Historically, a 70 percent marginal tax rate is not unusual

The top marginal income tax rates from 1913 to 2018
US Top MTR ordinary income vs. capital gains

Source: Department of the Treasury, Office of Tax Analysis

Source: statistics computed by the author
Source: Piketty and Saez, 2003 updated to 2013. Series based on pre-tax cash market income including or excluding realized capital gains, and always excluding government transfers.
### EXECUTIVE COMPENSATION

#### TABLE 2

**Average Compensation by Type for High-Income Executives**

(in Thousands)

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Taxable income</td>
<td>911</td>
<td>1,153</td>
<td>974</td>
<td>965</td>
<td>1,173</td>
</tr>
<tr>
<td>Salary</td>
<td>347</td>
<td>336</td>
<td>336</td>
<td>351</td>
<td>373</td>
</tr>
<tr>
<td>Bonus</td>
<td>198</td>
<td>207</td>
<td>241</td>
<td>284</td>
<td>330</td>
</tr>
<tr>
<td>LTIP payout</td>
<td>57</td>
<td>72</td>
<td>57</td>
<td>64</td>
<td>89</td>
</tr>
<tr>
<td>Options exercised</td>
<td>268</td>
<td>496</td>
<td>293</td>
<td>235</td>
<td>381</td>
</tr>
<tr>
<td>Other income (nontaxed)</td>
<td>36</td>
<td>37</td>
<td>66</td>
<td>54</td>
<td>78</td>
</tr>
</tbody>
</table>

**Source.**—Author’s calculations for executives with permanent income greater than $275,000 per year.
The Top 0.01% US Income Share, Composition, and MTR

Source: Saez et al. (2010)
A. Top 1% Share and Top Marginal Tax Rate in 1960–4

Source: Piketty, Saez & Stantcheva (2011)
B. Top 1% Share and Top Marginal Tax Rate in 2005–9

Source: Piketty, Saez & Stantcheva (2011)
Change in Top Tax Rate and Top 1% Share, 1960-4 to 2005-9

Source: Piketty, Saez & Stantcheva (2011)
Tax Avoidance: Top 1% Income Shares and Top MTR

Marginal Tax Rates (%)

Top 1% Income Shares (%)

Year

Top 1% (incl. KG)
Top 1% (excl. KG)
Top MTR
MTR K gains

A. Growth and Change in Top Marginal Tax Rate

Change in Top Tax Rate and GDP per capita growth since 1960
Change in Top Tax Rate and GDP per capita growth since 1960
A. Average CEO compensation

Link between top tax rate and CEO pay in 2006 across countries
B. Average CEO compensation with controls

Controlling for firm profitability, governance, size, and industry
**Figure 3:** Total number of foreigners in different income groups

Control 1 = annualized income between .8 and .9 of threshold  
Control 2 = annualized income between .9 and .995 of threshold.

Top 1% pre-tax income share and top tax rates

Source: Top 1% income share: Piketty and Saez, 2003 updated to 2015, series including realized capital gains. Top MTR include Federal individual tax + uncapped FICA payroll tax.
US Top 0.1% Income Share and Composition

Source: Piketty and Saez, 2003 updated to 2015. Series based on pre-tax cash market income including realized capital gains, and always excluding government transfers.
US Top 0.1% Income Share and Composition (excl. K gains)

Source: Piketty and Saez, 2003 updated to 2015. Series based on pre-tax cash market income excluding realized capital gains, and always excluding government transfers.
Charitable Giving of Top 1% Income Earners

Mean charitable giving of top 1% divided by mean income [left y-axis]

Source: The figure depicts average charitable giving of top 1% incomes (normalized by average income per family) on the left y-axis.

Source: Saez TPE 2017
Charitable Giving of Top 1% Income Earners

- Mean charitable giving of top 1% divided by mean income [left y-axis]
- Top 1% Income Share [right y-axis]

Source: The figure depicts average charitable giving of top 1% incomes (normalized by average income per family) on the left y-axis. For comparison, the figure reports the top 1% income share (on the right y-axis).

Source: Saez TPE 2017
is reported on tax returns. Untaxed capital income includes undistributed corporate profits, the imputed rents of homeowners, capital income paid to pension accounts, and dividends and interest retained in trusts, estates, and fiduciaries.

Piketty, Saez, and Zucman (2018) estimate the distribution of 100 percent of national income by combining national accounts, tax, and survey data. As Figure 3 shows, in both fiscal income and national income statistics, the share of income earned by the top 1 percent was high before the 1930s and fell from the 1930s to the 1970s before rising again from the late 1970s on. This U-shaped evolution of income concentration is a bit less spectacular when one looks at national income rather than fiscal income, mainly because only the fraction of corporate profits paid out as dividends are included in fiscal income statistics, while all corporate profits are included in national income. Accounting for the totality of corporate profits generally increases the top 1 percent income share, but the effect is stronger in the post-World War II years, a time before the rise of pension plans somewhat broadened equity ownership.

One virtue of distributional national accounts is that they are not affected by legal changes in business organization. In the United States, a growing number of businesses have been organized as “pass-through” entities since the late 1980s. The income of pass-through entities—partnerships, S-corporations, sole proprietorships—is not subject to the corporate income tax; instead, all the income of these

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**Figure 3**

**Share of Income Earned by the Top 1 Percent**

*Source: Saez and Zucman JEP’20*

*Note:* This figure compares the share of fiscal income earned by the top 1 percent tax units (from Piketty and Saez 2003, updated series including capital gains in income to compute shares but not to define ranks, to smooth the lumpiness of realized capital gains) to the share of pre-tax national income earned by the top 1 percent equal-split adults (from Piketty, Saez, and Zucman 2018, updated September 2020, available on WID.world).