## Wage Taxes $=$ Sales Taxes

- I work for $\$ 10$ an hour
$\mathrm{KENT}_{V} \mathrm{NT}_{1} \operatorname{STATIT}_{1} \mathrm{TAT}_{\mathrm{T}} \quad$ Wage and Consumption Taxes


## Wage Taxes = Sales Taxes

- I work for $\$ 10$ an hour
$-\tau_{\mathrm{w}}=20 \%$
- I can purchase $\$ 8$ of goods and services.

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KENTISTATE Wage and Consumption Taxes

## Wage Taxes = Sales Taxes

- I worl far $\$ 1 \mathrm{n}$ an hnor
${ }_{\text {I wol }}^{-\tau_{\mathrm{w}}} \tau_{w}^{*}=\frac{\tau_{w}+\tau_{s} \text {,ices. }}{1+\tau}$
$-\tau_{\mathrm{w}}$
$1+\tau_{s}$
$-\tau_{s}=4 \omega_{0}$
- I can purchase $\$ 8$ of goods and services.

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Wage and Consumption Taxes

Wage Taxes = Sales Taxes Warning the equivalence is not exact. One of the lessons of consumption theory is that we do not have to spend when we earn. As a consequence, there are differences.

- I can purchase $\$ 8$ of goods and services.

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End
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