



MANHATTAN INSTITUTE FOR POLICY RESEARCH

Press Release

Contact: Matthew J. Olsen
646-839-3352

molsen@manhattan-institute.org

Income Inequality Has Diminished Not Increased

New York, NY: Many commentators have embraced the idea, popularized by the Occupy Wall Street movement, that income inequality in America is bad and getting worse. President Obama's 2013 budget reflects these concerns in its proposed tripling of the tax rate on dividend income, increases in capital gains tax rates, and institution of the so-called Buffet Rule designed to ensure that high-earners pay their "fair share."

On March 8, 2012, the Manhattan Institute released the latest in its "Issues 2012" series, "**The Myth of Increasing Income Inequality.**" Authored by MI senior fellow Diana Furchtgott-Roth, the report refutes the popular but incorrect notion that the income inequality gap is wider than ever.

Furchtgott-Roth's analysis concludes:

- Increases in income have been exaggerated. Many studies use measures of income before taxes are paid and before transfers, such as food stamps, Medicaid, and housing allowances. Including these transfers reduces inequality.
- Many studies do not take into account demographic changes in the composition of households over the past 30 years. Studies that show increasing inequality are capturing these demographic changes.
- Some of this increase in measured inequality is due to the Tax Reform Act of 1986, which lowered top individual income-tax rates from 50 percent to 28 percent, leading more small businesses to file taxes under individual, rather than corporate, tax schedules.

Diana Furchtgott-Roth is a senior fellow at the Manhattan Institute and a contributing editor of RealClearMarkets.com. She is also a columnist for *The Examiner* and a monthly columnist for *Tax Notes*. Formerly, Ms. Furchtgott-Roth was chief economist of the U.S. Department of Labor. From 2001 to 2002 she served as chief of staff at the President's Council of Economic Advisers.

To view the report online visit: http://www.manhattan-institute.org/html/ir_2.htm

To speak with the author, contact Matthew J. Olsen at 646-839-3352 or by email at molsen@manhattan-institute.org

Manhattan Institute • 52 Vanderbilt Avenue • New York, NY 10017
Phone: 212-599-7000 • Fax: 212-599-3494 • E-mail: mi@manhattan-institute.org