

Congress of the United States
JOINT ECONOMIC COMMITTEE
(CREATED PURSUANT TO SEC. 5(a) OF PUBLIC LAW 304, 79TH CONGRESS)
Washington, DC 20510

December 19, 2003

Mr. Brooks Jackson
Director
FactCheck.org
Annenberg Public Policy Center
320 National Press Building
Washington, D.C. 20045

Dear Mr. Jackson,

Although I wish you the best of luck in your endeavors to encourage accuracy in various policy debates, your December 5, 2003 release contains a number of serious factual errors that require its retraction. I would also ask that this response be posted on your website along with *Census Says Income is Down, but some Republicans Claim it's Up*. Furthermore, your organization has an obligation to contact anyone receiving your December 5 release and inform them of the errors it contains.

The bottom line is that there were no factual errors in the two Joint Economic Committee press releases issued September 26, 2003 that you chose to comment on, but that the "Fact Check.Org" commentary piece contains multiple and blatant factual errors. A central point of your piece is that Census Bureau publishes "16 different measures of before and after tax income.... All 16 went down in 2002..." However, on page 15 of its report, the Census Bureau states, "**As shown in Table 6, real median household income declined between 2001 and 2002 for only 6 of the 17 definitions of income...**"

The explanation for this Census contradiction of your report is simple: the Census Bureau, in keeping with basic principles of statistics, does not regard a statistic as changed unless a movement in one direction or the other is statistically significant, and most under discussion were not. Thus the assertion in the FactCheck.Org piece cited above is contradicted factually by the text and tables contained in the Census report itself, which obviously went unread.

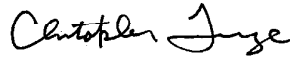
Of the 17 income definitions noted in the Census report, 11 are unchanged, not down as you claim. The fact is that of the many 2002 income measures available to us on September 26, some were down, most were unchanged, and at least one posted an increase on a year-to-year basis. Unfamiliarity with fundamental principles of statistics seems to have been one source of the multiple factual errors in the FactCheck.Org piece. In addition:

- Your piece implies that we did not disclose the decline in the official measure of real median household income in 2002. However, the first press release we issued in reaction to the new Census data noted that real median household income declined by 1.1 percent -- but the reader of your critique would have no way of knowing this. It is true that our second press release issued on the same day did not mention it, but this had already been covered in the first release.
- Of the first press release, your piece states that we “ had even issued a different release earlier in the day, saying that after-tax income was down, and laying blame on the Clinton administration.” This statement is factually false. The whole point of the release, as stated in the headline, was that “progress in household income stalled in 2000,” not that the measure of comprehensive income was trending down. Moreover, it stated that this “more complete measure of median household income is essentially unchanged” in 2002, not that it was down, as you contend. Furthermore, the release did not even mention the Clinton Administration.
- Your piece contends that “middle-income households did suffer reductions in take-home pay by every measure that the Census bureau published.” This is factually wrong. As noted previously in connection with a different assertion, of the 17 measures noted above, the Census report showed that 11 of them did not decline, contradicting your statement. Unless a change in either direction is statistically significant, it is properly regarded as unchanged. If one does not understand this, it could lead to much confusion and misinterpretation. The Census Bureau statement cited earlier demonstrates that the central thesis of your piece is factually false and mistaken.
- Your footnote paragraph again seems to reflect the failure to understand that a figure falling within the statistical margin of error cannot properly be considered a change in the level of income.
- Your piece suggests that there is something wrong with using an experimental statistical measure, although the source of the data is clearly labeled in the release so that anyone could check the source. By the way, the Census Bureau itself in the past has inflation adjusted all its household and family income figures using an experimental inflation index. There is nothing wrong with using experimental data series so long as they are deemed statistically reliable by the relevant statistical agency producing them.
- The experimental data series we used is based on the measurement of after- tax income. This is not an obscure notion of income, but is probably closest to what typical Americans consider to be the best measure of their income.
- As we discussed, it is a fact that real capital gains income cannot be accurately measured without basis adjustment, and the Census does not attempt to do this. Thus, the concept of household income excluding capital gains and losses is quite appropriate, even without consideration of the longstanding issues of whether changes in wealth should really be considered income. In any event, the official measure of median household income you cite in your release also excludes capital gains and losses, so our use of another measure that does the same thing is hardly questionable.

- The Census report contains many different measures of income. If Census does not publish a certain measure of after-tax median household income that it already produces, it is not in any way improper for others to obtain and release these data. Unpublished data are released all the time by economists and other researchers. The bottom line is that there are many different measures of income, and reasonable people can disagree over how best to use them.

It is unfortunate that some of the statistical issues you intended to raise were not presented to me directly so they could be addressed before your material was put in the public domain, necessitating this response. I would appreciate it if FactCheck.Org would consider the many factual errors contained in its December 5, 2003 publication, and retract it immediately. Thank you.

Sincerely,



Christopher Frenze
Chief Economist to the Vice Chairman