Top 10% Pre-tax Income Share in the US, 1917-2012

Decomposing Top 10% into 3 Groups, 1913-2012

- Top 1% (incomes above $394,000 in 2012)
- Top 5-1% (incomes between $161,000 and $394,000)
- Top 10-5% (incomes between $114,000 and $161,000)

The Congressional Budget Office: Government Scorekeepers

- The methods and results derived from empirical economics are central to the development of public policy at all levels of government.
- The Congressional Budget Office (CBO) provides Congress with the objective, timely, nonpartisan analyses needed for economic and budget decisions.
- The CBO increasingly plays a critical role as a “scorekeeper” for government policy debates.
- Legislative spending proposals that are to become law must first have their costs estimated by the analysts at the CBO.

It is not an overstatement to say that the economists who work at the CBO frequently hold the fate of a legislative proposal in their hands. The large price tag that the CBO assigned to the Clinton administration’s plan to reform health care in the United States in 1994 is often cited as a key factor in the defeat of that proposal.
2A. Tax revenue/GDP in the US, UK, and Sweden

Source: Kleven-Kreiner-Saez NBER WP 2009
CHAPTER 1  ■  WHY STUDY PUBLIC ECONOMICS?

1.2


% of GDP

Sweden

OECD Average

United States

Greece

Federal Revenues and Expenditures, 1930–2011
Chapter 1: Why Study Public Economics?

1.2 Federal Surplus/Deficit, 1930–2011

The graph shows the Federal Surplus/Deficit as a percentage of GDP from 1930 to 2011. The values range from around -30% to just below 5%, with significant fluctuations over time. The period around World War II (1939-1945) is notable for a dramatic increase in the deficit. The graph provides insights into the economic policies and fiscal conditions during these years.
Federal Debt, 1930–2011
Debt Level of OECD Nations in 2011
Decentralization

A key feature of governments is the degree of *centralization* across local and national government units—that is, the extent to which spending is concentrated at higher (federal) levels or lower (state and local) levels.

### Figure 1-3

**Federal vs. State/Local Government Spending, 2008**

- Federal: 63.5% of total government spending (21% of GDP)
- State/local: 36.5% of total government spending (12.1% of GDP)

State and local spending today amounts to roughly one-third of total government spending in the United States, at over 12% of GDP.
The Distribution of Federal and State Expenditures, 1960 and 2007 • This figure shows the changing composition of federal and state spending over time, as a share of total spending. (a) For the federal government, defense spending has fallen and Social Security and health spending have risen. (b) For the states, the distribution has been more constant, with a small decline in education and welfare spending and a rise in health spending.
The Distribution of Federal and State Revenues, 1960 and 2008 • This figure shows the changing composition of federal and state revenue sources over time, as a share of total revenues. (a) At the federal level, there has been a large reduction in corporate and excise tax revenues and a rise in payroll tax revenues. (b) For the states, there has been a decline in property taxes and a rise in income taxes and federal grants.
Total tax revenues were less than 10% of national income in rich countries until 1900-1910; they represent between 30% and 55% of national income in 2000-2010. Sources and series: see piketty.pse.ens.fr/capital21c.

Source: Piketty (2014)
Share of national income going to top 10% adults (pre-tax)

% of national income

Source: Appendix Tables II-B1 and II-C1
Average, bottom 90%, bottom 50% real incomes per adult

Average national income per adult:
61% growth from 1980 to 2014

Bottom 90% pre-tax: 30% growth from 1980 to 2014

Bottom 50% pre-tax: 1% growth from 1980 to 2014
Top 1% and Bottom 50% Adults pre-tax national income shares

% of national income


10% 12% 14% 16% 18% 20% 22%
Top 10% national income share: pre-tax vs. post-tax

Source: Appendix Tables II-B1 and II-C1
Average vs. bottom 50% income growth per adult

Average national income per adult:
61% growth from 1980 to 2014

Bottom 50% post-tax: 21% growth from 1980 to 2014

Bottom 50% pre-tax: 1% growth from 1980 to 2014