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
Federal Spending and Revenue as a Share of the U.S. Economy (1930 - 2016)

Source: OMB, National Priorities Project
Federal Surplus/Deficit, 1930–2011

Surplus/Deficit (% of GDP)

Federal Debt, 1930–2011
Debt Level of OECD Nations in 2011

<table>
<thead>
<tr>
<th>Country</th>
<th>Debt as % of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>10</td>
</tr>
<tr>
<td>New Zealand</td>
<td>0</td>
</tr>
<tr>
<td>Australia</td>
<td>2</td>
</tr>
<tr>
<td>Denmark</td>
<td>0</td>
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<tr>
<td>Iceland</td>
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<tr>
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<tr>
<td>United States</td>
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<td>Germany</td>
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<td>Japan</td>
<td>130</td>
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<tr>
<td>Belgium</td>
<td>70</td>
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<tr>
<td>Italy</td>
<td>80</td>
</tr>
<tr>
<td>OECD Average</td>
<td>50</td>
</tr>
</tbody>
</table>
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.

**Federal vs. State/Local Government Spending, 2008** • 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.
Distribution of Revenue Sources

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 pre-tax national income going to top 10% adults

% of national income

Pre-tax

Source: Piketty, Saez, and Zucman (2018)
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 10% national income share: pre-tax vs. post-tax

Pre-tax

Post-tax (after taxes and adding transfers and govt spending)

Source: Piketty, Saez, Zucman (2018)
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
response to the pandemic. Outlays for such assistance will total $284 billion this year, CBO estimates, significantly more than the $149 billion recorded in 2020.

- Medicaid. Outlays for the program will total $519 billion this year, CBO estimates, an increase of $61 billion (or 13 percent) from last year. That spending is boosted by two provisions enacted in response to the public health emergency caused by the pandemic. The first raised the portion of Medicaid costs that the federal government must cover. The second required that states maintain coverage for almost all Medicaid enrollees regardless of any changes in their income or circumstances that would otherwise cause them to become ineligible for the program. Both provisions are set to remain in place for the duration of the public health emergency, which CBO anticipates will continue through July 2022.

- Supplemental Nutrition Assistance Program (SNAP). Outlays for SNAP are projected to total $145 billion this year, an increase of $59 billion (or 69 percent) from last year. Much of that increase stems from recently enacted legislation that increased SNAP benefits for 2021 and expanded the program that allows states to provide benefits to replace meals that children would otherwise have received at school. A projected increase in SNAP enrollment and an ongoing program that allows states to provide households with additional benefits during the public health emergency will also boost outlays this year. (By comparison, outlays for SNAP totaled $63 billion in 2019.)

CBO anticipates that outlays for a number of other programs will be lower in 2021 than they were in 2020 but remain well above their prepandemic amounts. Those programs include the following:

- Unemployment compensation. Outlays for unemployment compensation, which soared to $472 billion in 2020, are projected to fall to $380 billion in 2021. Despite that drop, they remain well above the $28 billion recorded for such benefits in 2019, mostly because legislation extended pandemic-related unemployment benefits through September 2021. In addition, the unemployment rate and the number of people claiming benefits are expected to remain elevated in 2021 (but lower than they were in 2020).
Average tax rates by income group in 2018
(% of pre-tax income)

Source: Saez and Zucman (2019)
Interpretation. In 2015, fiscal revenues represented 47% of national income on average in Western Europe and were used as follows: 10% of national income for regalian expenditure (army, police, justice, general administration, basic infrastructure: roads, etc.); 6% for education; 11% for pensions; 9% for health; 5% for social transfers (other than pensions); 6% for other social spending (housing, etc.). Before 1914, regalian expenditure absorbed almost all fiscal revenues. Note. The evolution depicted here is the average of Germany, France, Britain and Sweden (see figure 10.14). Sources and series: see piketty.pse.ens.fr/ideology.
Figure 10.14. The rise of the fiscal State in rich countries 1870-2015

Interpretation. Total fiscal revenues (all taxes and social contributions included) made less than 10% of national income in rich countries during the 19th century and until World War 1, before rising strongly from the 1910s-1920s until the 1970s-1980s and then stabilizing at different levels across countries: around 30% in the U.S., 40% in Britain and 45%-55% in Germany, France and Sweden.

Sources and series: see piketty.pse.ens.fr/ideology.
Proposed tax plans (as of January 20, 2020)
(including private health insurance as tax)

Total tax rate (% of income)

Income group

Sanders
Warren
Buttigieg
Biden
Obama
Trump

Top 400

Top 1%

0.1%

0.01%

0%
Figure 1
Number of Uninsured and Uninsured Rate among the Nonelderly Population, 2008-2019

NOTE: Includes nonelderly individuals ages 0 to 64.
Top 10% Pre-tax Income Share in the US, 1913-2018

Top income shares of pretax national income among adults aged 20+ (income within couples equally split). Source is World Inequality Database wid.world (from Piketty, Saez, Zucman 2018).
US Top 10% Income Shares pre-tax vs. post-tax, 1913-2020