

Makers and Takers, An Economic Perspective

CAL DAY panel on “Makers and Takers” April 2013

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[Goldman School UC Berkeley, July 2013]

Myth 1: What me? I'm not a taker

- Much attention is given to the idea that low income families are “takers”
- Main programs providing cash or cash-like assistance to low income families:
 - Food Stamps (SNAP)
 - The Earned Income Tax Credit (EITC)
 - “Welfare” (TANF)

Federal Spending on Selected Means-Tested Programs and Tax Credits, 2012

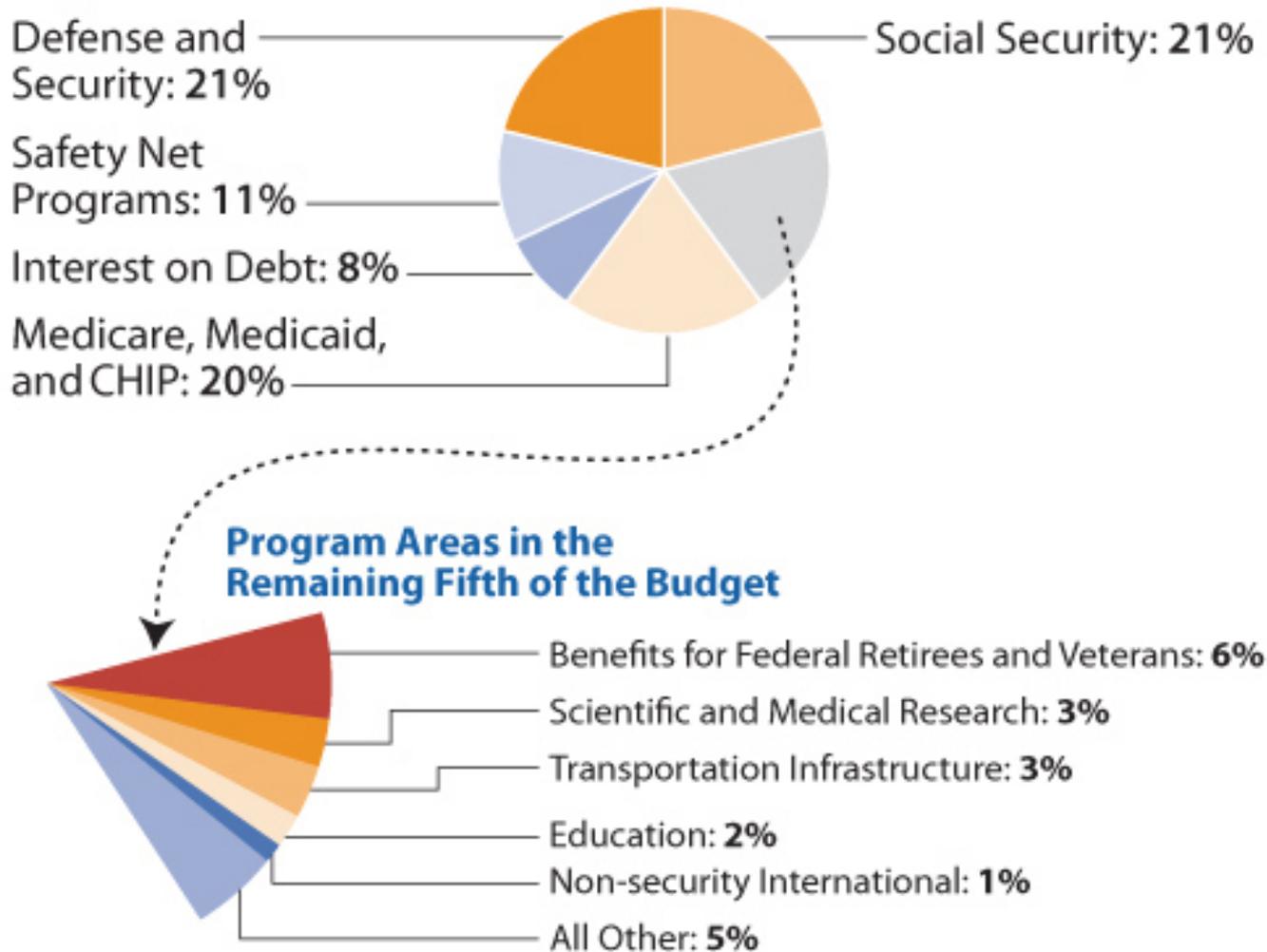
(Billions of dollars)



Source: Congressional Budget Office.

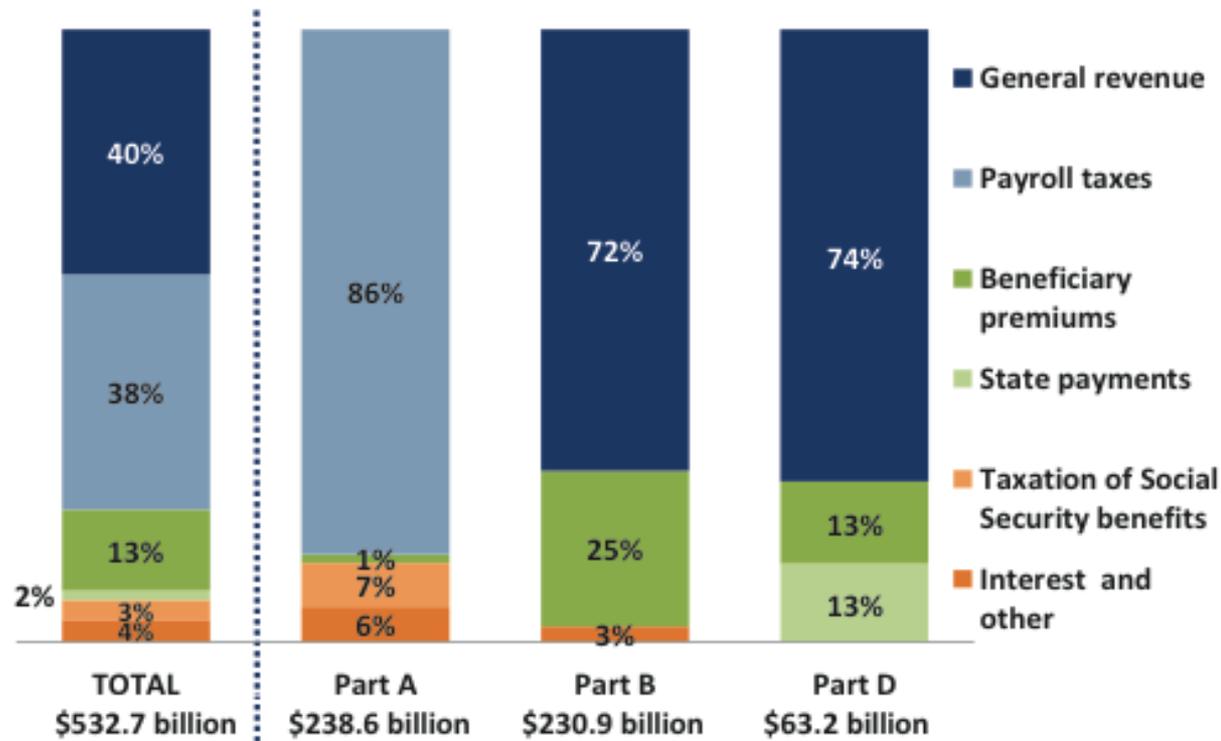
- What other government programs provide benefits to Americans?
 - Social Security
 - Medicare
 - Disability
 - Unemployment
- Virtually all Americans age 65 and over receive Social Security and Medicare. Are we all takers?

Most of Budget Goes Toward Defense, Social Security, and Major Health Programs



Source: Congressional Budget Office
Note: Percentages may not total 100 due to rounding.

Estimated Sources of Medicare Revenue, 2012



SOURCE: 2012 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.



“Hands off my Medicare”

It is little known that payroll taxes account for only 40% of Medicare costs. General taxes pay for most of the rest.

Myth 2: Taker = Dependency

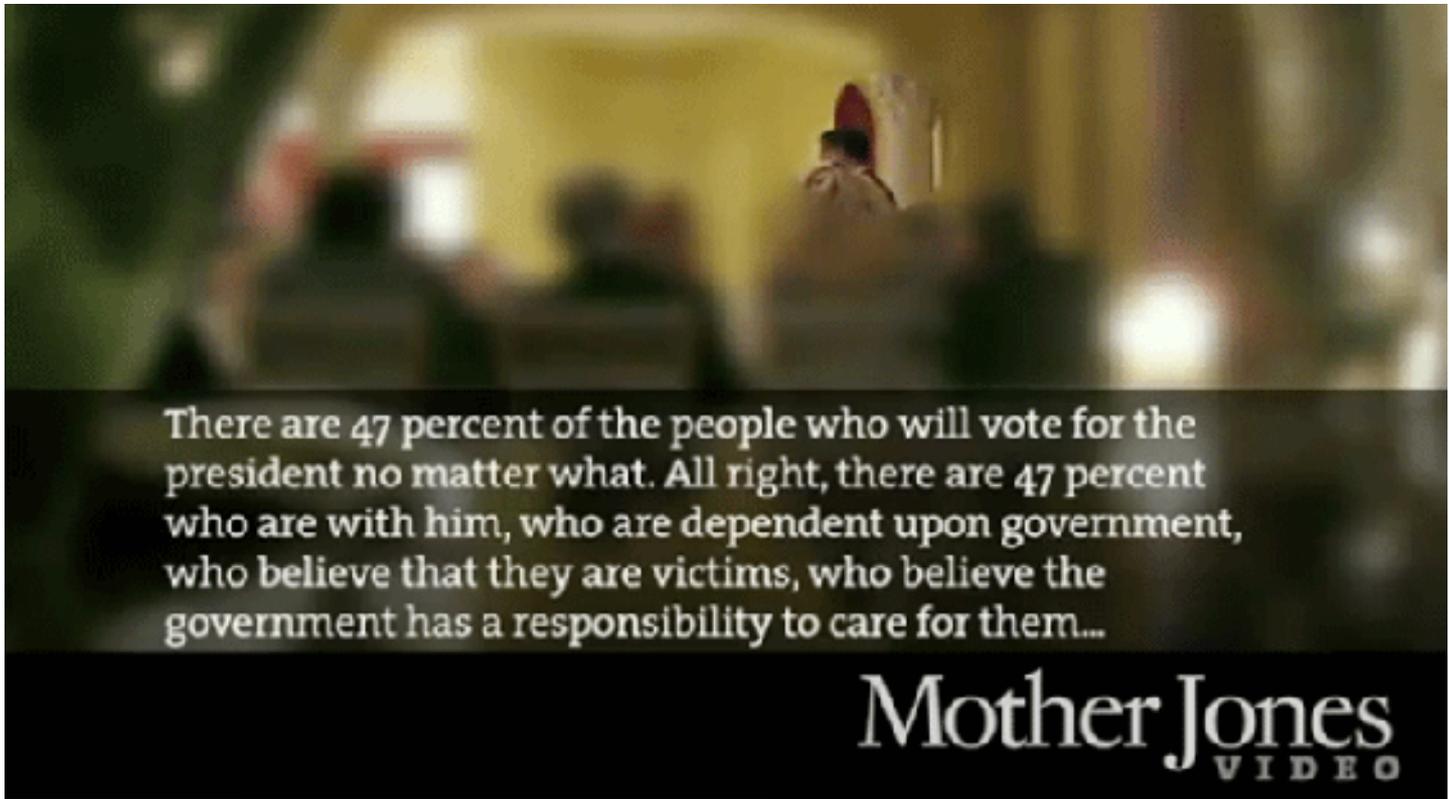
- Welfare reform
- The expansion of the Earned Income Tax Credit

→ Have changed the incentives for low income families on assistance

- Both programs are strongly tied to work and have led to increases in employment

- Disability programs (Social Security Disability, SSI) are an exception to this
 - Participation in these programs tends to be quite long term

Myth 3: The 47 percent are “takers”



There are 47 percent of the people who will vote for the president no matter what. All right, there are 47 percent who are with him, who are dependent upon government, who believe that they are victims, who believe the government has a responsibility to care for them...

Mother Jones
VIDEO

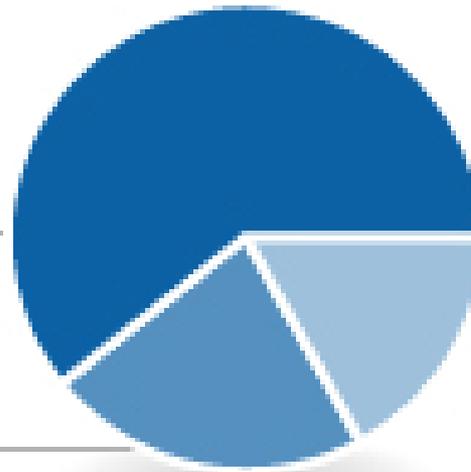
Figure 4

Who Doesn't Pay Federal Income Taxes?

Households who owed no federal income tax in 2011

Workers who
pay payroll
taxes
61%

Elderly
22%

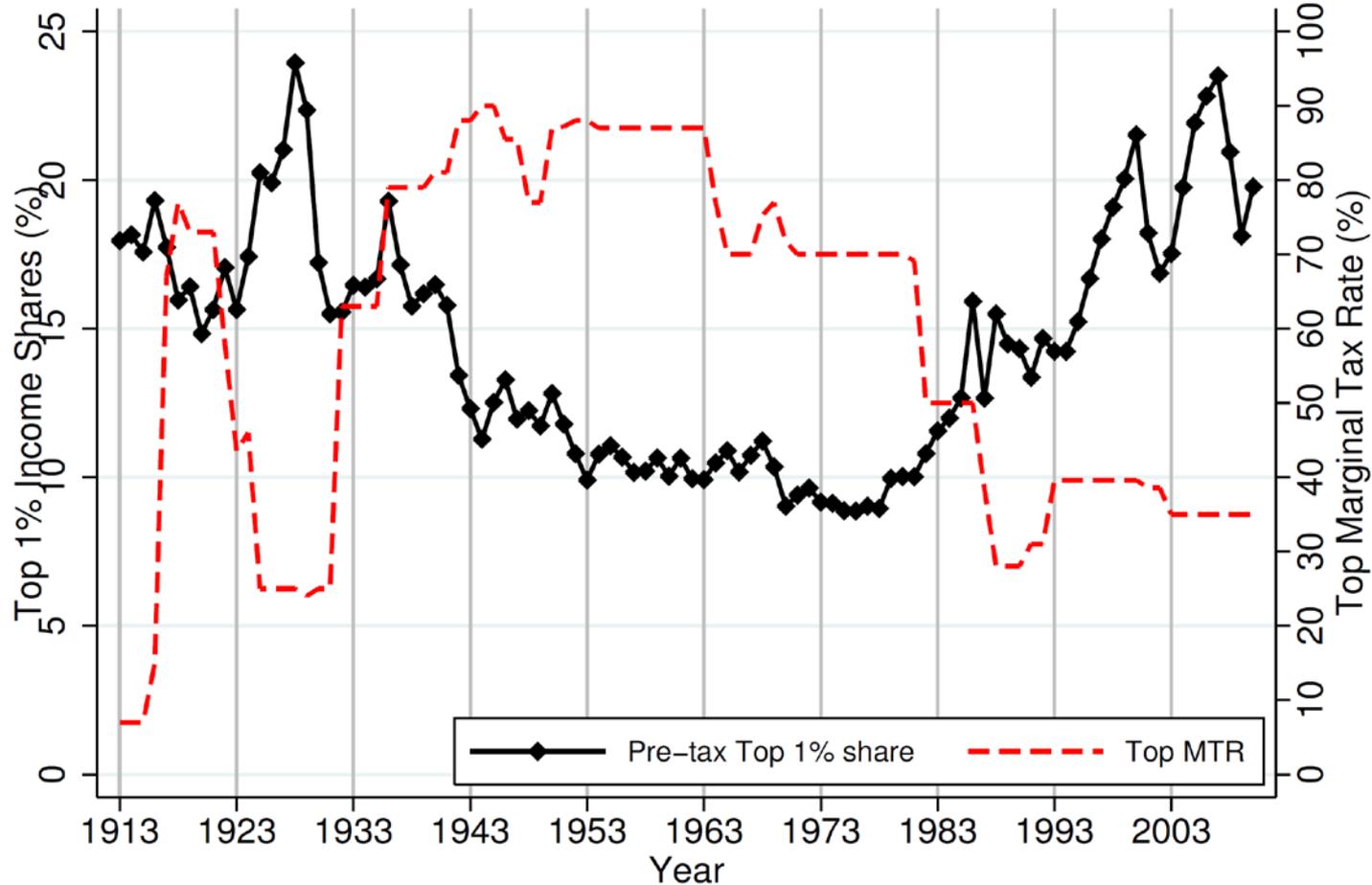


Other, including
students, people
with disabilities,
and jobless
17%

Source: Urban Institute-Brookings Institution Tax Policy Center,
Who Doesn't Pay Federal Taxes?

And while talking about taxes, what about the 1 percent?

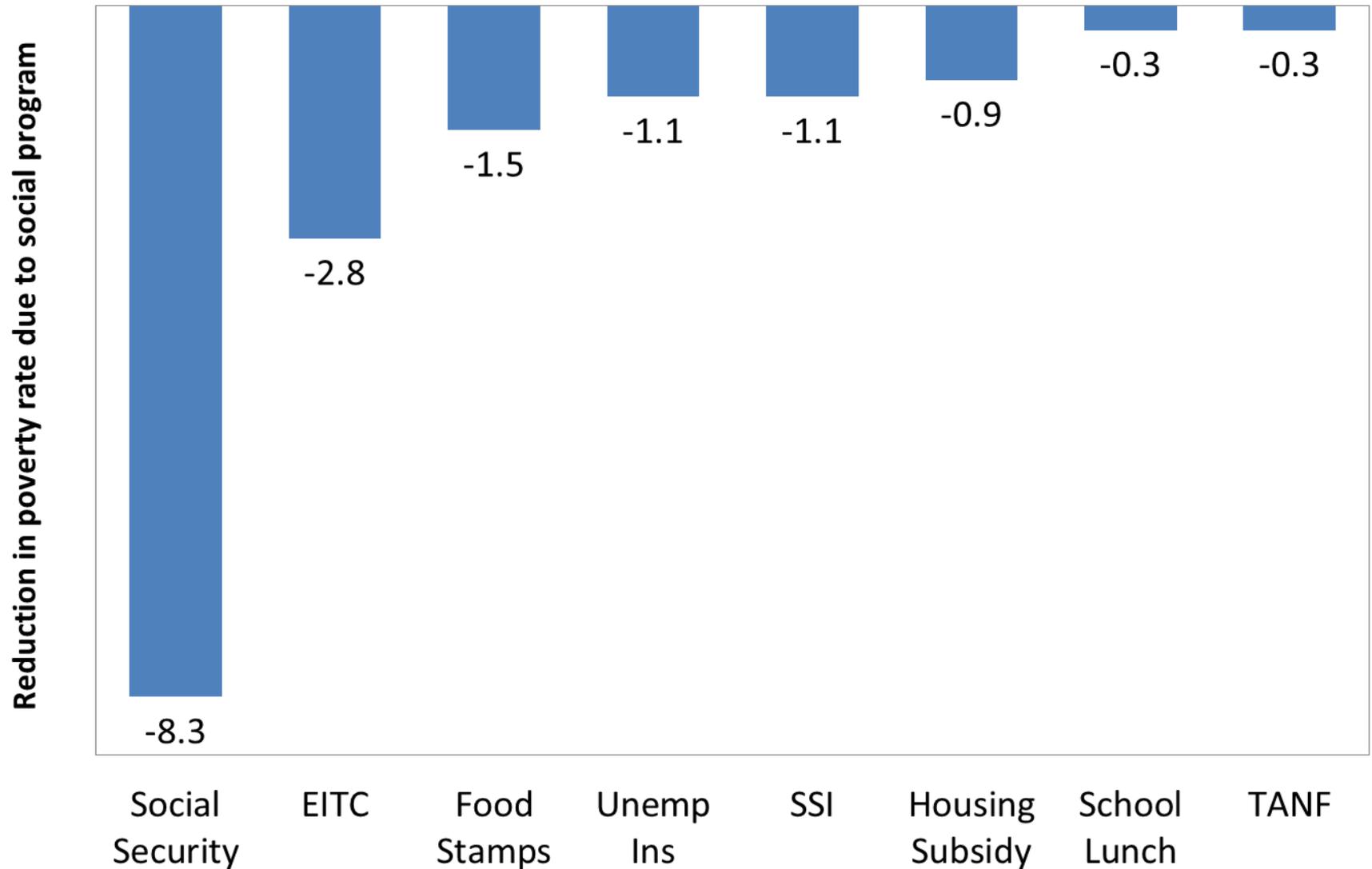
Top 1% Income Share (pre-tax) and Top Marginal Tax Rate



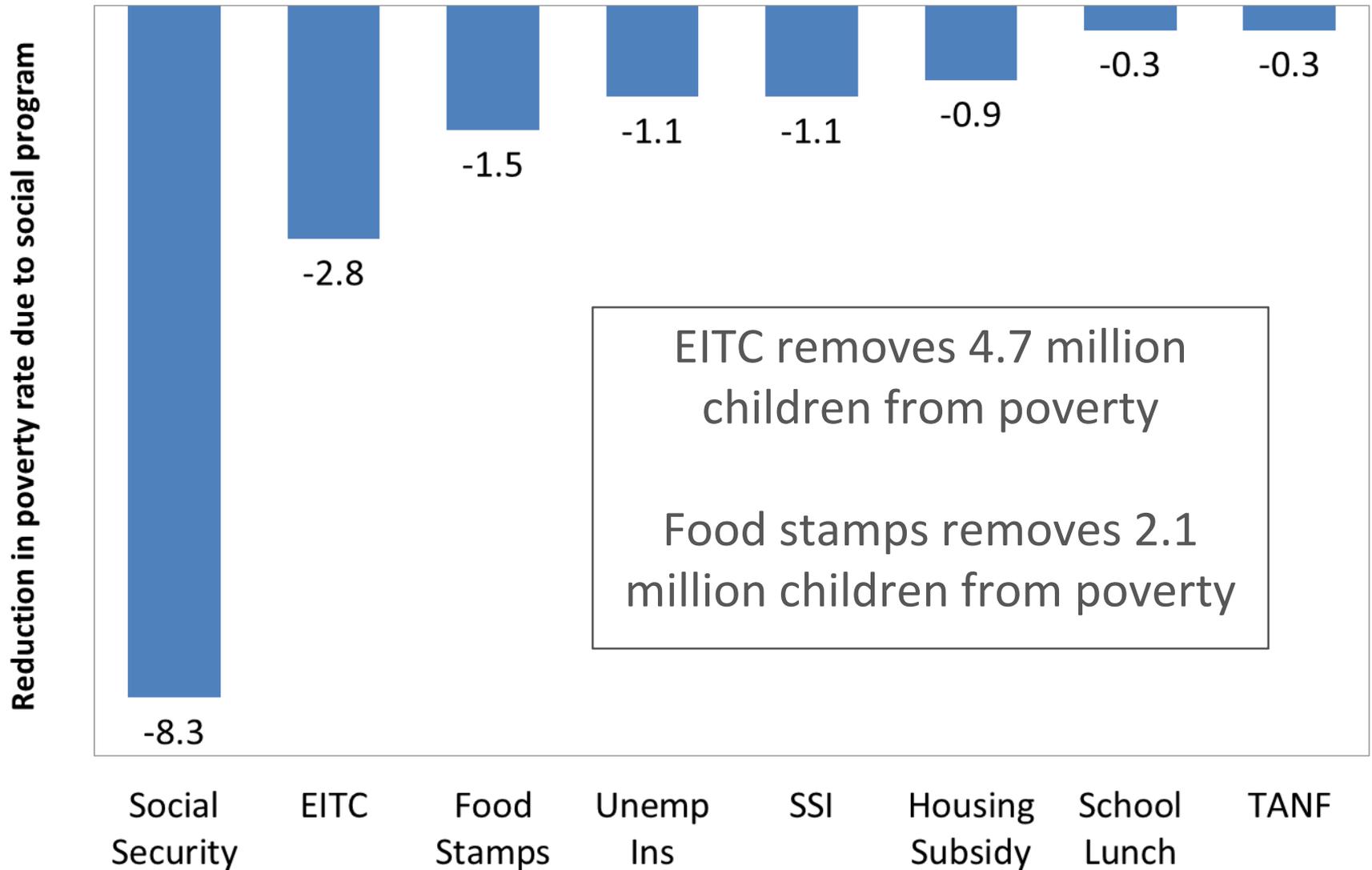
Source: Emmanuel Saez, UCB Economics

Myth 4: The “taking” doesn’t help

Government programs reduce poverty



Government programs reduce poverty



Concluding thoughts

- The point is that the “takers” versus “makers” dichotomy is, at best, wrong. Also not constructive.
- We can have a discussion about whether Americans want to pay for these programs.
- But let’s be clear about what they do and who is affected.