The Economic Impact of Inequality on Public Budgeting

NATIONAL ACADEMY OF SOCIAL INSURANCE
JANUARY 28, 2016

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Historic Shift: Labor Productivity Less Than Real GDP Growth
Annual % Change 2000-2014

- Real GDP Growth
- Labor Productivity
- Linear (Real GDP Growth)
- Linear (Labor Productivity)
Productivity Growth and Real Hourly Compensation Growth, Nonfarm Business Sector, Selected Periods, 1947-2009

Source: U.S. Bureau of Labor Statistics
## Mandatory Expenditures
(Outlays by FY, Billions of Dollars)

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<tbody>
<tr>
<td><strong>Means Tested:</strong></td>
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<tr>
<td>Health Care</td>
<td>187</td>
<td>397</td>
<td>760</td>
<td>6.7%</td>
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<tr>
<td>Income Security</td>
<td>163</td>
<td>268</td>
<td>295</td>
<td>1.0%</td>
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<td><strong>Subtotal</strong></td>
<td>354</td>
<td>683</td>
<td>1,072</td>
<td>4.6%</td>
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<td><strong>Non-Means Tested:</strong></td>
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<tr>
<td></td>
<td>1,094</td>
<td>1,847</td>
<td>3,165</td>
<td>5.5%</td>
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<td><strong>Total Mandatory</strong></td>
<td>1,448</td>
<td>2,530</td>
<td>4,237</td>
<td>5.3%</td>
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<tr>
<td>% Means Tested</td>
<td>24%</td>
<td>27%</td>
<td>25%</td>
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<tr>
<td>% Non-Means Tested</td>
<td>76%</td>
<td>73%</td>
<td>75%</td>
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</table>
Federal Spending Projected for 2025

- **Medicare** (16%)
- **Medicaid** (10%)
- **Social Security** (26%)
- **Defense** (12%)
- **Net Interest** (14%)
- **Other Mandatory Spending** (10%)
  - Domestic Discretionary (11%)
  - Agriculture (0.3%)
- **Other Health Programs** (2%)
Federal Spending as a Share of the Economy 1980 – 2050

SOURCE: Congressional Budget Office, Historical Budget Data, January 2015, and The 2015 Long-Term Budget Outlook, June 2015; and PGPF projections based on CBO data. Calculated by PGPF.

NOTE: Projections are from the extended baseline scenario. Major health programs include Medicare, Medicaid, Children’s Health Insurance Program (CHIP), and the health exchanges.
Redistribution and Growth, Developed Countries, 1981 - 2010

Blue = 1981 – 1995 Average
Red = 1996 – 2010 Average

GDP per Capita Growth, 2005 PPP International $

Reduction in Gini Coefficient Due to Redistributive Taxes and Transfers

- Japan
- United States
- Italy
- France
- United Kingdom
- Canada
- Germany
- Sweden
“We must make our choice. We may have democracy, or we may have wealth concentrated in the hands of a few, but we cannot have both.”

*Justice Louis D. Brandeis  1856-1941*