The major components of spending in the U.S. are consumption, investment, and government spending on goods and services; net exports are fairly small by comparison. It may surprise some to know that government’s share of spending has remained fairly constant over the period 1929-98. (Reliable data prior to 1929 are not available.) With the notable exception of World War II, government’s share of spending has been approximately 20% of the total. Yet, as most Americans know, government takes a larger chunk of paychecks today than it did 70 years ago. Since 1929, the fraction of GDP collected in taxes has risen from 11% to 35%. State and local tax collection rose sharply through the 1930s and early 1940s, leveling off at around 20% of output. Between the end of World War II and the early 1970s, federal taxes rose from 5% to 13% of GDP, after which they leveled off.

It turns out that government today shuffles more money between Americans than in the past. In the 1930s, government transfers to persons were around 2% of GDP. Since the end of World War II, these transfers have risen fairly steadily to around 13.5% of output. Apart from the Great Depression and the war years, the federal government has made roughly 75% of total government transfers, with state and local governments making the remainder.