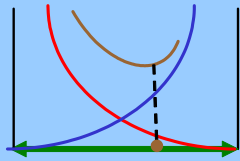
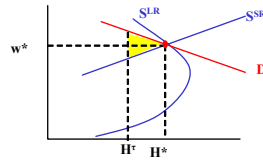


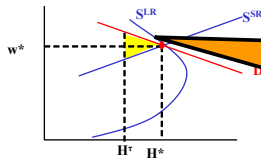
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Efficiency Losses

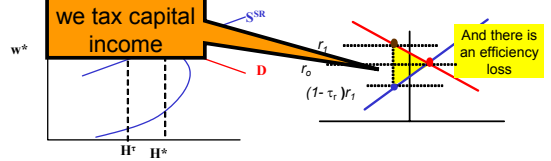


Efficiency Losses



When we tax wage income or consumption there is an efficiency loss

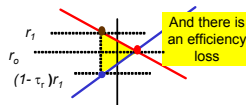
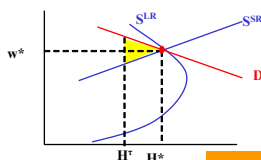
Efficiency Losses



So too when we tax capital income

And there is an efficiency loss

So What are we to Do?



So what are we to do?

Eliminate the Government?

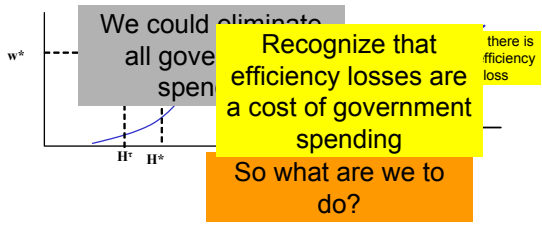


We could eliminate all government spending

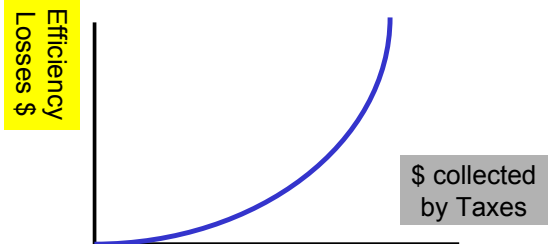
And there is an efficiency loss

So what are we to do?

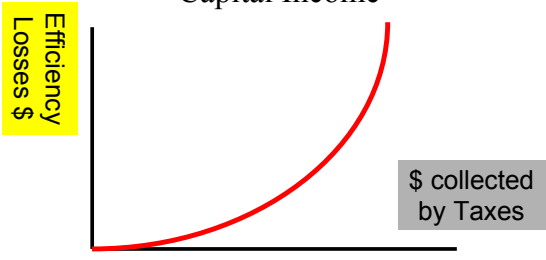
Eliminate the Government?



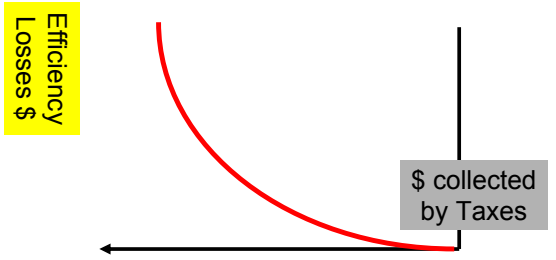
Efficiency Losses from Wage and Sales Taxes



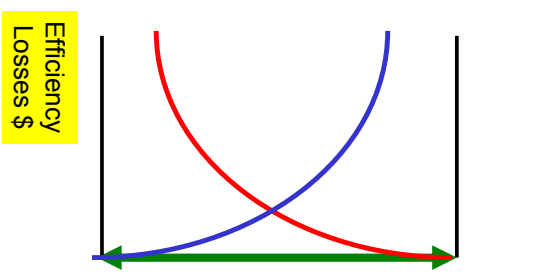
Efficiency Losses from Taxes on Capital Income



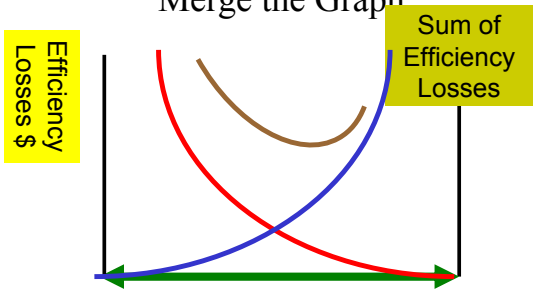
Rotate the Graph

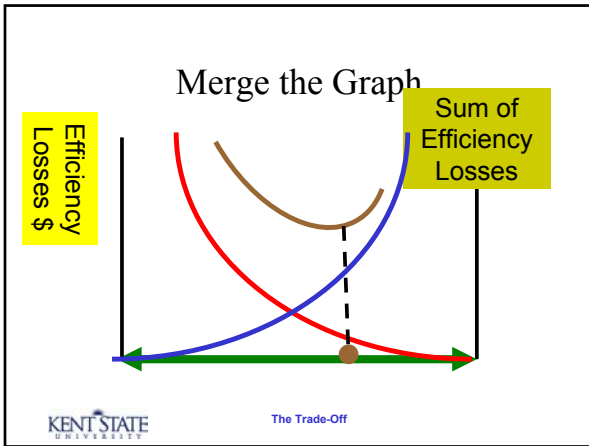


Merge the Graph



Merge the Graph





And The Number is

- This graph is not to scale, and the general point is obvious: a balance is called for.
- But can we put a number?

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A Formula from the Past

$$\frac{\tau_B}{\tau_A} = \frac{\left[\frac{R_{\tau_B=1\%}}{EL_{\tau_B=1\%}} \right]}{\left[\frac{R_{\tau_A=1\%}}{EL_{\tau_A=1\%}} \right]}$$

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Updated

$$\frac{\tau_r}{\tau_w} = \frac{\left[\frac{R_{\tau_r=1\%}}{EL_{\tau_r=1\%}} \right]}{\left[\frac{R_{\tau_w=1\%}}{EL_{\tau_w=1\%}} \right]}$$

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Putting Some Numbers

$$\frac{\tau_r}{\tau_w} = \frac{\left[\frac{R_{\tau_r=1\%}}{EL_{\tau_r=1\%}} \right]}{\left[\frac{R_{\tau_w=1\%}}{EL_{\tau_w=1\%}} \right]} < 1$$

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End

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