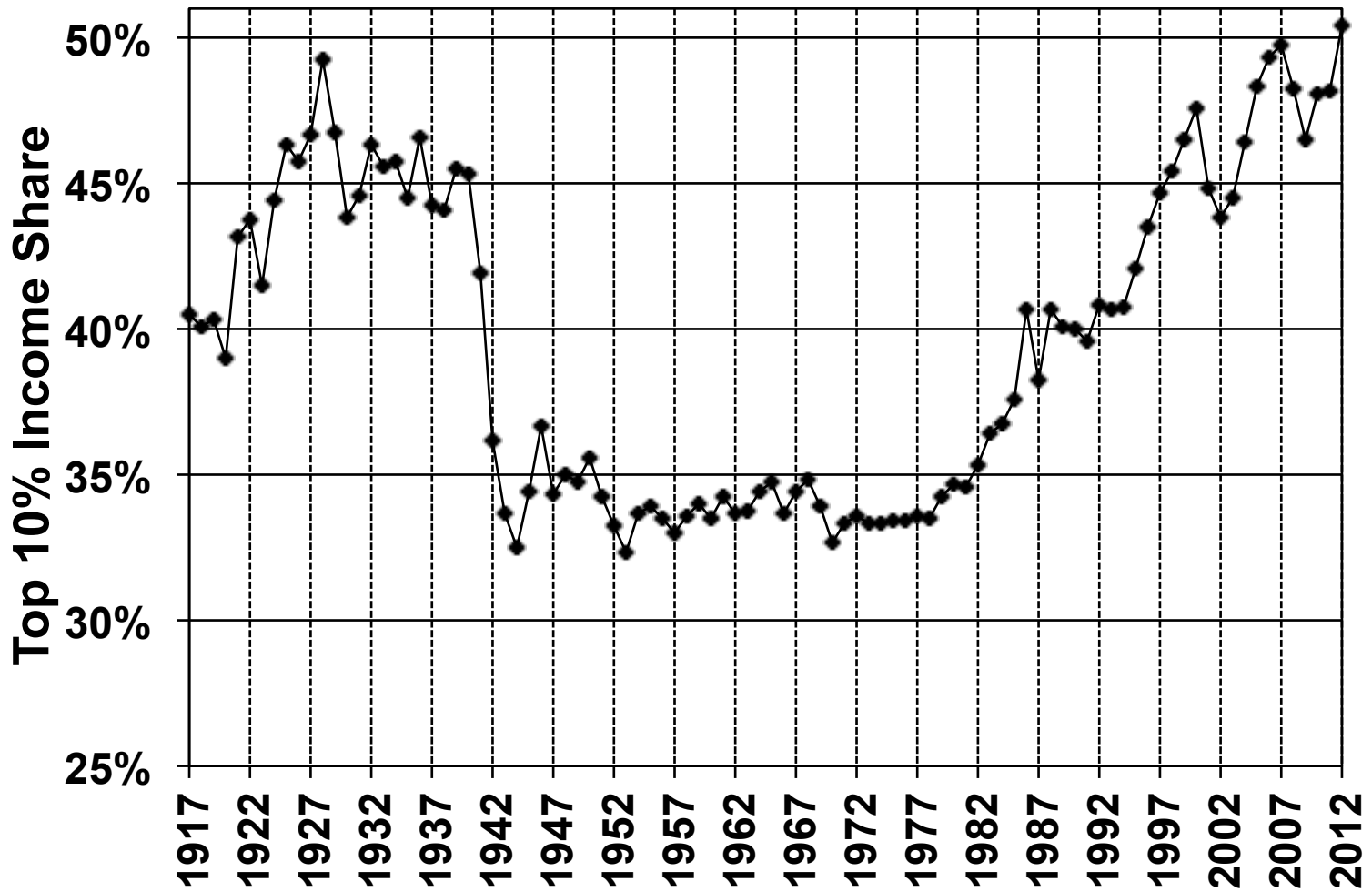
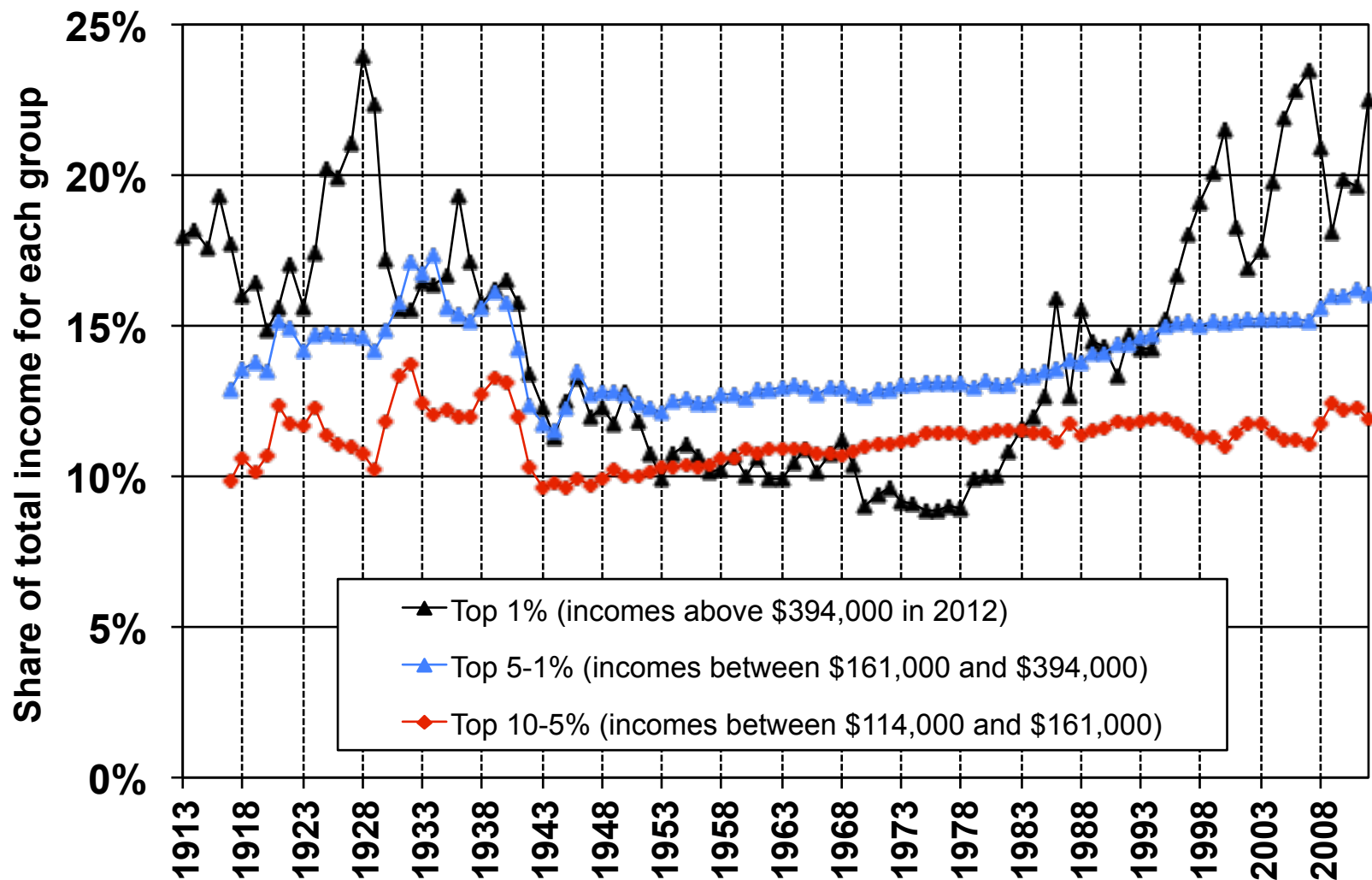


Top 10% Pre-tax Income Share in the US, 1917-2012



Source: Piketty and Saez, 2003 updated to 2012. Series based on pre-tax cash market income including realized capital gains and excluding government transfers. 2012 data based on preliminary statistics

Decomposing Top 10% into 3 Groups, 1913-2012



Source: Piketty and Saez, 2003 updated to 2012. Series based on pre-tax cash market income including realized capital gains and excluding government transfers. 2012 data based on preliminary statistics.

1.1

The Four Questions of Public Finance

▶ APPLICATION

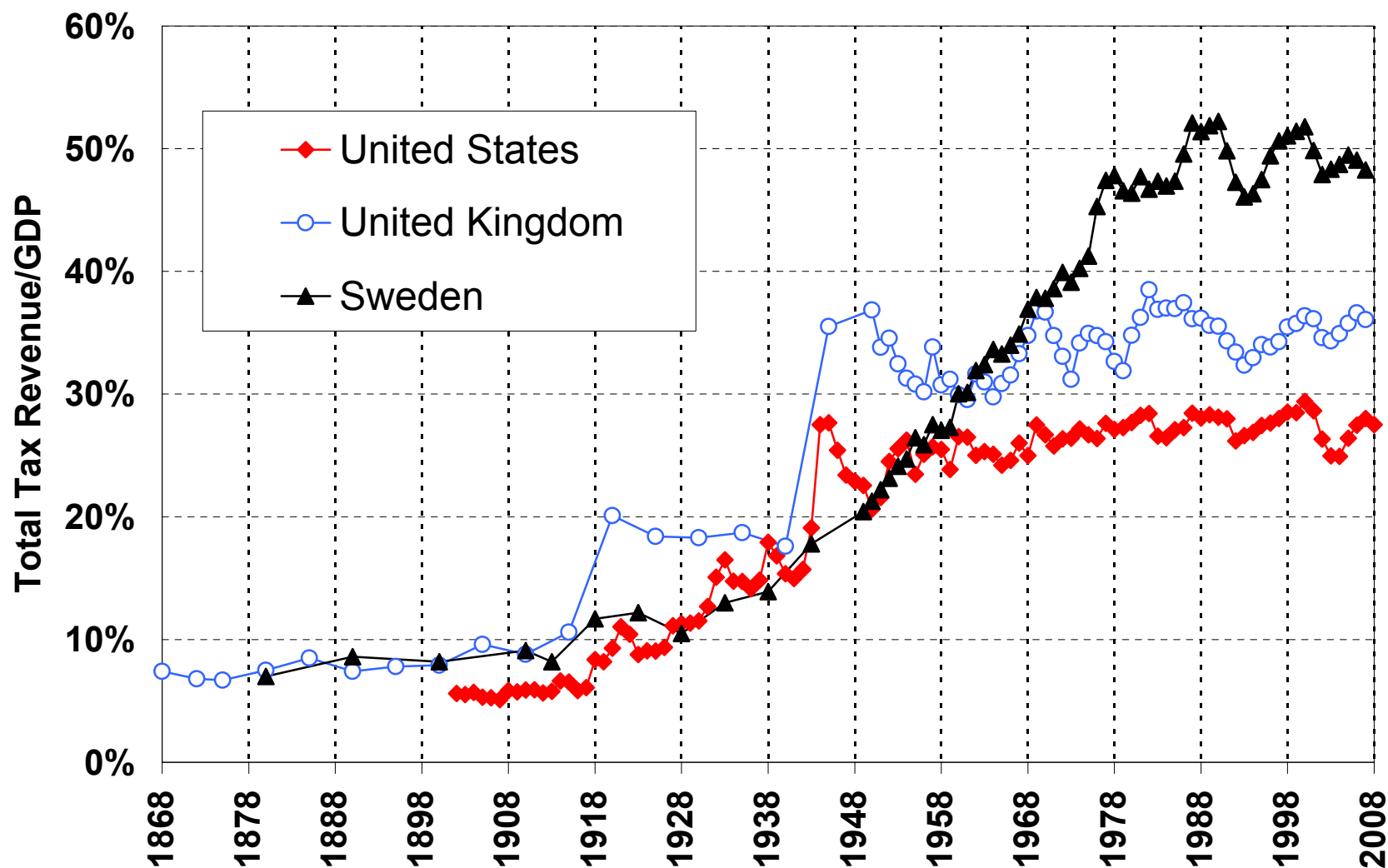
The Congressional Budget Office:
Government Scorekeepers

- ▶ 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.



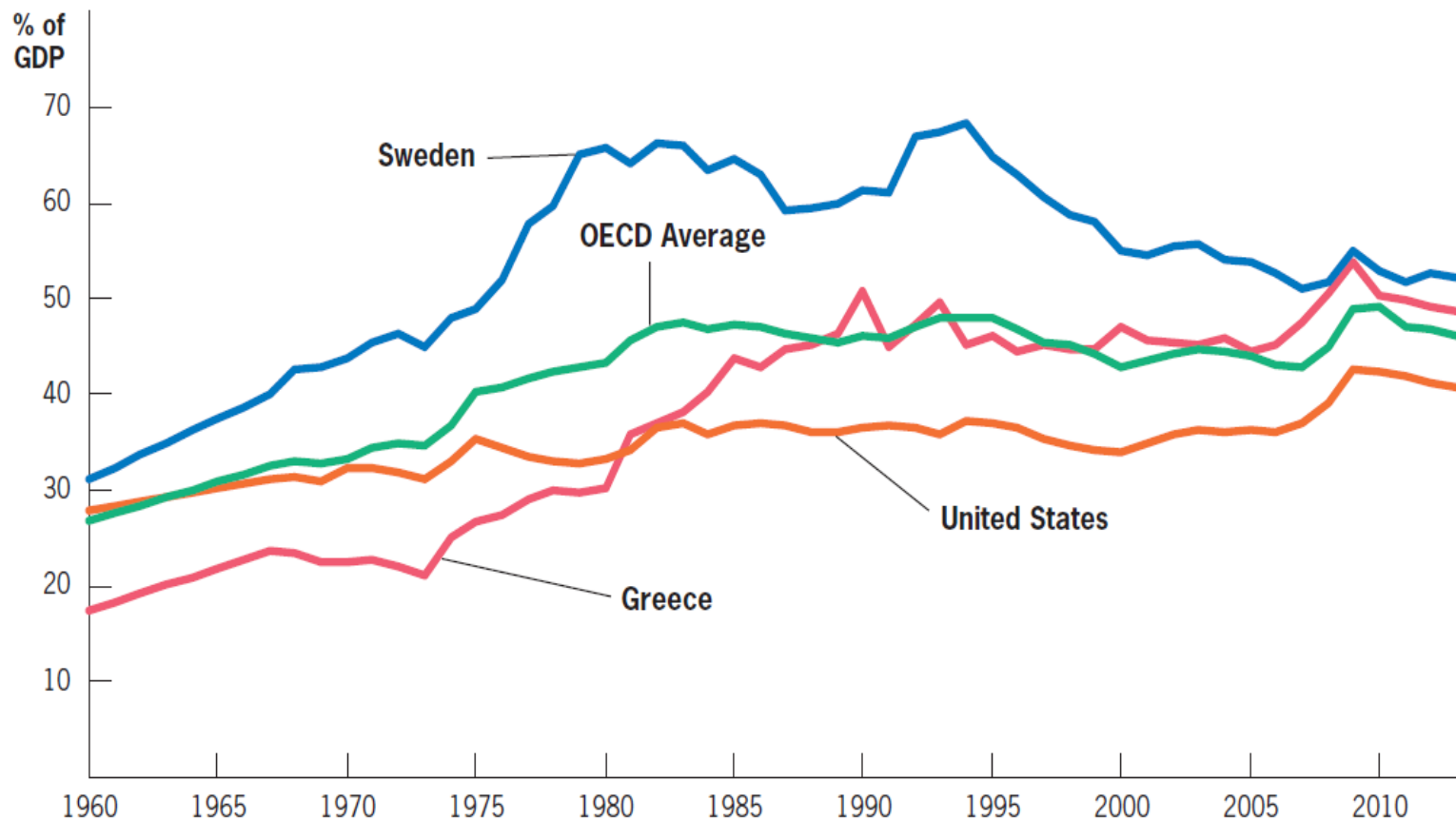
It is not an overstatement to say that the economists who work at the CBO frequently hold the fate of a legislative proposal in their hands. The large price tag that the CBO assigned to the Clinton administration's plan to reform health care in the United States in 1994 is often cited as a key factor in the defeat of that proposal. ◀

2A. Tax revenue/GDP in the US, UK, and Sweden

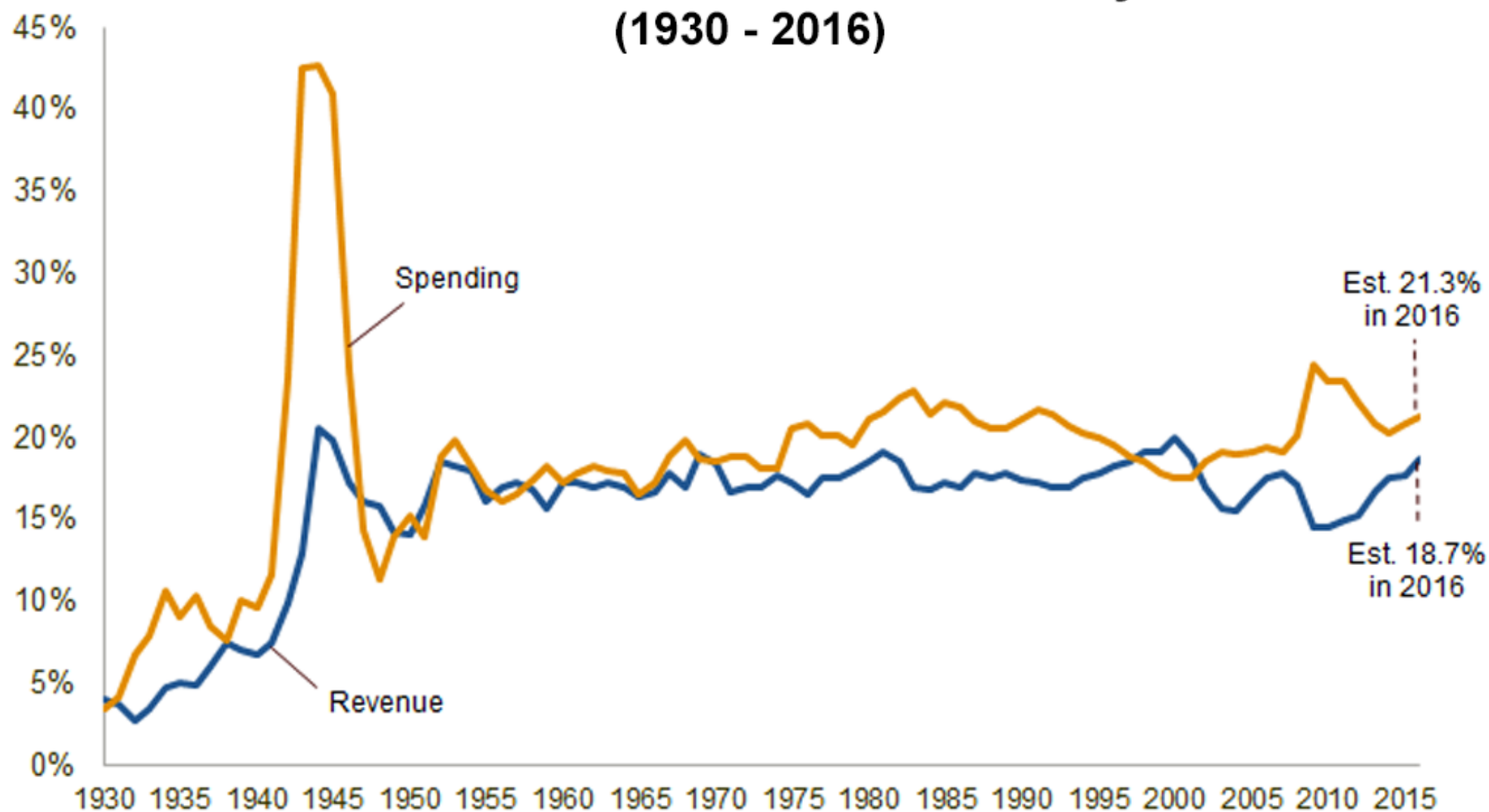


1.2

Total Government Spending Across Developed Nations, 1960–2013

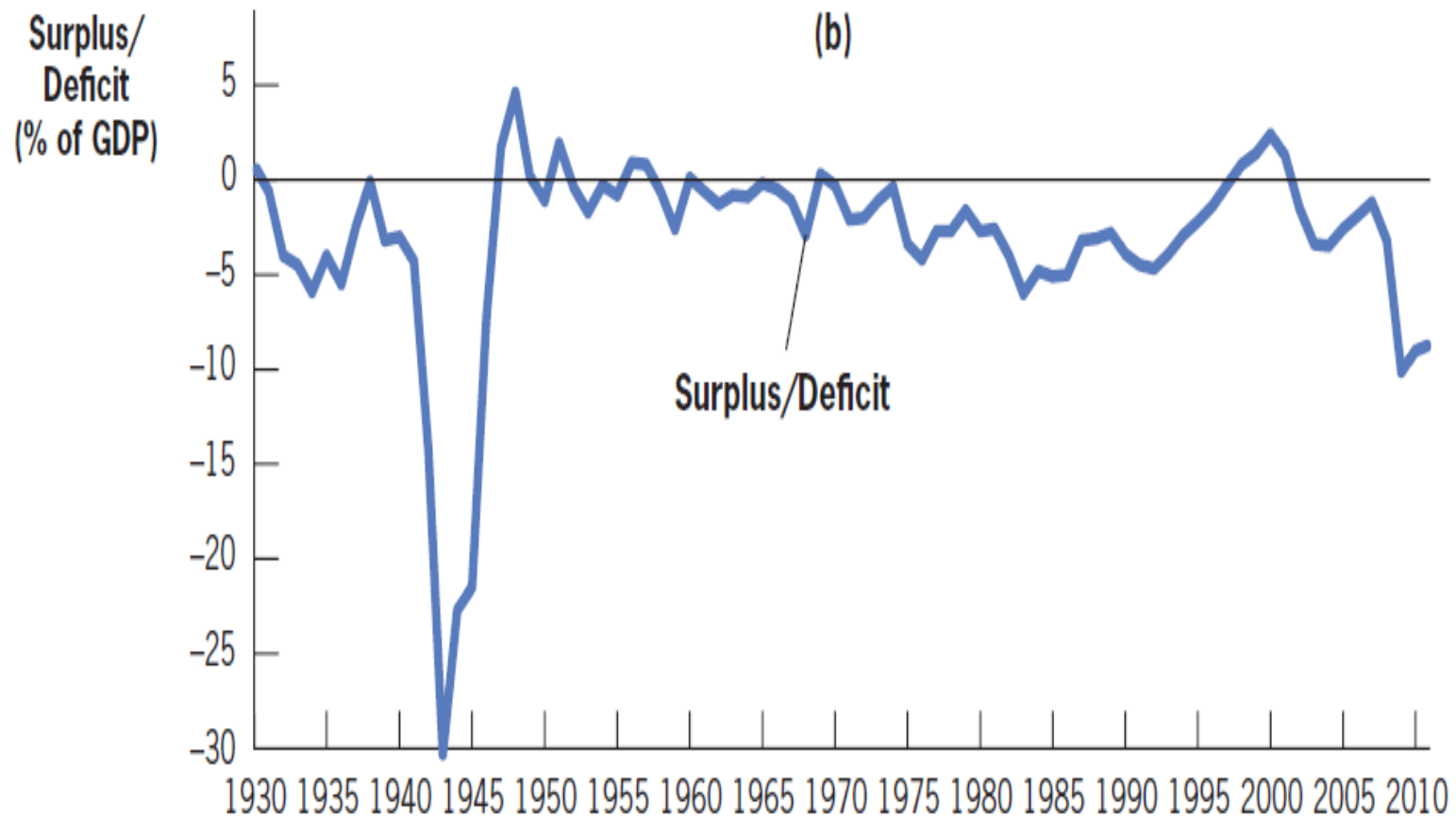


Federal Spending and Revenue as a Share of the U.S. Economy (1930 - 2016)



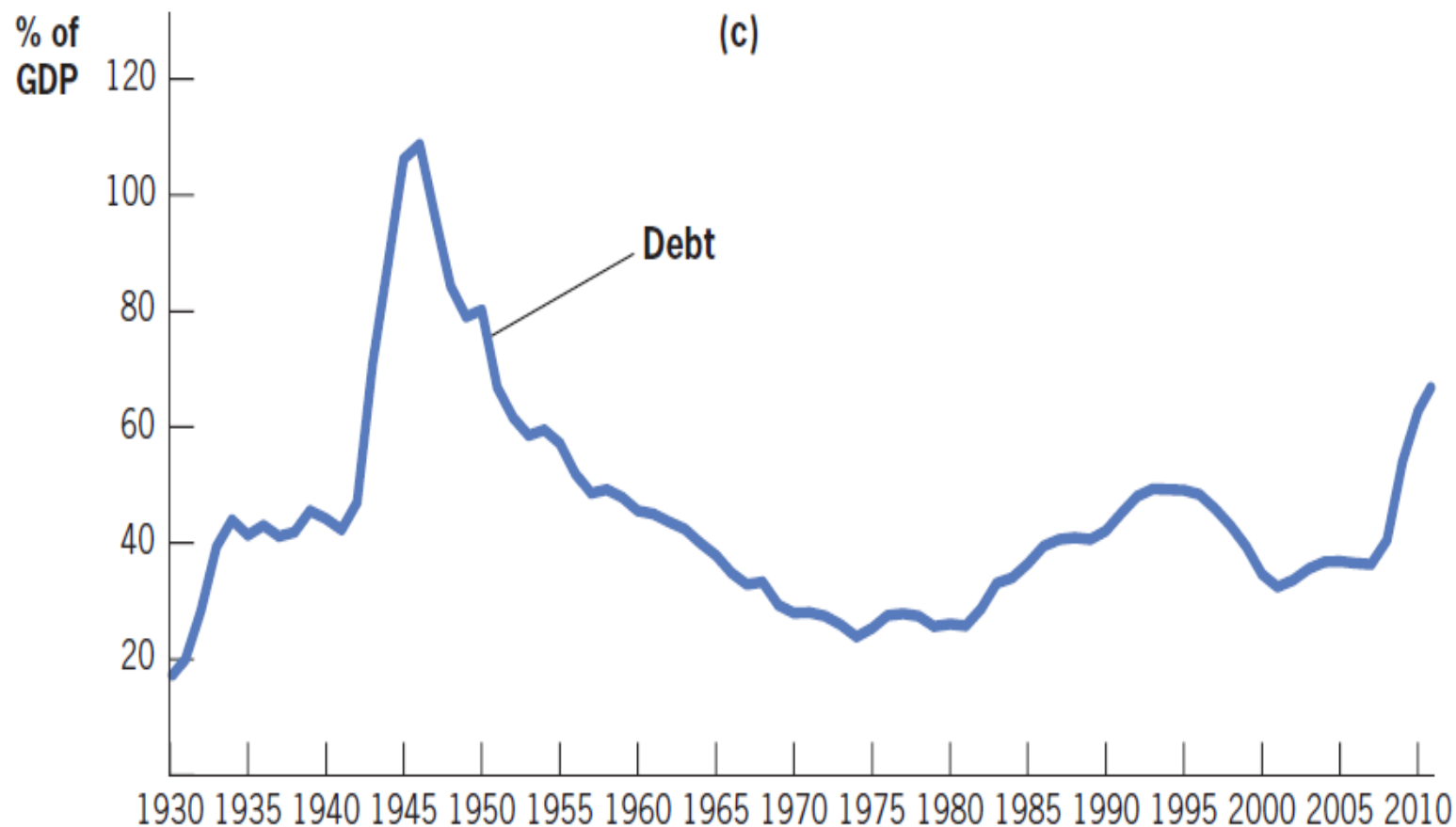
1.2

Federal Surplus/Deficit, 1930–2011



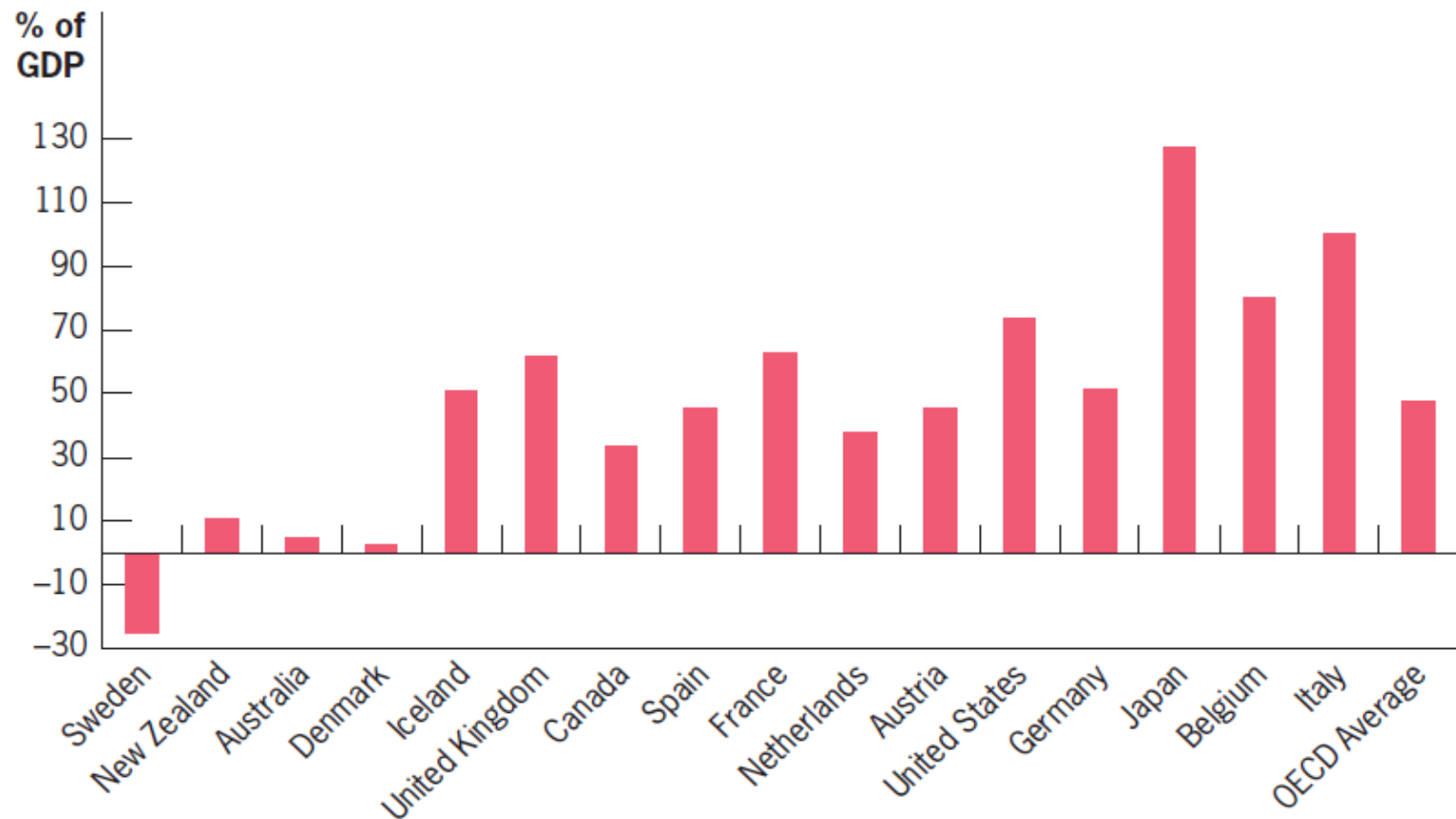
1.2

Federal Debt, 1930–2011



1.2

Debt Level of OECD Nations in 2011



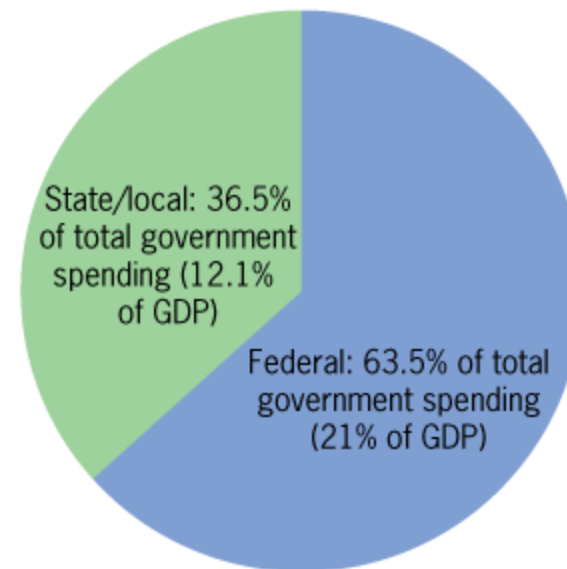
1.2

Why Study Public Finance? Facts on Government in the United States and around the World

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.

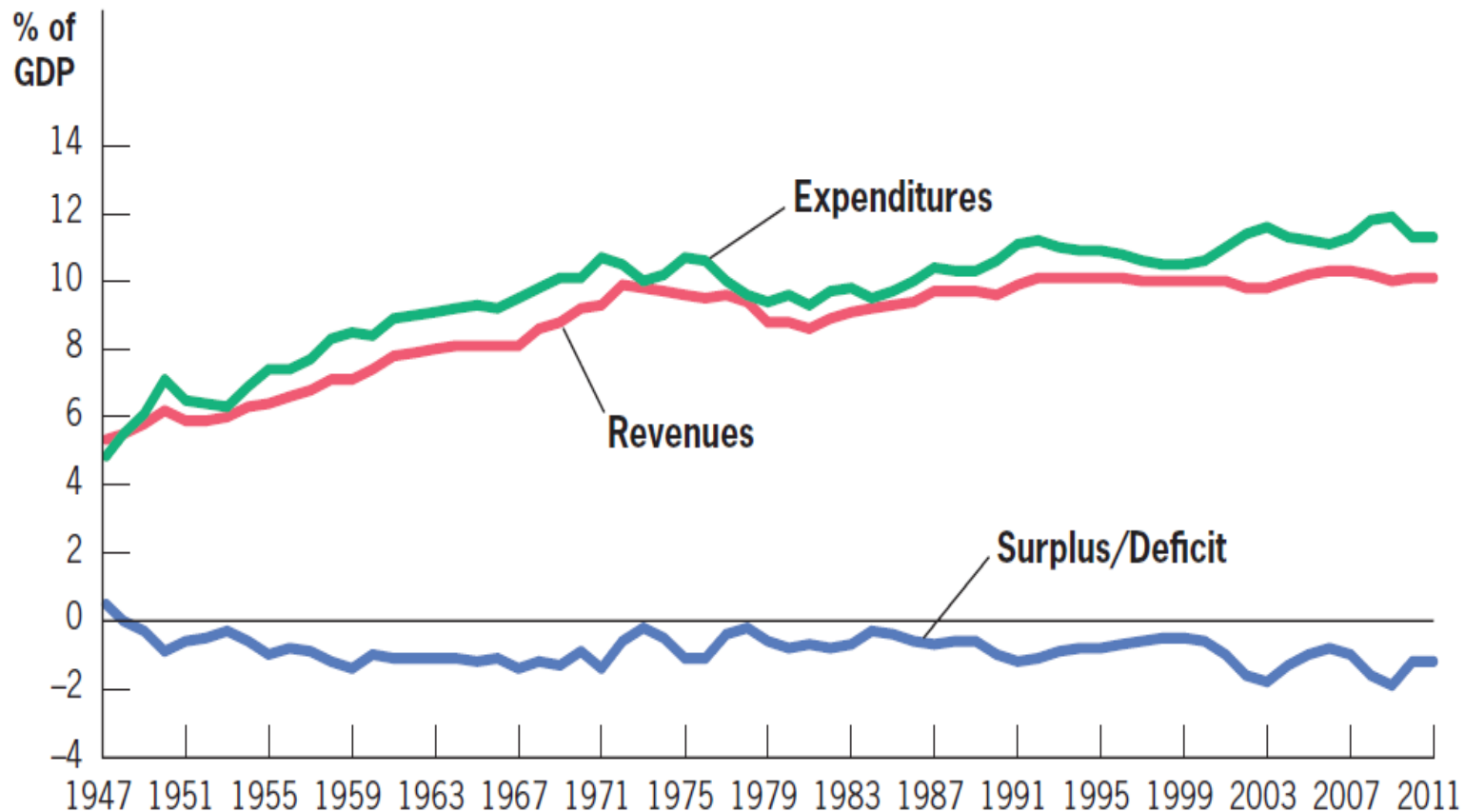
■ FIGURE 1-3



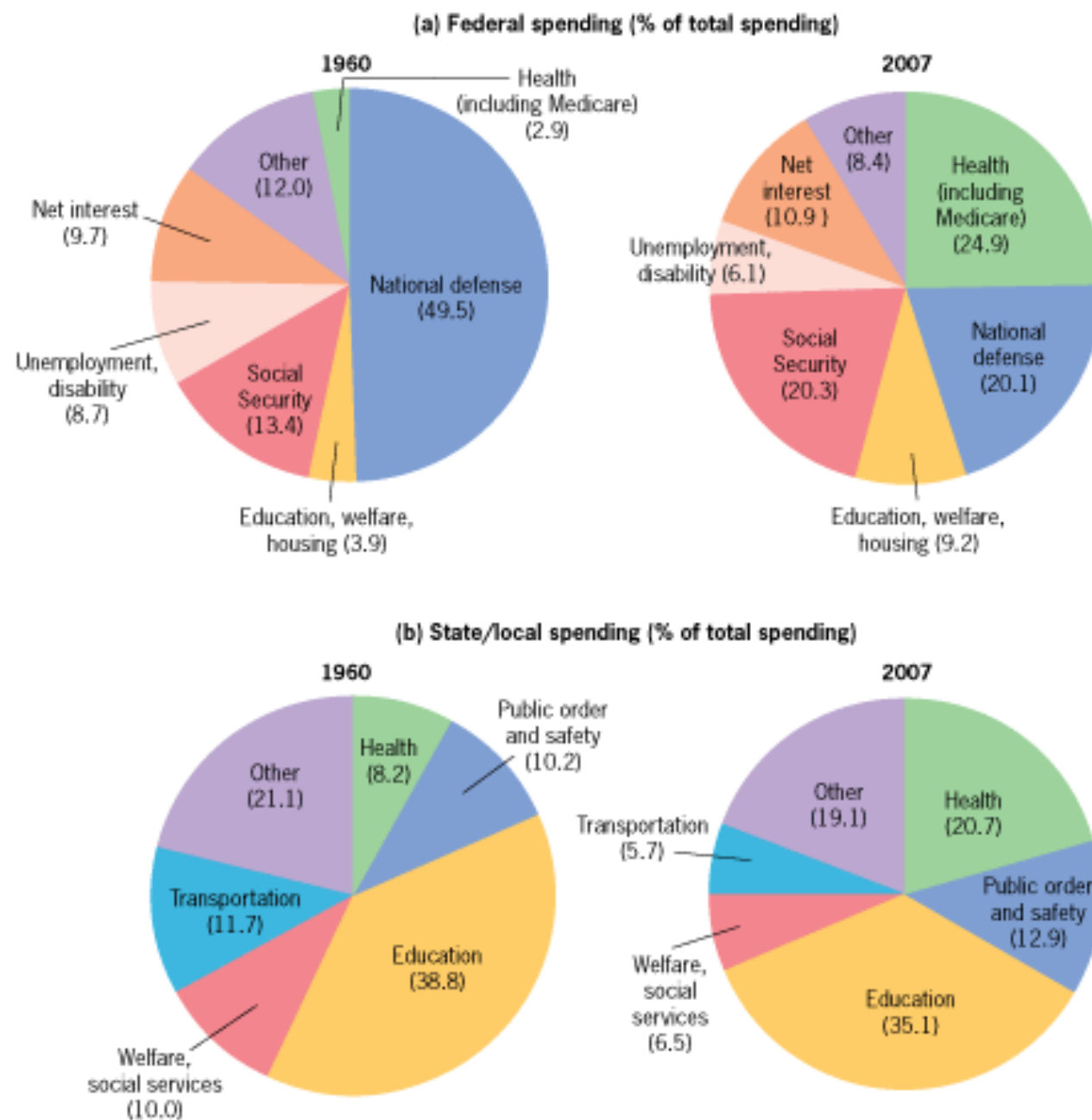
Federal vs. State/Local Government Spending, 2008 • State and local spending today amounts to roughly one-third of total government spending in the United States, at over 12% of GDP.

1.2

State and Local Government Receipts, Expenditures, and Surplus, 1947–2008



■ FIGURE 1-7



Distribution of Spending

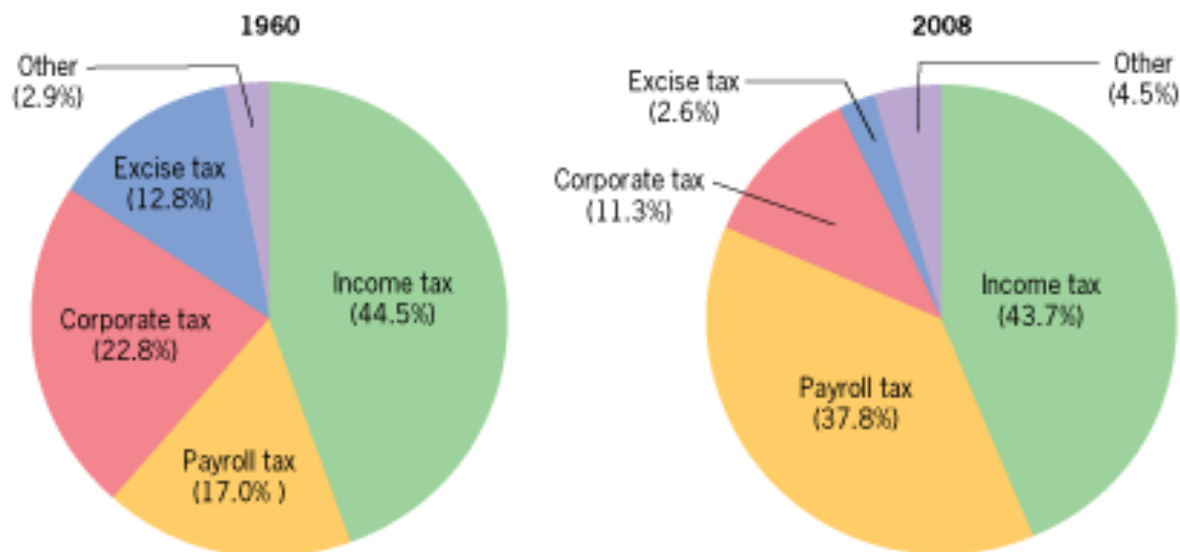
The Distribution of Federal and State Expenditures, 1960 and 2007 • This figure shows the changing composition of federal and state spending over time, as a share of total spending. (a) For the federal government, defense spending has fallen and Social Security and health spending have risen. (b) For the states, the distribution has been more constant, with a small decline in education and welfare spending and a rise in health spending.

■ FIGURE 1-8

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.

(a) Federal revenues (% of total revenue)



(b) State/local revenues (% of total revenue)

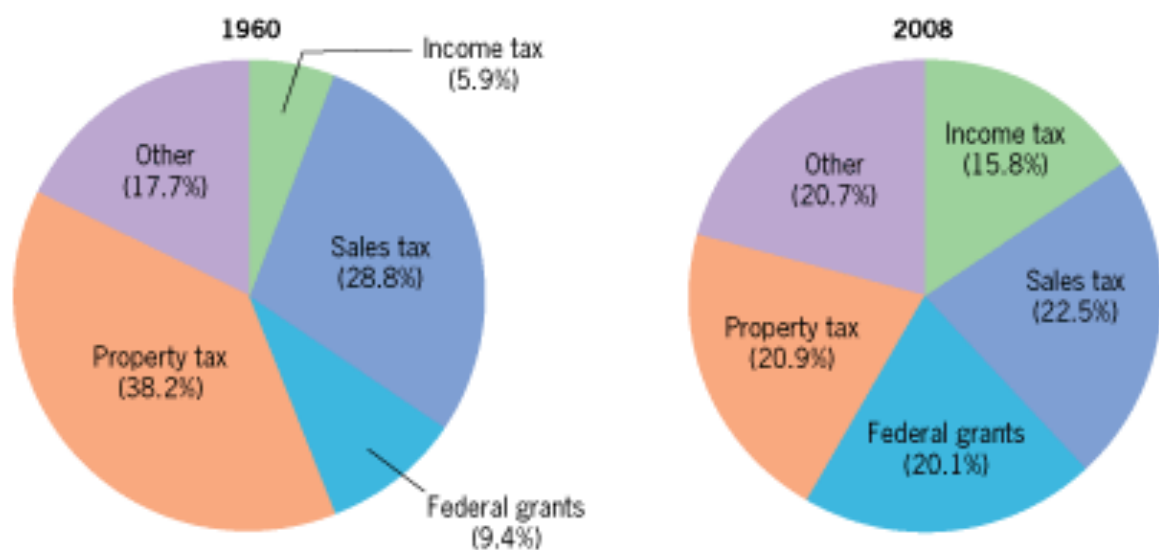
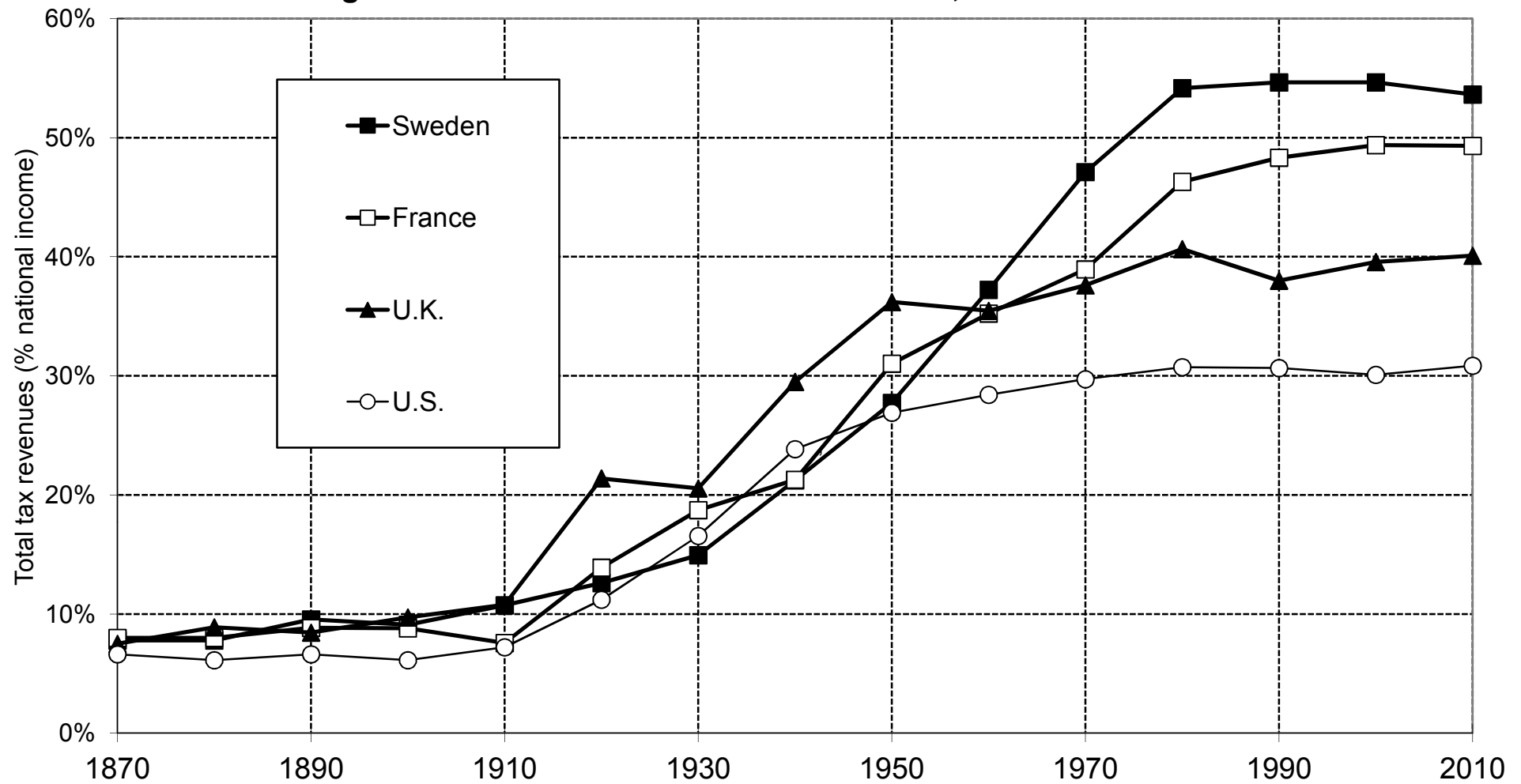
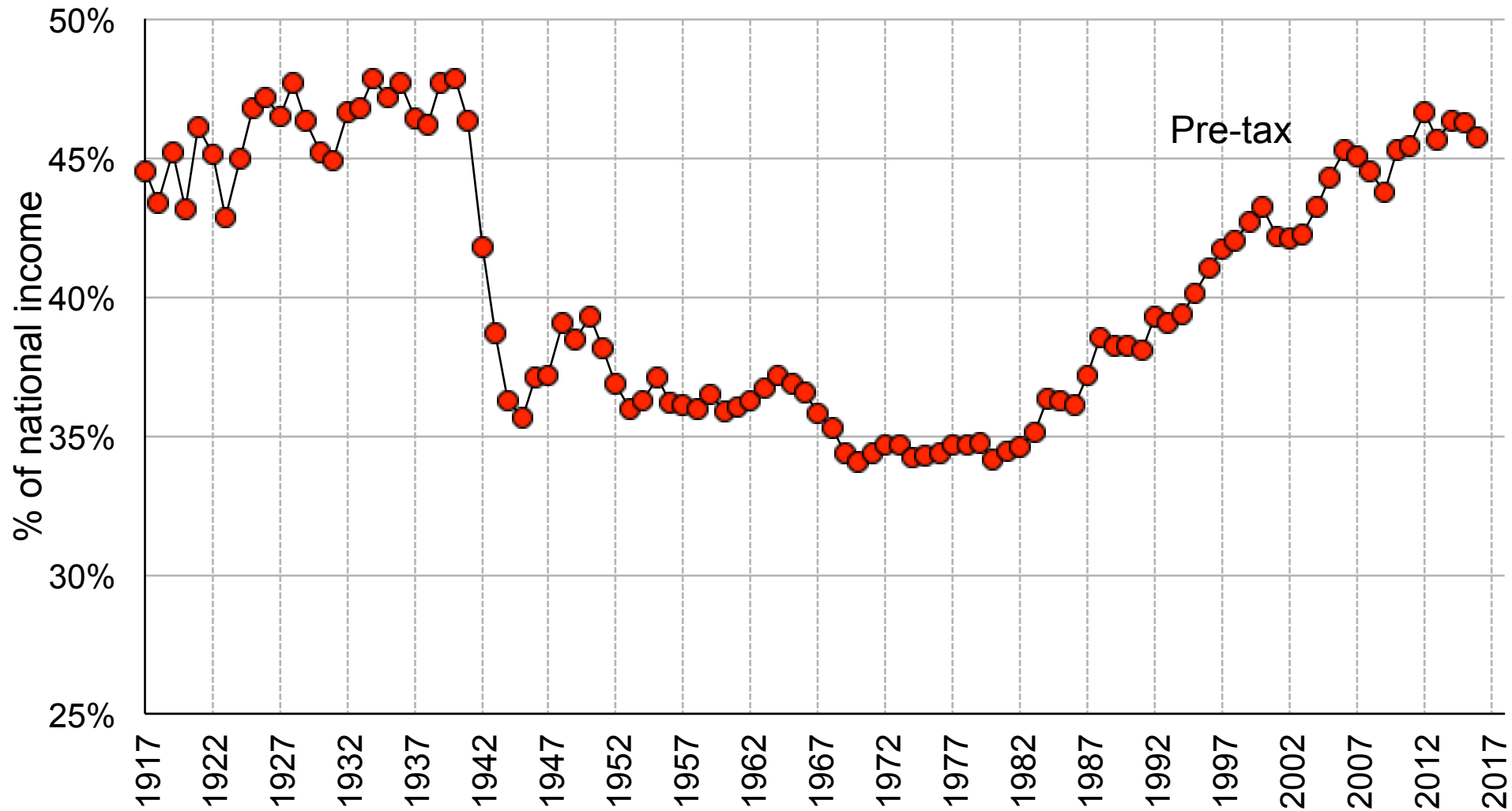


Figure 13.1. Tax revenues in rich countries, 1870-2010



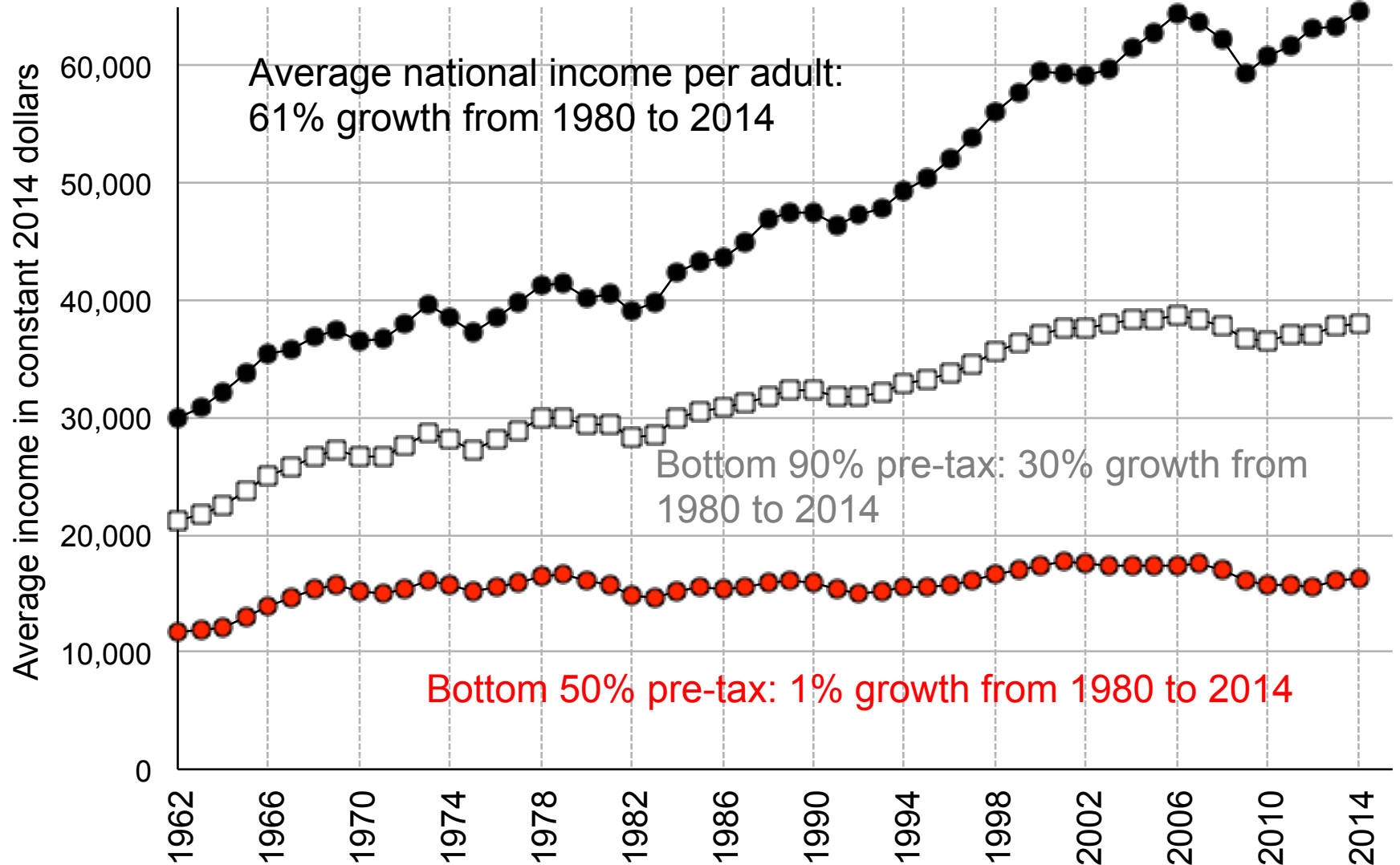
Total tax revenues were less than 10% of national income in rich countries until 1900-1910; they represent between 30% and 55% of national income in 2000-2010. Sources and series: see piketty.pse.ens.fr/capital21c.

Share of pre-tax national income going to top 10% adults

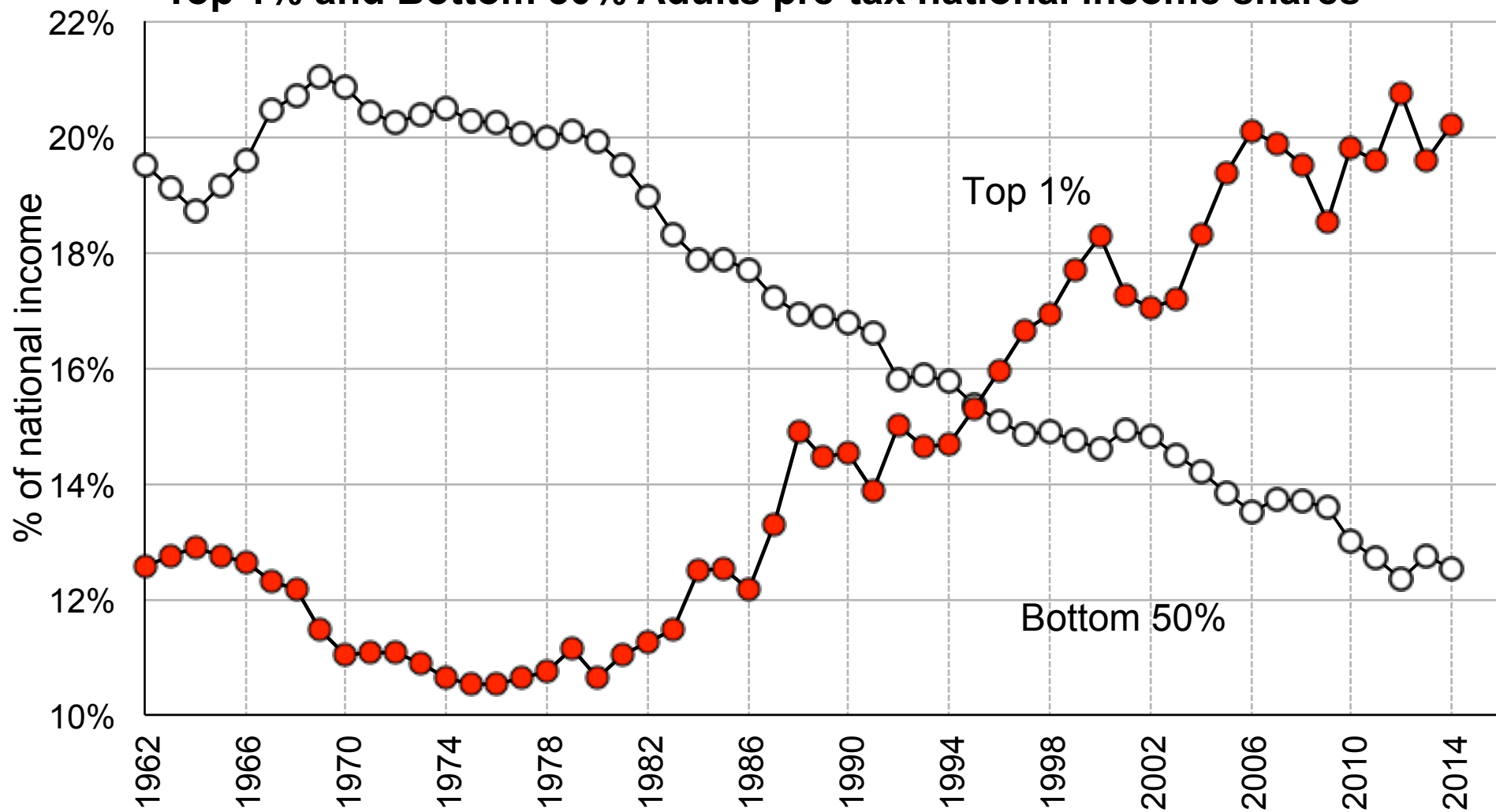


Source: Piketty, Saez, and Zucman (2018)

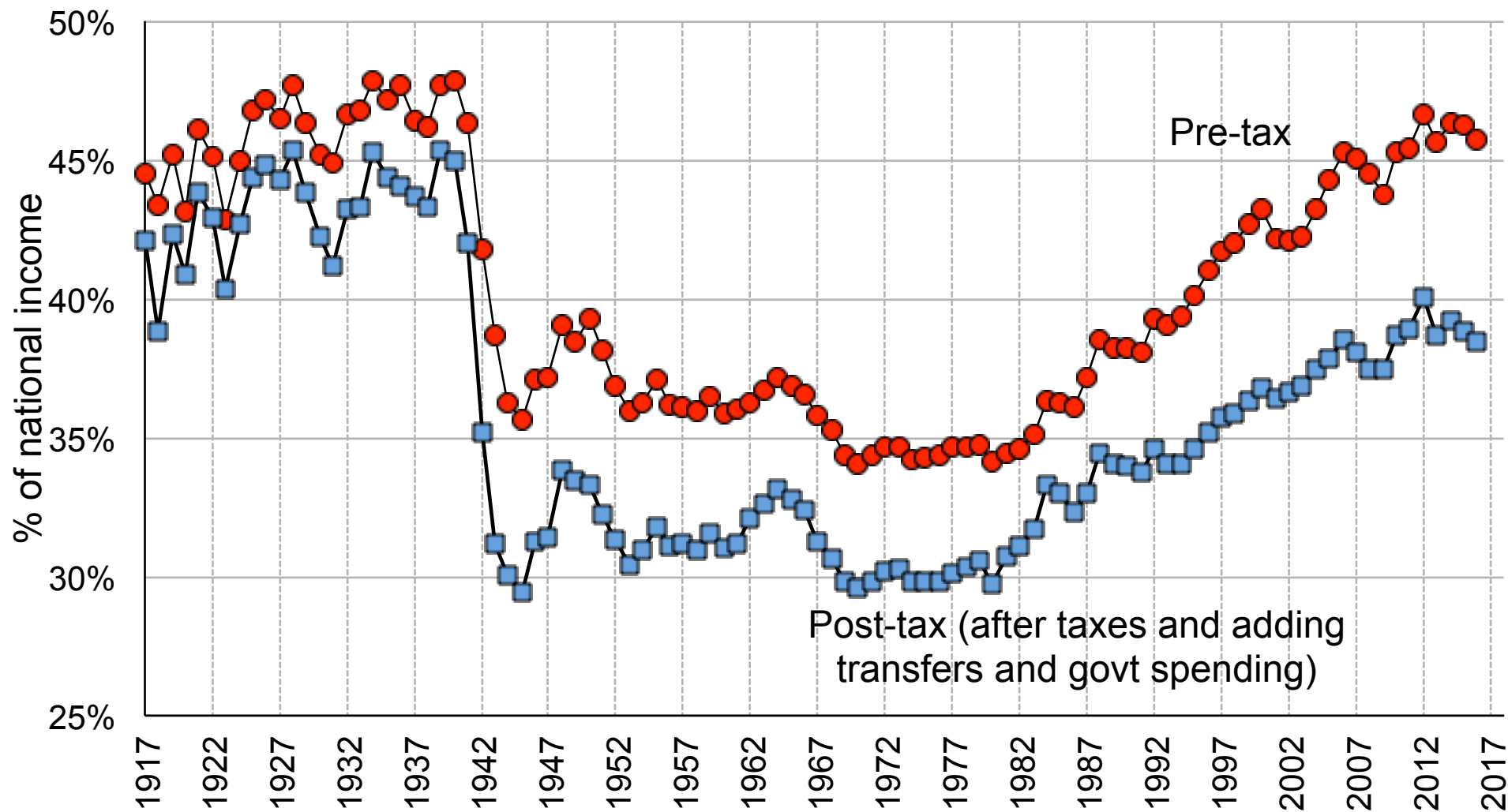
Average, bottom 90%, bottom 50% real incomes per adult



Top 1% and Bottom 50% Adults pre-tax national income shares



Top 10% national income share: pre-tax vs. post-tax



Average vs. bottom 50% income growth per adult

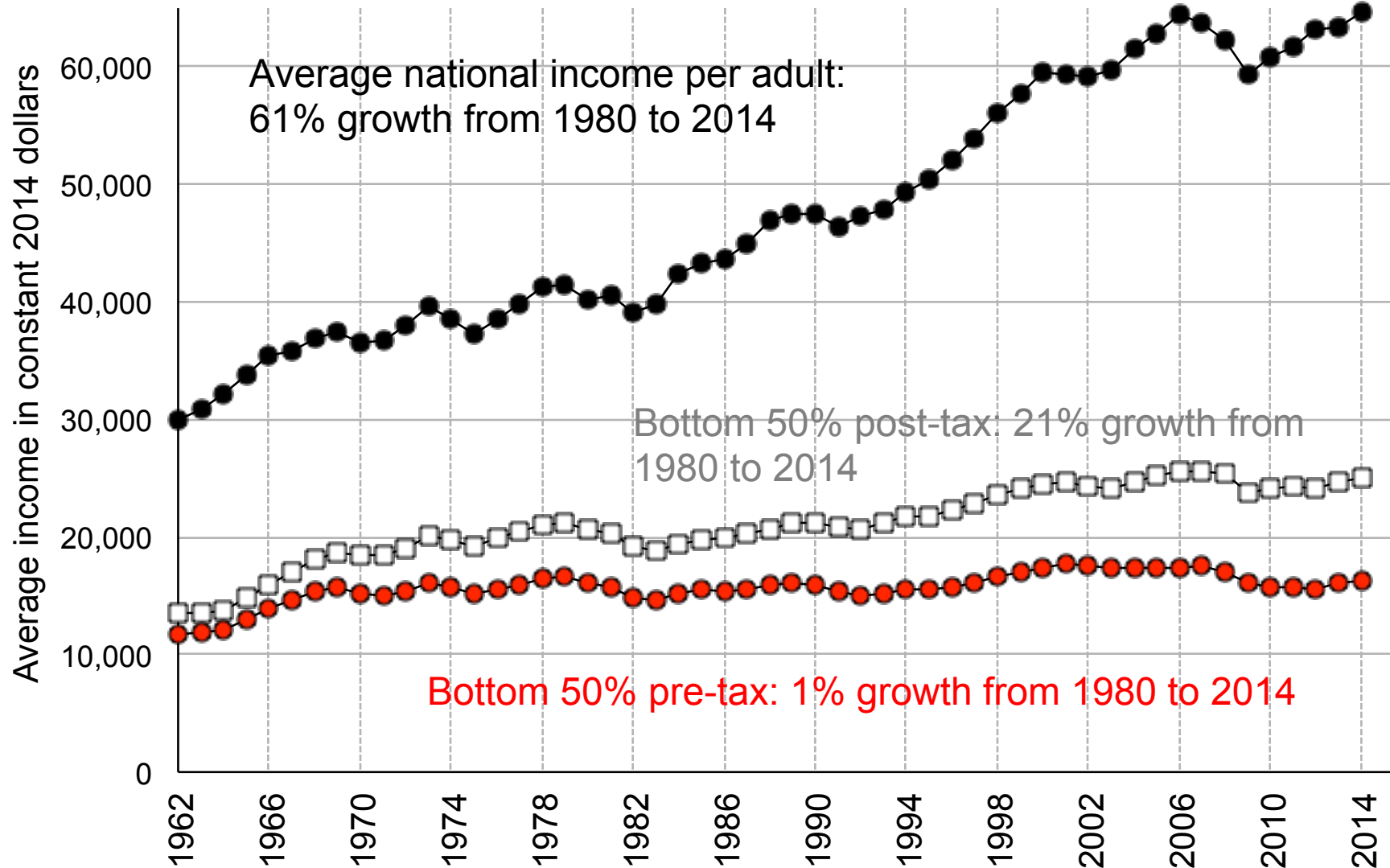
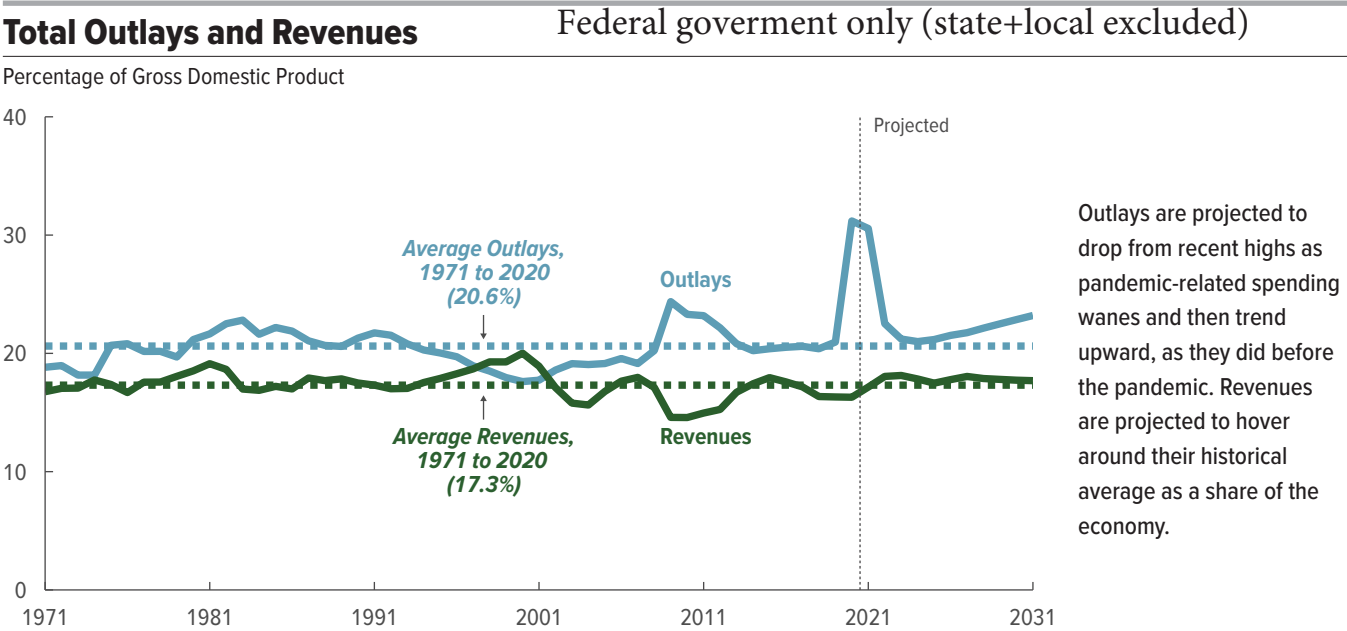


Figure 1-3.



Outlays are projected to drop from recent highs as pandemic-related spending wanes and then trend upward, as they did before the pandemic. Revenues are projected to hover around their historical average as a share of the economy.

Data source: Congressional Budget Office. See www.cbo.gov/publication/57263#data.

When October 1 (the first day of the fiscal year) falls on a weekend, certain payments that would have ordinarily been made on that day are instead made at the end of September and thus are shifted into the previous fiscal year. All projections presented here have been adjusted to exclude the effects of those timing shifts. Historical amounts have been adjusted as far back as the available data will allow.

Average tax rates by income group in 2018 (% of pre-tax income)

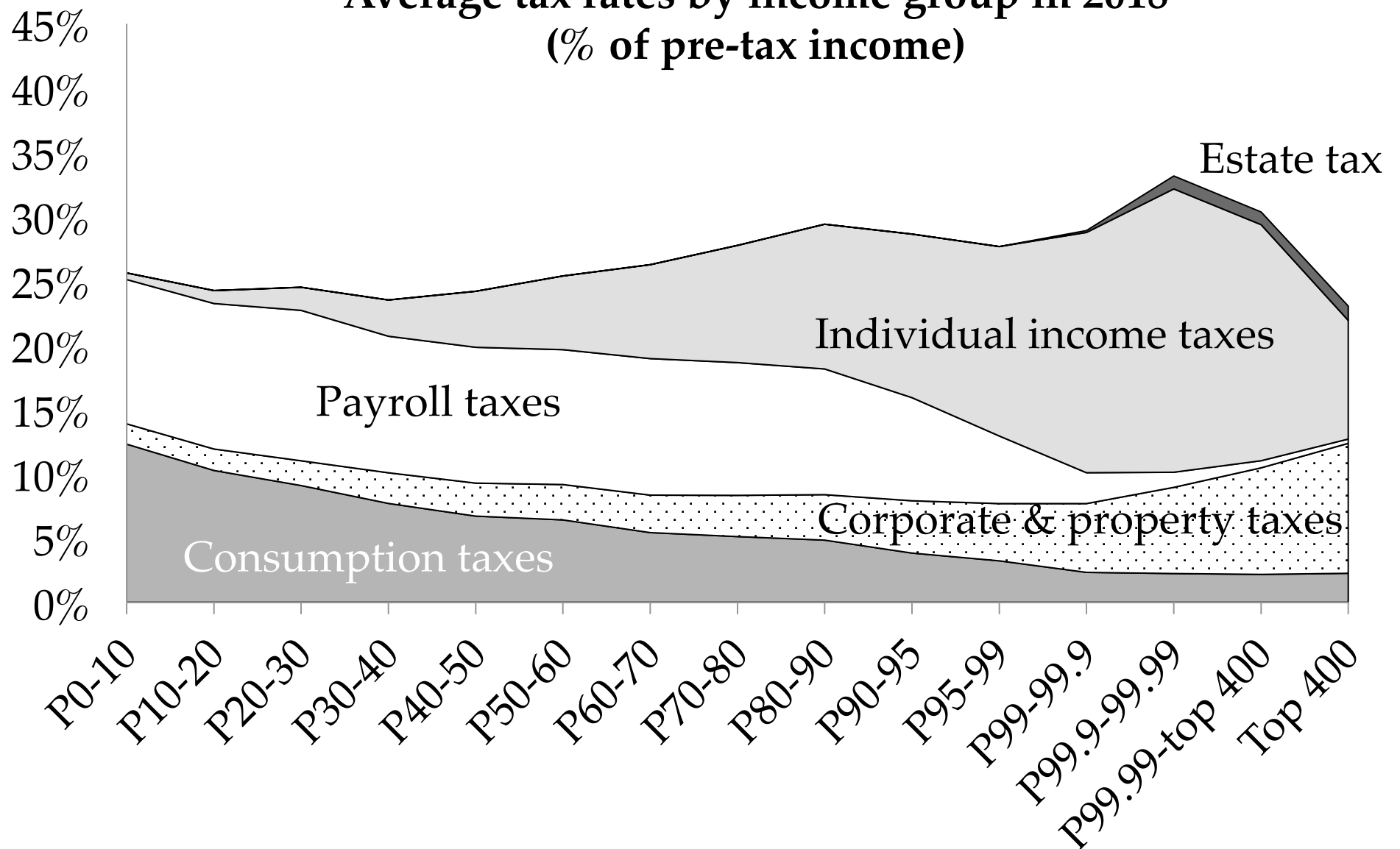
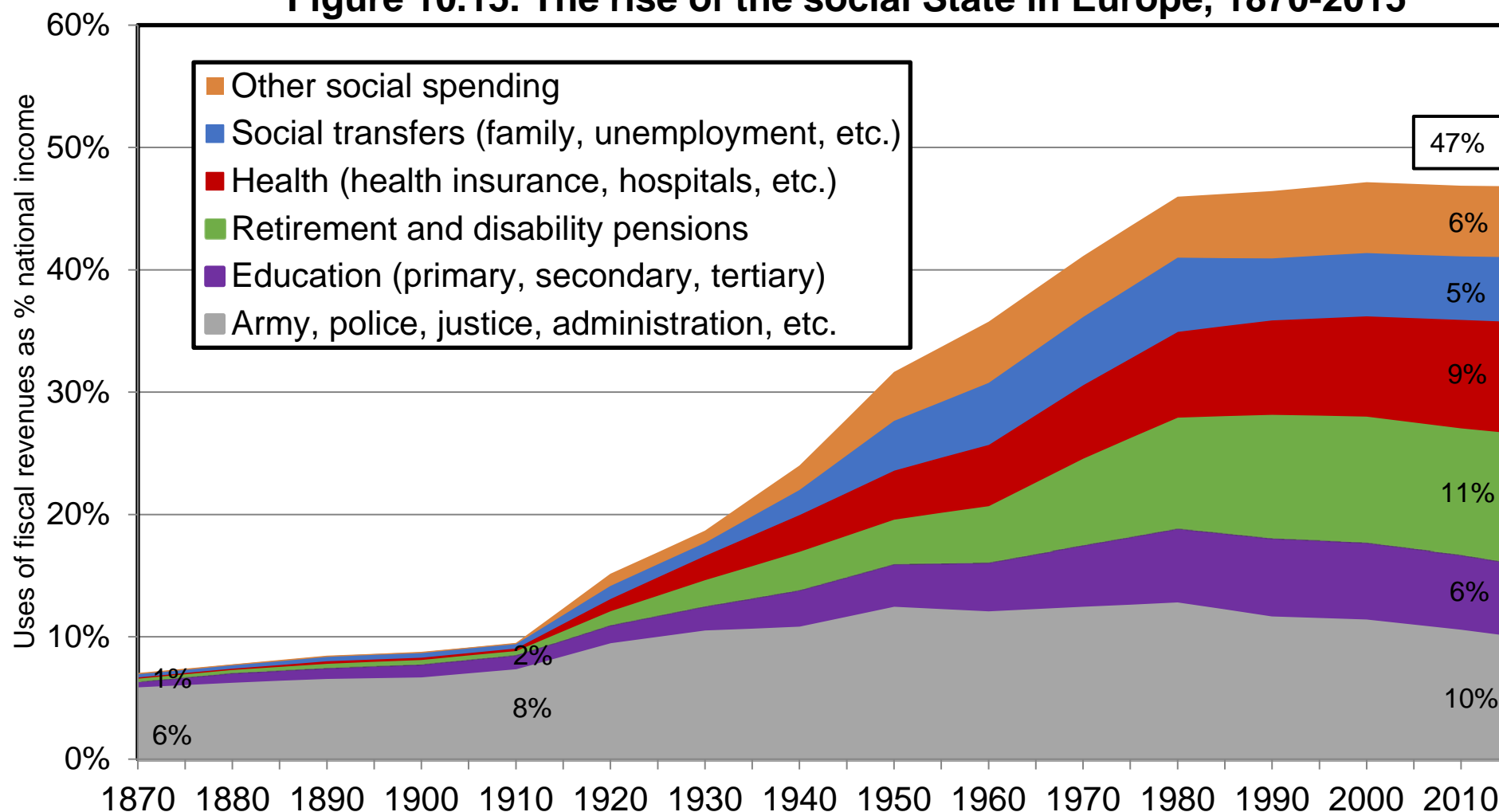
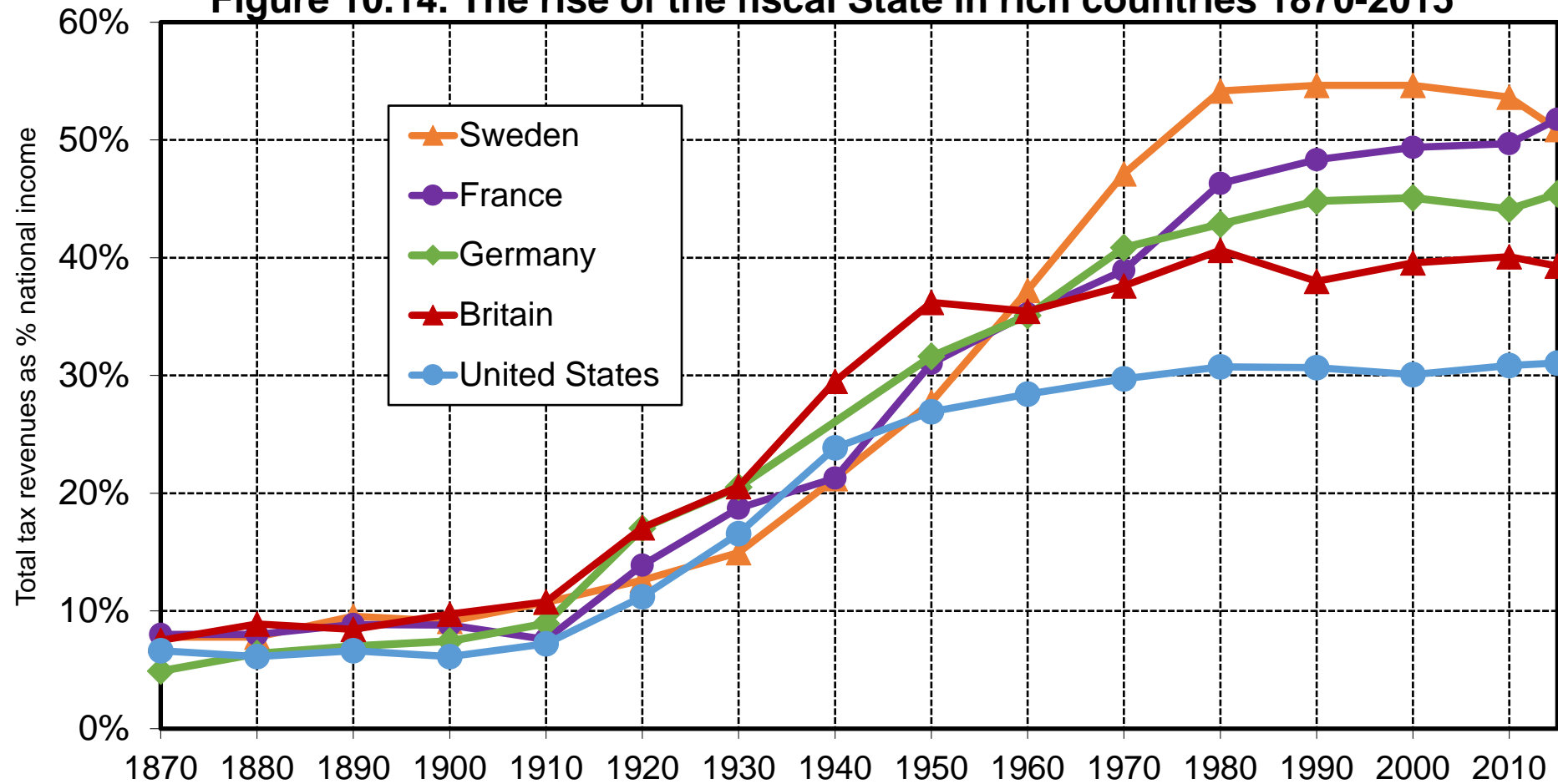


Figure 10.15. The rise of the social State in Europe, 1870-2015



Interpretation. In 2015, fiscal revenues represented 47% of national income on average in Western Europe et 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 séries: 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)

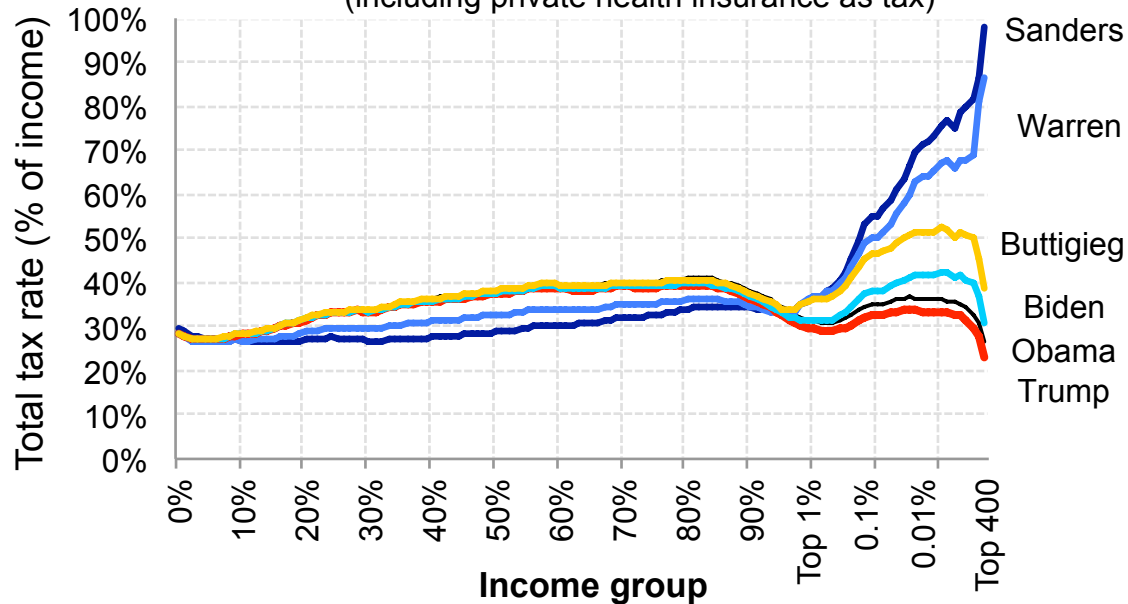
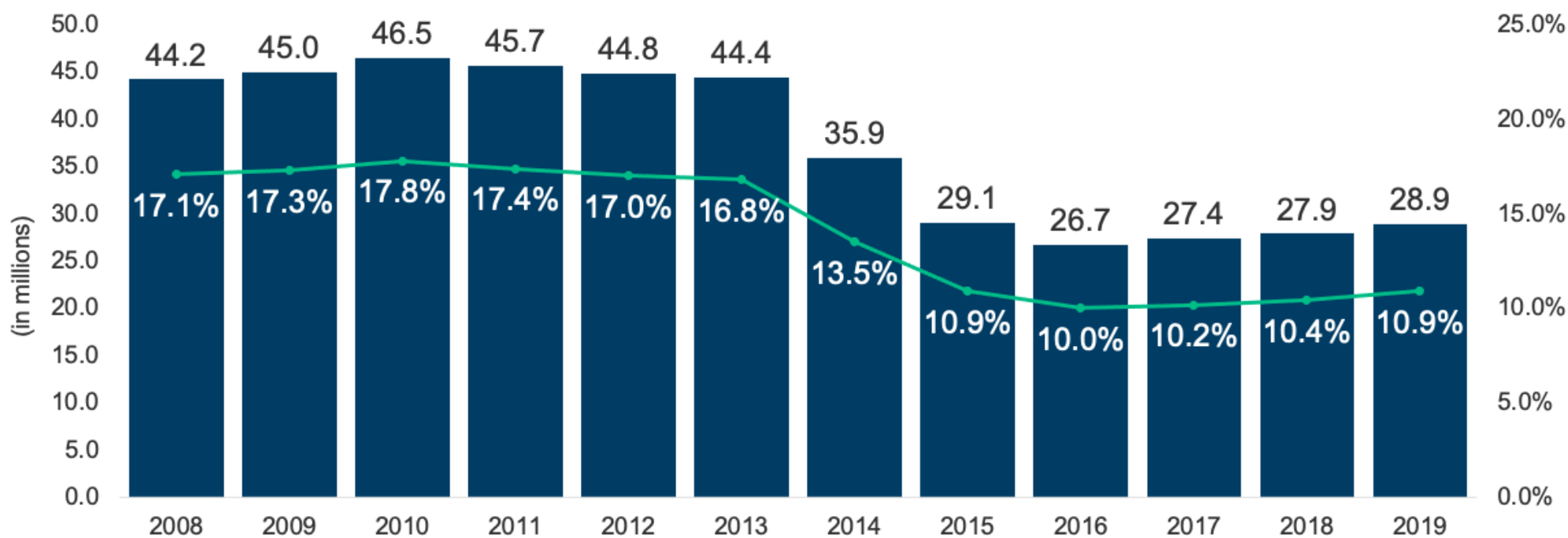


Figure 1

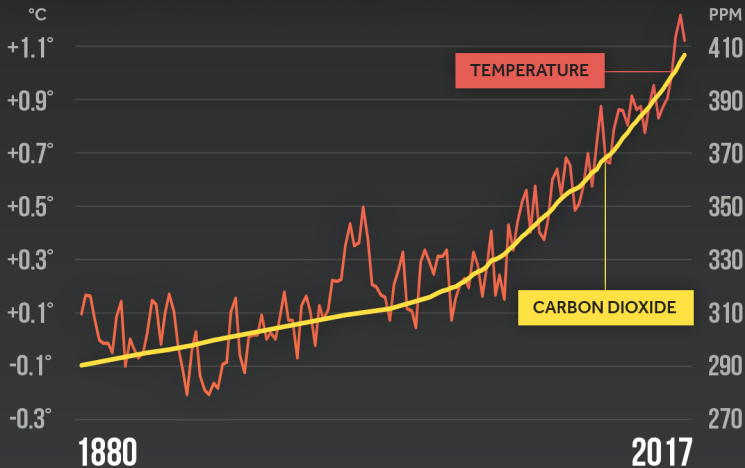
Number of Uninsured and Uninsured Rate among the Nonelderly Population, 2008-2019



NOTE: Includes nonelderly individuals ages 0 to 64.

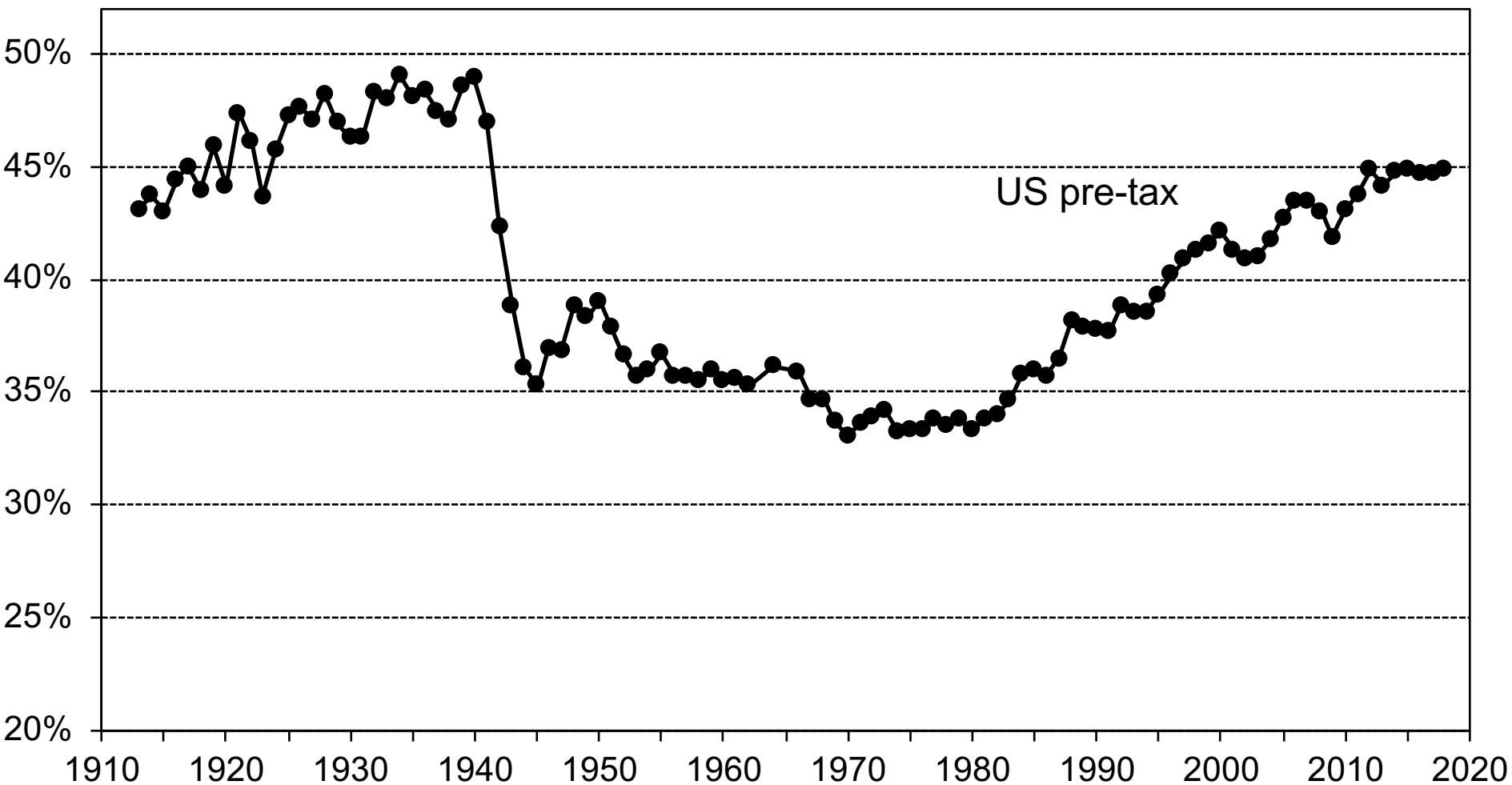
SOURCE: KFF analysis of 2008-2019 American Community Survey, 1-Year Estimates.

GLOBAL TEMPERATURE & CARBON DIOXIDE



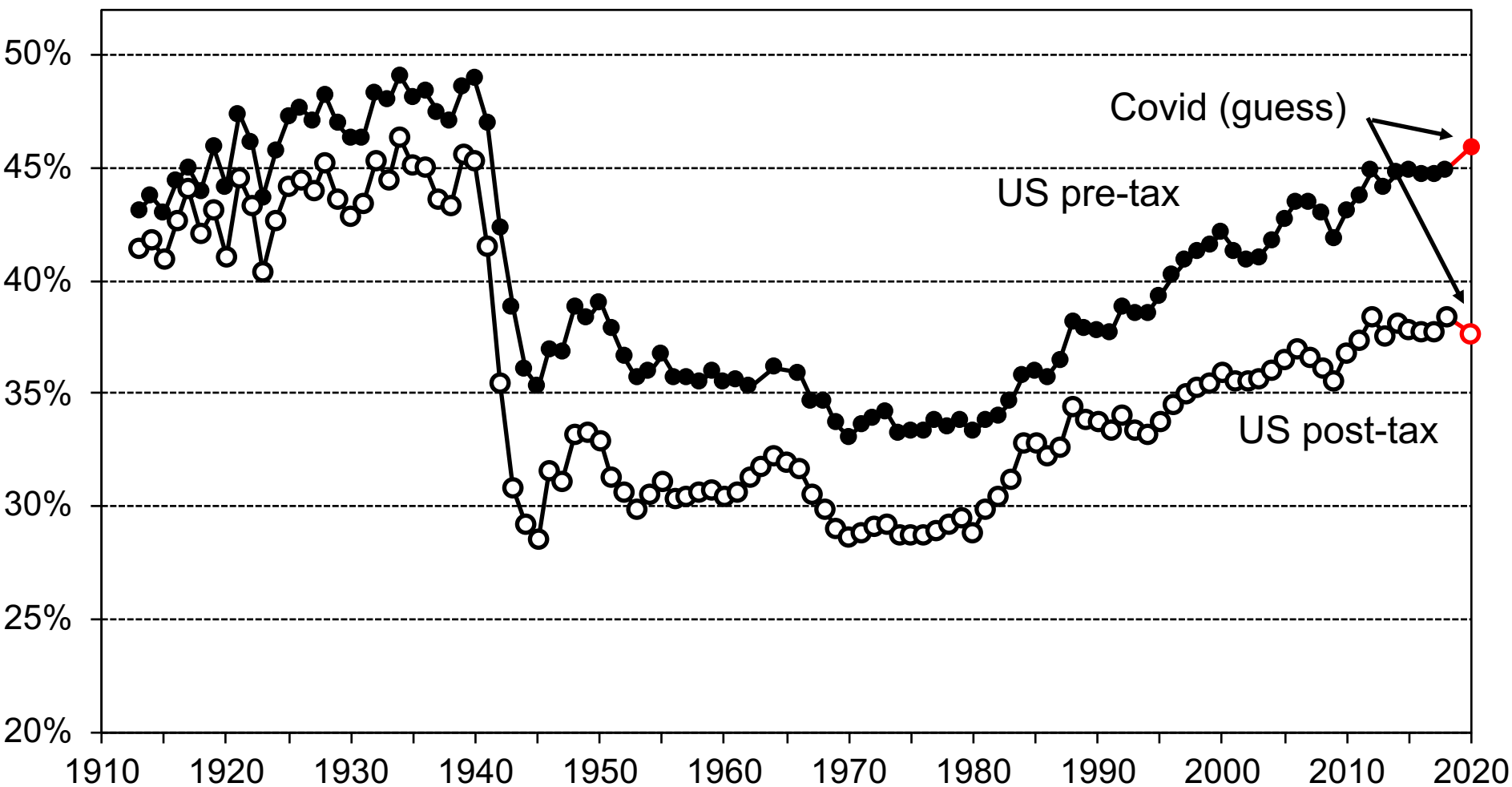
Global temperature anomalies averaged and adjusted to early industrial baseline (1881-1910)
Source: NASA GISS, NOAA NCEI, ESRL

Top 10% Pre-tax Income Share in the US, 1913-2018



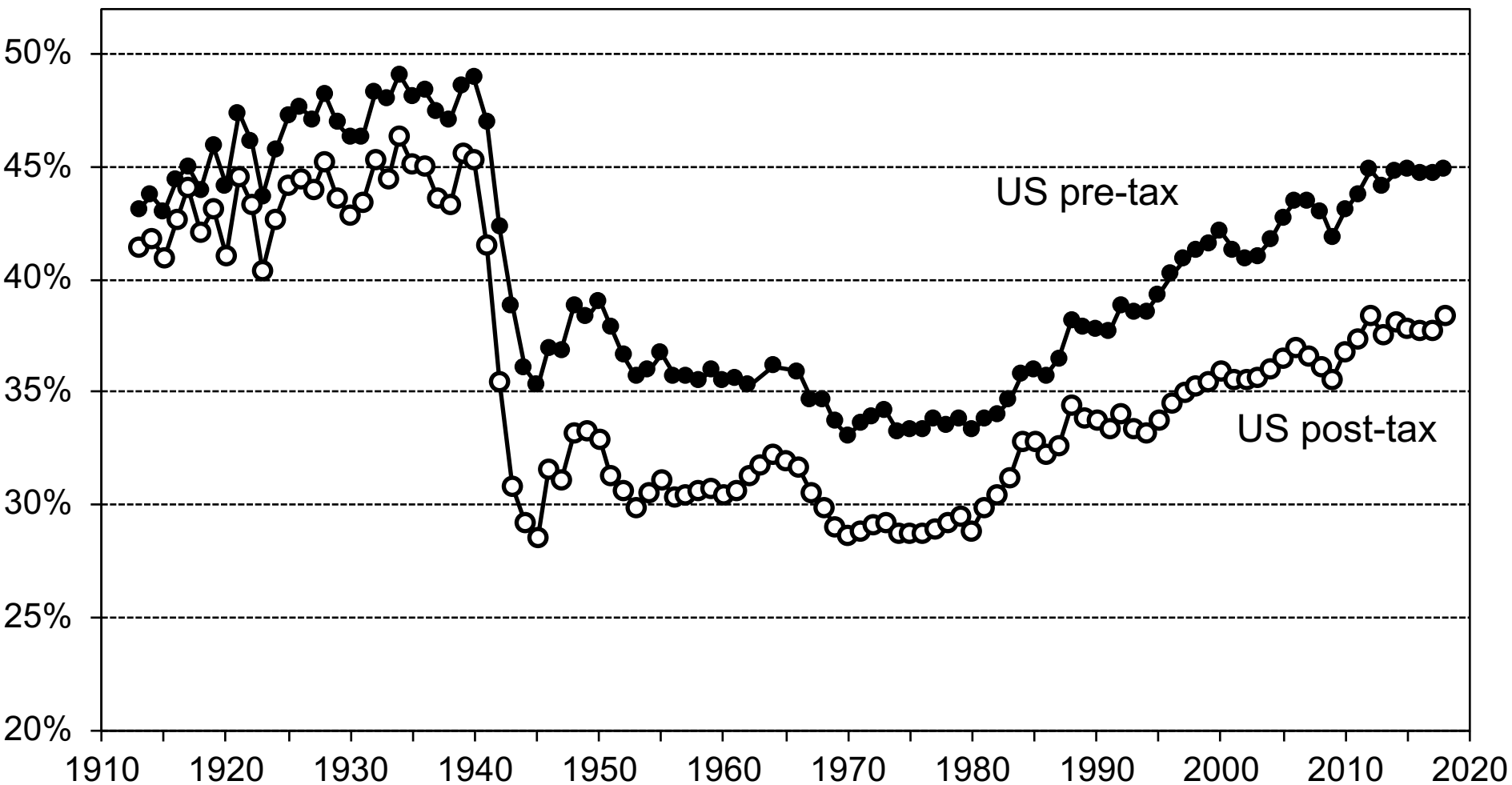
Top income shares of pretax national income among adults aged 20+ (income within couples equally split).
Source is World Inequality Database wid.world (from Piketty, Saez, Zucman 2018).

US Top 10% Income Shares pre-tax vs. post-tax, 1913-2020



Top income shares of pretax and posttax national income among adults (income within married couples equally split). Source is Piketty, Saez, Zucman (2018) for US and Piketty et al. (2020) for France.

US Top 10% Income Shares pre-tax vs. post-tax, 1913-2018



Top income shares of pretax and posttax national income among adults (income within married couples equally split). Source is Piketty, Saez, Zucman (2018) for US and Piketty et al. (2020) for France.