

Measuring the income gap

You discussed the paper by Gerald Auten and David Splinter on income inequality in the United States ("Free exchange, December 2nd). As you noted, one of the paper's main arguments concerns the effects of the Tax Reform Act of 1986, which lowered tax rates on corporate income, capital income and marginal personal income, but sought to minimise revenue loss by repealing the investment tax credit and other deductions for individuals and businesses. Messrs Auten and Splinter argue that the reform brought a good deal of previously sheltered income into the open. However, the law also created a favourable tax regime for S corporations, a form of "pass-through" company, in which income from the business is taxed as personal income at a lower rate.

In the first year following the law's enactment, the number of S corporation tax returns jumped by 36.5%, and continued to grow. This change in tax law did not spur a burst of new entrepreneurial activity or job growth, but did propel the growth of high-end incomes. By now, over two-thirds of those in the top 1% of income earners own pass-through companies, so this tax-code provision has been very favourable to those at the top.

Messrs Auten and Splinter also ignore other evidence that runs counter to their argument. For example, by a number of measures, incomes have risen fastest for the very highest segments of the top 1%; indeed, the narrower and higher the slice, the higher the growth of income. Note that the same is true for wealth. The Credit Suisse Global Wealth Reports indicate that mean adult wealth in the United States rose almost 2.2 times from 2005 to 2023. However, the mean wealth of the *Forbes* wealthiest 400 Americans rose 3.9 times.

Moreover, Messrs Auten and Splinter overlook evidence about how unreported income is distributed. Research shows that the lion's share of

unreported income goes to the top end of the distribution. For example, the counties with the highest rates of underreporting are the highest-income counties. Internal Revenue Service audits find that the share of tax returns for which third-party documentation is lacking, particularly for pass-through businesses such as partnerships and S corporations, account for higher shares of unreported income. Probably 60% of unreported income is distributed to the top decile in America.

In sum, Messrs Auten and Splinter have not provided a convincing refutation of the research by Piketty, Saez and Zucman on inequality.

THOMAS REMINGTON
Visiting professor
of government
Harvard University
Cambridge, Massachusetts

Russia v Denmark

One thing missing from your briefing on Russia ("For the Fatherland", December 2nd) was the country's declining performance in scientific and technological research and development. For example, in 1989 Russia and Denmark were within a few ticks of each other on tables of scientific and technological achievement.

Indeed, according to the OECD, in 1989, Russia spent more on R&D as a percentage of its GDP than Denmark. Within a decade, that had dropped to less than half that of Denmark. In 1995 Russia had a higher ratio of technical workers; 8.6 per 1,000 members of the workforce compared with Denmark's 5.6. By the 2020s the number for Russia had plunged to 5.3 (Denmark's had surged to 14.5).

In 1989 Russia published around 1.8m scientific articles, and Denmark about a quarter of that. By the 2000s, Denmark has doubled its relative productivity in that area. Denmark was already ahead of Russia in terms of quality measures at the time, but the gap widened considerably over the following decades.

On most of today's tables

ranking the main science-producing countries, Denmark is near the top and Russia is towards the bottom. The significant divergence of performance between these two countries reflects the importance of science and technology policy in supporting a thriving economy, and suggests that Russia's future economic prospects are built on a flimsy base.

PROFESSOR CAROLINE WAGNER
Ohio State University
Columbus

Poor mental-health services

I have been a psychiatrist in London's East End for 35 years. The bulk of our work lies at the beguiling interface between mild and severe mental-health illness ("Time to rethink", December 9th). Complexity is in the eyes of the beholder. Meanwhile, the cruel elision of austerity and covid continues. It is now routine for a frightened, hallucinating person to be hospitalised (if we can find a bed) only to be discharged without any meaningful assessment in order to make way for another patient, deemed more severe at that moment. If a bed is found, it is often far from the patient's support network, assuming that he or she has one.

Modern managerialism, choosing price over value, has dismantled formerly tight-knit, well-honed multidisciplinary teams into a fragmented maze of specialisms, often based on diagnoses of questionable value. The patient's experience today involves a solitary wandering between services with waiting lists now measured in years. The system now serves itself rather than the patient, providing a convenient lattice of storage silos for distress and discontent, not unlike the asylums of old, but with fewer bricks.

In these uncertain times we choose the illusory comfort of rational abstractions, such as pills. Greek-sounding diagnoses and quick therapies, over the messy, more demanding need for an empathic, trusting professional relation-

ship which endures over time. Until we return our over-cherished reason to its proper place alongside embodied emotion, hope, imagination and our need to belong, we will continue to get the mental services that we deserve.

DR MARK SALTER
Consultant psychiatrist
East London Foundation Trust
London

Blue Mondays

Bartleby's musings on the misconceptions surrounding Mondays struck a chord with me (December 9th). Our firm successfully moved to a four-day week a year and a half ago. The change was at first met with scepticism, but our increased productivity has silenced any doubts.

Unbeknown to our clients and the public, we've eliminated Mondays from our work schedule, maintaining the same vacations, salary and standard working hours. The results have been remarkable, with a more energised and motivated team. I certainly don't experience "Tuesdayitis". Perhaps "Tuesdayphiliac" is more appropriate?

BRIAN OGILVIE
Director
Clover Residential
Victoria, Canada

Bartleby cited "I Don't Like Mondays" by the Boomtown Rats as a musical lamentation of Mondayitis. There were two American precursors for this take on manic Monday. "Monday, Monday", a number-one hit by The Mamas & the Papas, contained the forlorn lyric that "whenever Monday comes, you can find me cryin' all the time". And "Rainy Days and Mondays" by the Carpenters found that Mondays "always get me down".

BILL STEPP
New York

Letters are welcome and should be addressed to the Editor at The Economist, The Adelphi Building, 11 John Adam Street, London WC2N 6BT. Email: letters@economist.com. More letters are available at: Economist.com/letters