United States

Additional Material from Chapter 3: Income Inequalities during the crisis and fiscal consolidation

OECD(2015), In It Together: Why Less Inequality Benefits All

www.oecd.org/social/inequality-and-poverty.htm

With the financial assistance of the European Union

In the United Sates, the crisis had a stronger negative effect on employment than on economic growth. Public finances also took their toll with large increases in public expenditure and fall in public revenue, although in 2013 public revenue was back to pre-crisis level. Household disposable income fell in the sharper years of the crisis and failed to follow the GDP recover.

Macro and aggregate statistics, United States 2007-2013

Cumulative percentage change between 2007 and 2013 (2007 = 0)

	GDP	Employment rate	Public expenditure	Public revenue	HDI
2008	0	-1	5	-7	-1
2009	-3	-6	13	-16	-1
2010	-1	-7	15	-13	-3
2011	1	-7	13	-11	0
2012	3	-7	12	-8	0
2013	6	-6	11	0	-

Note: GDP: Gross domestic product by volume; Employment: employment rate of working-age population; Public expenditure: does not include general economic, commercial and labour affairs; Public revenue: only includes taxes and social contributions; HDI: mean household disposable income.

Source: OECD data from National Accounts Statistics, Labour Force Surveys and Income Distribution Database (IDD).

Tax-benefit measures implemented in the United States between 2007 and 2010 included a number of fiscal stimulus measures. Some measures were rolled back in 2011 as the economy started to recover. Fiscal stimulus measures included permanent and temporary increases in tax reliefs and tax credits (e.g., "Making work pay" and EITC); extending the duration of unemployment benefits (gradually rolled back from 2011); replacing the "Food Stamp Program" with "Supplemental Nutrition Assistance Program"; and reducing payroll tax rates in 2011 and 2012.

Overall simulation results suggest that tax-benefit measures had a positive impact on family incomes, mainly due to higher social benefits. The impact was particularly positive for families that were out-of-work and earning below the average wage, mainly due to changes in unemployment, social assistance benefits and tax credits. Families with middle to high earnings gained from cuts on taxes and, especially, social contributions, but these measures were rolled back in 2013.

Simulated effects of tax-benefit reforms on family disposable income, United States 2007-2013

Cumulate and annual percentage change of simulated family disposable income (2007 = 0)

	Total	Months in unemployment					% of AW										Pensions	VAT
		0-12	13-24	25-36	37-48	49-60	0-20	21-40	41-60	61-80	81-100	101-120	121-140	141-160	161-180	181-200		
Total	7	34	17	4	4	4	10	14	14	5	2	1	1	0	0	0	(+) i	.
Taxes	1	-5	-1	0	0	0	3	6	4	1	1	1	0	0	0	0		.
Benefits	7	39	18	4	4	4	7	7	9	4	1	1	0	0	0	0	(+) i	.
2008	7	44	19	-1	-1	-1	4	7	7	6	4	3	3	3	2	2		.
2009	9	0	56	14	14	14	9	10	10	5	2	0	-1	-1	-1	0	(+) i	.
2010	1	-1	25	-2	-2	-2	-1	-1	-1	-1	0	0	0	0	0	0		.
2011	-1	-3	-3	-3	-3	-3	-3	-3	-3	-2	-1	0	1	1	1	1	(-) i	.
2012	-1	-2	-15	-2	-2	-2	2	1	1	-1	-1	0	0	0	0	0		.
2013	-4	-1	-39	-1	-1	-1	-1	-1	-1	-2	-2	-2	-2	-2	-2	-2		.

Note: See Read Me.

Source: OECD Tax Benefit Model, OECD VAT database, SSA (2015).