

May 23, 2014 7:00 pm

Piketty findings undercut by errors

By Chris Giles in London



Economist and author Thomas Piketty

Thomas Piketty's book, 'Capital in the Twenty-First Century', has been the publishing sensation of the year. Its thesis of rising inequality tapped into the zeitgeist and electrified the post-financial crisis public policy debate.

Chris Giles outlines his issues with data in 'Capital in the 21st Century'



Some issues concern sourcing and definitional problems. Some numbers appear simply to be constructed out of thin air.

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But according to a Financial Times investigation, the rock-star French economist appears to have got his sums wrong.

The data underpinning Professor Piketty's 577-page tome, which has dominated best-seller lists in recent weeks, contain a series of errors that skew his findings. The FT found mistakes and unexplained entries in his spreadsheets, similar to those that last year undermined the work on public debt and growth of Carmen Reinhart and Kenneth Rogoff.

The central theme of Prof Piketty's work is that wealth inequalities are heading back up to levels last seen before the first world war. The investigation undercuts this claim, indicating there is little evidence in Prof Piketty's original sources to bear out the thesis that an increasing share of total wealth is held by the richest few.

Prof Piketty, 43, provides detailed sourcing for his estimates of wealth inequality in Europe and the US over the past 200 years. In his spreadsheets, however, there are transcription errors from the original sources and incorrect formulas. It also appears that some of the data are cherry-picked or constructed

without an original source.

For example, once the FT cleaned up and simplified the data, the European numbers do not show any tendency towards rising wealth inequality after 1970. An independent specialist in measuring inequality shared the FT's concerns.

Contacted by the FT, Prof Piketty said he had used "a very diverse and heterogeneous set of data sources . . . [on which] one needs to make a number of adjustments to the raw data sources.

"I have no doubt that my historical data series can be improved and will be improved in the future . . . but I would be very surprised if any of the substantive conclusion about the long-run evolution of wealth distributions was much affected by these improvements," he said.

His contention to have found a "central contradiction of capitalism" has in recent months made him a hero of the left. Although his conclusions have stirred controversy, there has, until now, been near unanimous praise for the quality of his statistical work.

On a tour of the US last month, Prof Piketty met Jack Lew, US Treasury secretary, gave a presentation to the White House Council of Economic Advisers and lectured at the International Monetary Fund and the UN.

Piketty response

Nobel Prize-winning economists have heaped praised on Mr Piketty's work. Professor Paul Krugman of



I am happy to see that FT journalists are using the excel files that I have put on line! I would very much appreciate if you could publish this response along with your piece.

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Princeton University said it was safe to say the book “will be the most important economics book of the year – and maybe of the decade”.

Professor Joseph Stiglitz of Columbia University said Prof Piketty’s “fundamental contribution” was the provision of data on the distribution of wealth. It was the subject of laudatory reviews in the FT and other publications.

In Britain, Ed Miliband, Labour leader, told the Evening Standard: “I’m in the early stages of the book. In a way, he is symptomatic of what people are actually feeling.”

In his response to the FT, Prof Piketty said that more recent data not in his work showed “the rise in top wealth shares in the US in recent decades has been even larger than what I show in my book”.

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