a) Earned income plus government and private transfers						

Each of these data elements were computed using multiple sources and methods to assure maximum completeness and accuracy. The primary data and methods sources for each are as follows:

<u>Earned income -- wages and salaries (including self-employment), employer-paid benefits, and earnings from savings and investing (including realized capital gains)</u>

1. U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, March 2018 (Data for 2017), Public Use File.
2. Congressional Budget Office, ""The Distribution of Household Income, 2015," March 2018, data files "54646-additional-data-for-researchers", Washington, D.C.
3. Extreme poverty adjustments based on Bruce D. Meyer, Derek Wu, Victoria Mooers, Carla Medalia, "The Use and Misuse of Income Data and Extreme Poverty in the United States," NBER Working Paper No. 25907, National Bureau of Economic Research, May 2019.

<u>Government transfers – federal, state, and local; both cash and in-kind; both attributable and non-attributable. Amounts are the actual cost of the transfer, and does not include administration or overhead.</u>

4. U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, March 2018 (Data for 2017), Public Use File.
5. Congressional Budget Office, ""The Distribution of Household Income, 2015," March 2018, data files "54646-additional-data-for-researchers", Washington, D.C.
6. U.S. Bureau of Economic Analysis, National Income and Product Accounts, Table 3.12. Government Social Benefits, July 31, 2018.
7. Social Security Administration, Annual Statistical Supplement to the Social Security Bulletin, 2017.
8. The board of Trustees, Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, The 2018 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, Washington, D.C., June 5, 2018, Table II.B1, p.7.
9. The Boards of Trustees, Federal Hospital Insurance and Federal supplementary Medical Insurance Trust Funds, 2018 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, Washington, D.C. June 5, 2018, Table II.B1, p. 11.
10. United States Senate Budget Committee, "CRS Report: Welfare Spending the Largest Item in the Federal Budget," Washington, D.C., 2013.
11. Congressional Research Service, "Spending for Federal Benefits and Services for People with Low Income, FY 2001-2011: An Update of Table B-1 from CRS Report R41625," October 16, 2012.
12. U.S Census Bureau, American Housing Survey, 2017 National – Housing Costs – All Occupied Units, Tenure Filter: Renter. https://www.census.gov/programs-surveys/ahs/data/interactive/ahstablecreator.html#?s_areas=a00017&s_year=s2017&s_tableName=Table10&s_byGroup1=a1&s_byGroup2=a1&s_filterGroup1=t3&s_filterGroup2=g1&s_show=S .
13. United States Government Accountability Office, "Federal Student Loans: Education Needs to Improve Its Income-Driven Repayment Plan Budget Estimates," GAO-17-22, November 2016.

14. Congressional Budget Office, "Fair-Value Estimates of the Cost of Federal Credit Programs in 2019, June, 2018, https://www.cbo.gov/system/files?file=2018-10/54095-2019fairvalueestimates.pdf.
15. Universal Services Administrative Company (designated official source for Lifeline Phone data by Federal Communications Commission), "Disbursements 2017," https://www.usac.org/li/about/process-overview/stats/historical-support-distribution.aspx .

Private transfers

16. U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, March 2018 (Data for 2017), Public Use File.
17. The Giving Institute, Giving USA: The Annual Report on Philanthropy, 2018, https://nonprofitssource.com/online-giving-statistics/#Charitable .
18. Charities Aid Foundation, Gross Domestic Philanthropy, An international Analysis of GDP, Tax and Giving, January 2016, https://www.cafamerica.org/4397-2/ .

Taxes – federal, state, and local; Personal taxes on income, transactions, and property; includes excise and tariff taxes incorporated into prices of goods purchased; includes taxes on pass-through businesses; does not include corporate taxes – which are not included in income either.

19. Congressional Budget Office, ""The Distribution of Household Income, 2015," March 2018, data files "54646-additional-data-for-researchers", Washington, D.C.
20. Office of Management and Budget, Washington, D.C., " Table 2.1—Receipts by Source: 1934–2022," "Table 2.5— Composition of 'Other Receipts': 1940–2022," https://www.govinfo.gov/app/collection/budget/2018/BUDGET-2018-TAB .
21. U.S. Census Bureau, 2016 Annual Surveys of State and Local Government Finances, "Table 1. "State and Local Government Finances by Level of Government and by State: 2016."
22. National Bureau for Economic Analysis, National Income and Product Accounts, Table 3.2. Federal Government Current Receipts and Expenditures.
23. National Bureau for Economic Analysis, National Income and Product Accounts, Table 3.3. State and Local Government Current Receipts and Expenditures.

Full documentation of how each of the sources is incorporated and reconciled into the final numbers is still in preparation, but an outline of the methods used can be found in the following paper, which is based on data for 2013: https://www.cato.org/publications/policy-analysis/reassessing-facts-about-inequality-poverty-redistribution.

If you need further information, feel to free to contact jearly@vitalfewllc.com.