

Macro Roundup Article

Headline: [How Progressive is the U.S. Tax System?](#)

Article Link: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4647122#

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Tweet: Both PSZ and AS show the same trend in US redistribution: a dramatic increase over the past 60 years driven by transfers to the bottom half of the US population. @WeisbachD

Summary: We compare the results from three different publicly available datasets, those from Piketty, Saez, and Zucman (2018), Auten and Splinter (2023), and Congressional Budget Office (2023). All three datasets show that the tax system has become more progressive and more redistributive over the last several decades. This increase in redistribution is driven primarily by an increase in transfers to households in the bottom half of the income distribution which is missed by a focus on the top 1%. Figure 2 shows the tax rates for each of these groups from 1966 until 2019. Once we look at the bottom half of the population, the two datasets tell a similar story. Both show that the key change over the last 60 years has been a dramatic increase in transfers to the bottom half of the population. This increase swamps the changes in tax rates for the top half of the population. PSZ exclude Social Security from their definition of transfers (including it in their definition of pre-tax hybrid income) while AS treat Social Security as a transfer (as it is not included in national income). Regardless of this difference, however, both groups show that the increase in transfers to the bottom half of the population is the central story of the tax and transfer system over the last half century.

Related Articles: Income Inequality in the United States: Using Tax Data to Measure Long-Term Trends and Comment on Auten and Splinter (2023) and The Economics of Inequality in High-Wage Economies

Primary Topic: Inequality

Topics: Academic paper, Database, Fiscal Policy, Government Spending, Important!, Inequality, Weekly, Workforce

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