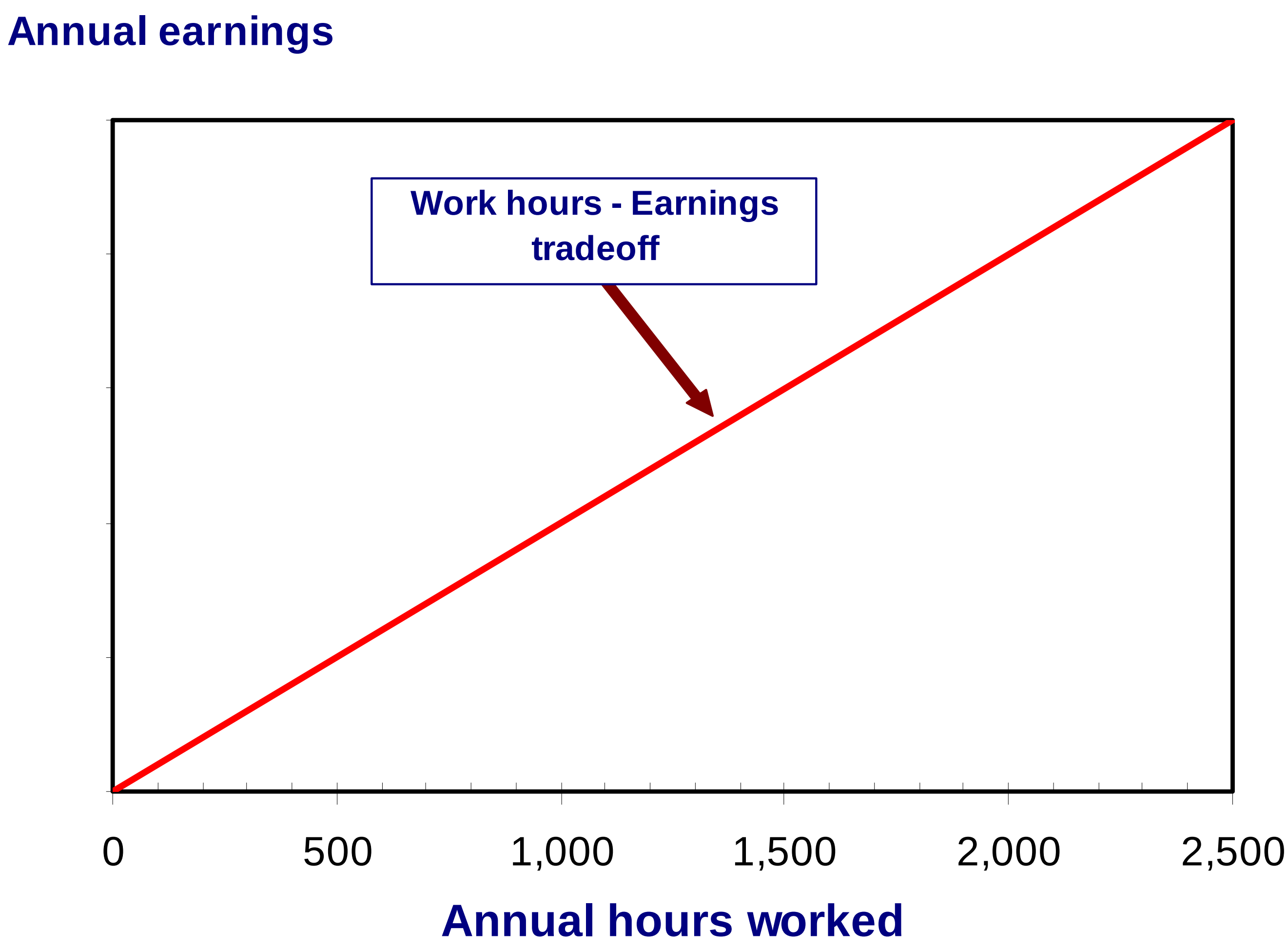
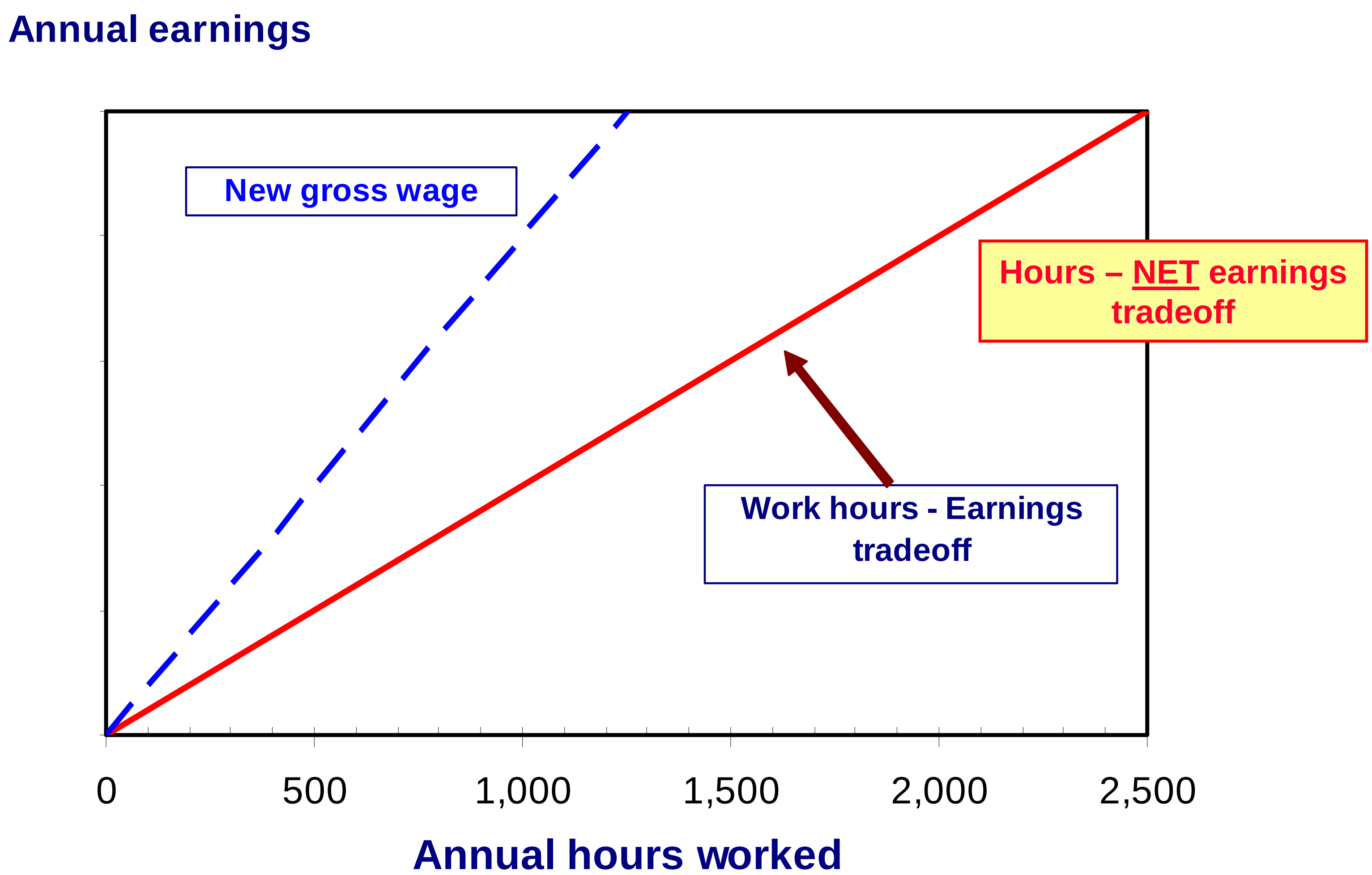
# Taxes and labor supply

- Taxes affect labor supply … at individual level and aggregate level
- Labor supply differences between countries are comparatively large
- It is unlikely that simple measures of aggregate tax burdens ( **T / GDP** *or* **G / GDP** ) capture the impact of taxes on *either* individual *or* aggregate labor supply
- It is more likely that the schedule of taxes and composition of public spending produce those aggregate effects

# Theory of individual labor supply (1900)



# Theory of individual labor supply (2007)



# Theory of individual labor supply (2007)

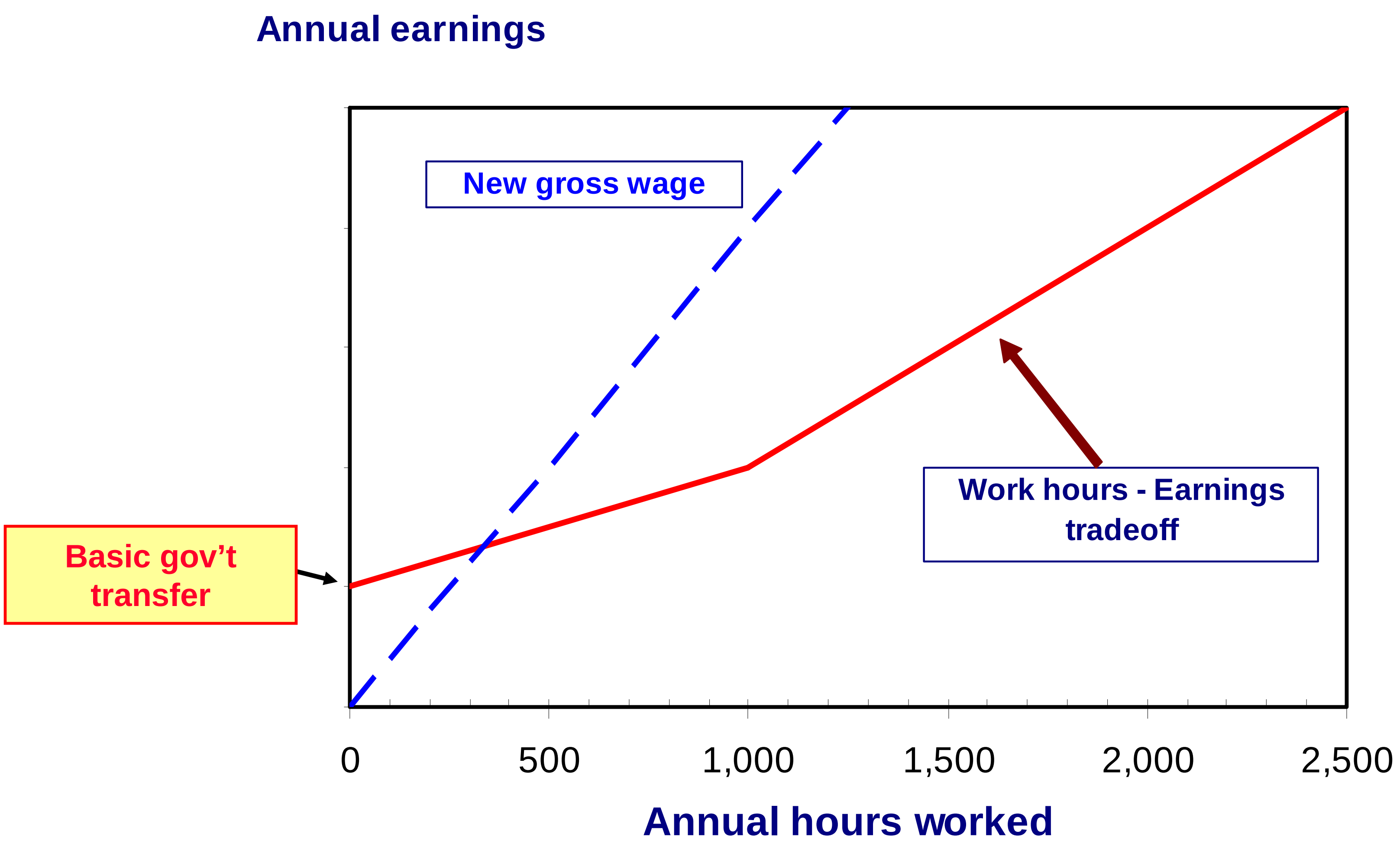
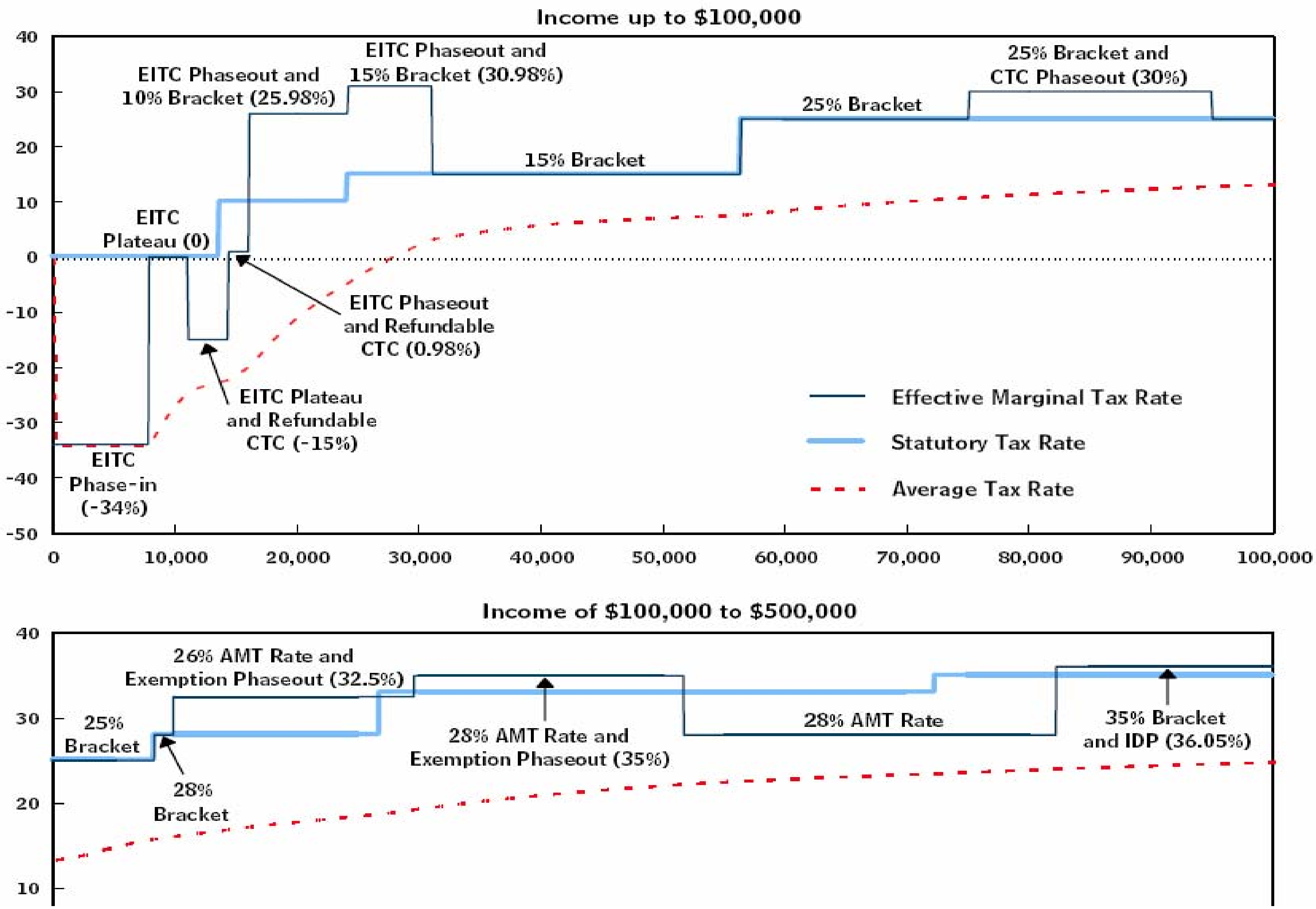


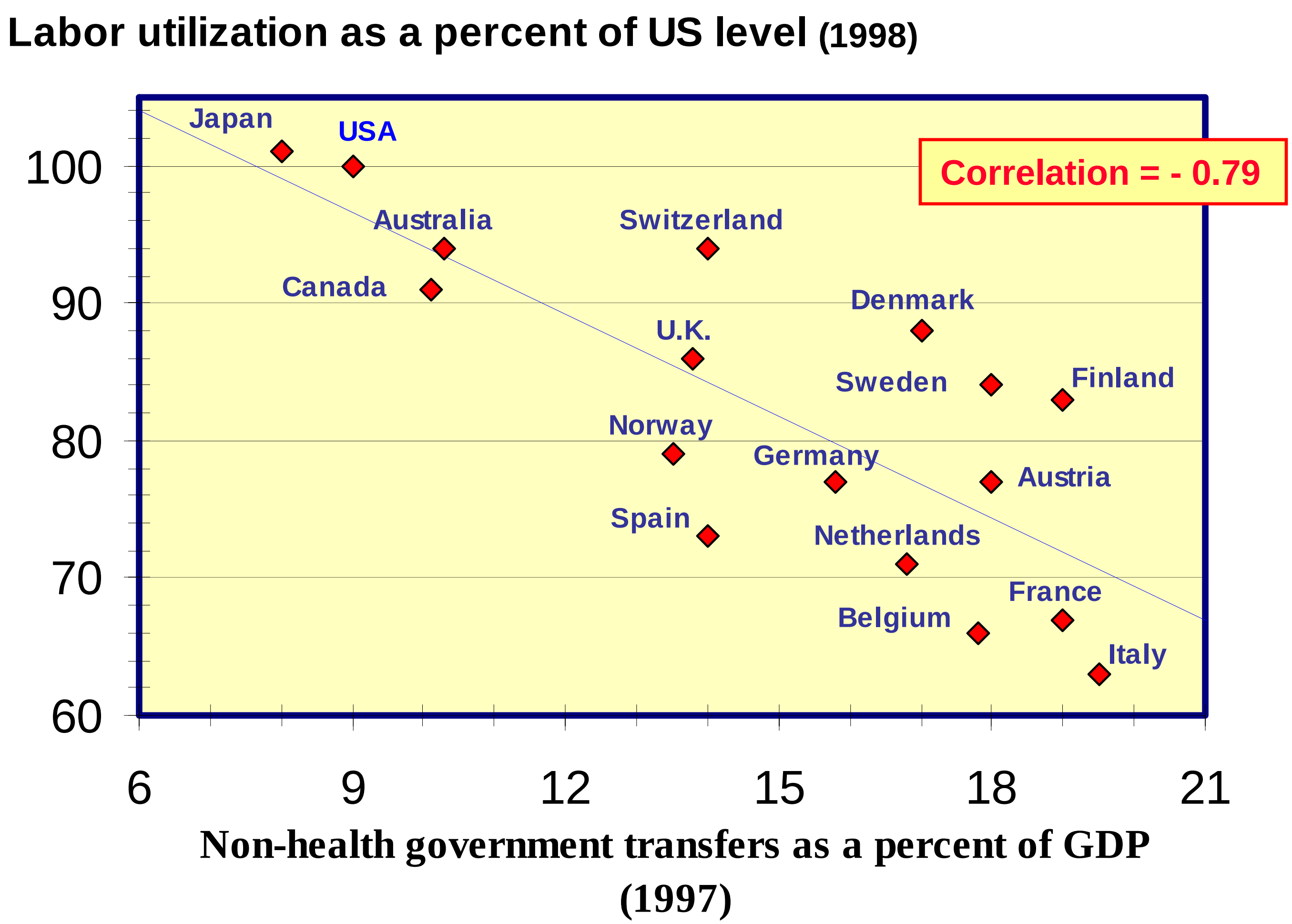
**Figure 3.**

## Effective Marginal Federal Income Tax Rates for a Head of Household with One Child in 2005

(Percent)



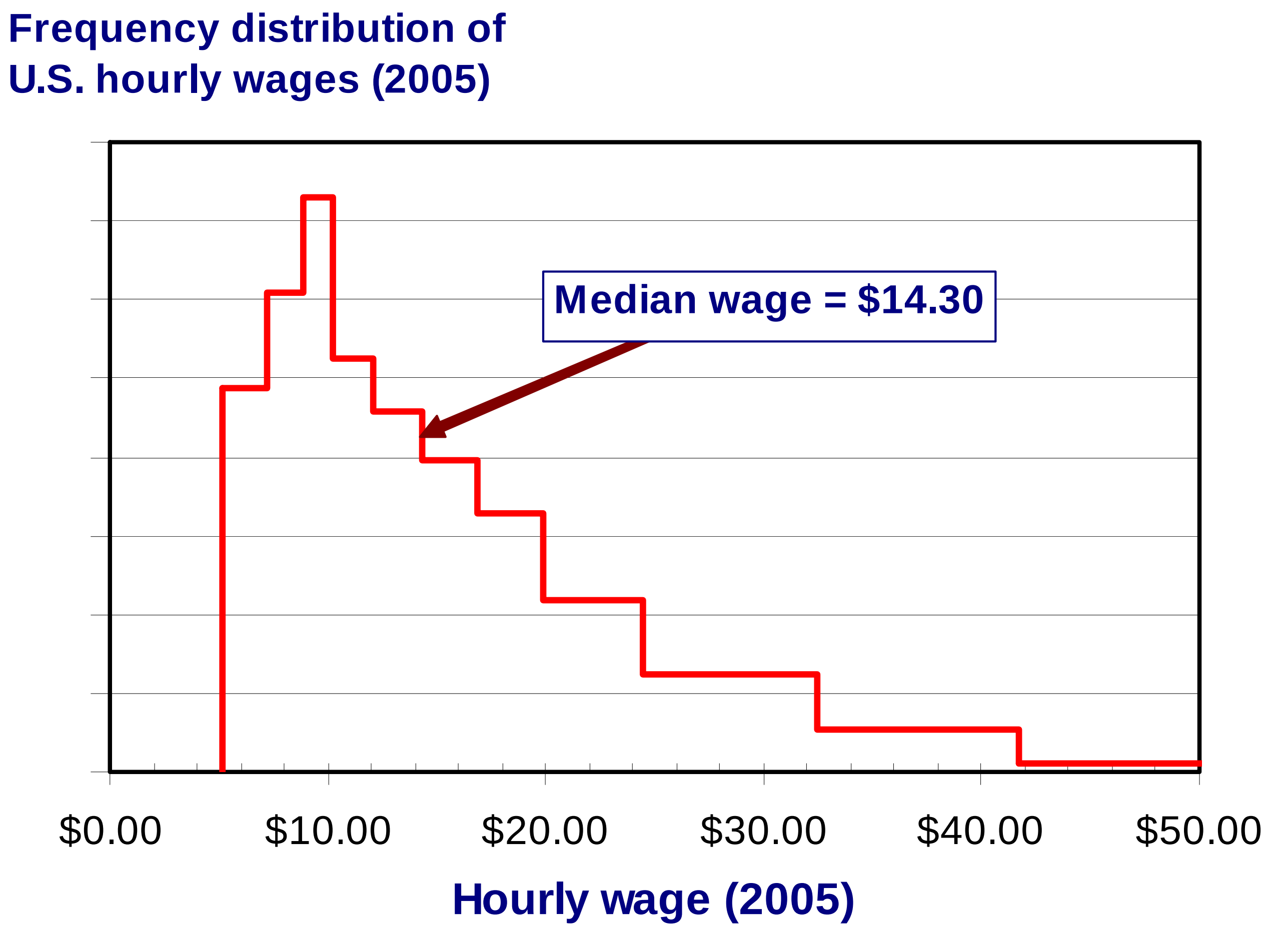
# Impact of government transfers on labor force utilization, 1997-1998




*Source:* OECD and IMF.

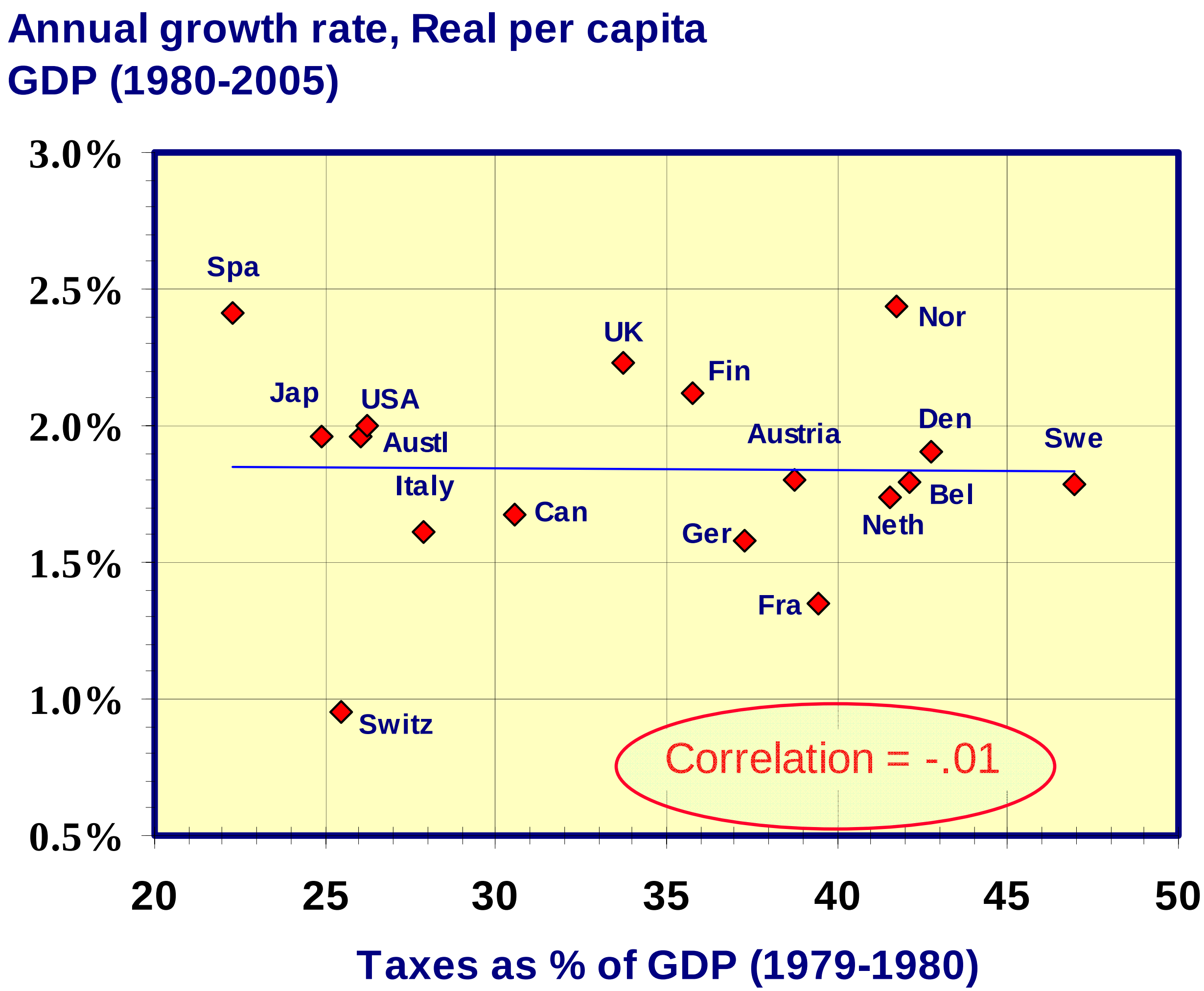
# Inequality is growing –

## U.S. disposable income distribution, 1979 and 2004



# Impact of taxes on per capita GDP growth

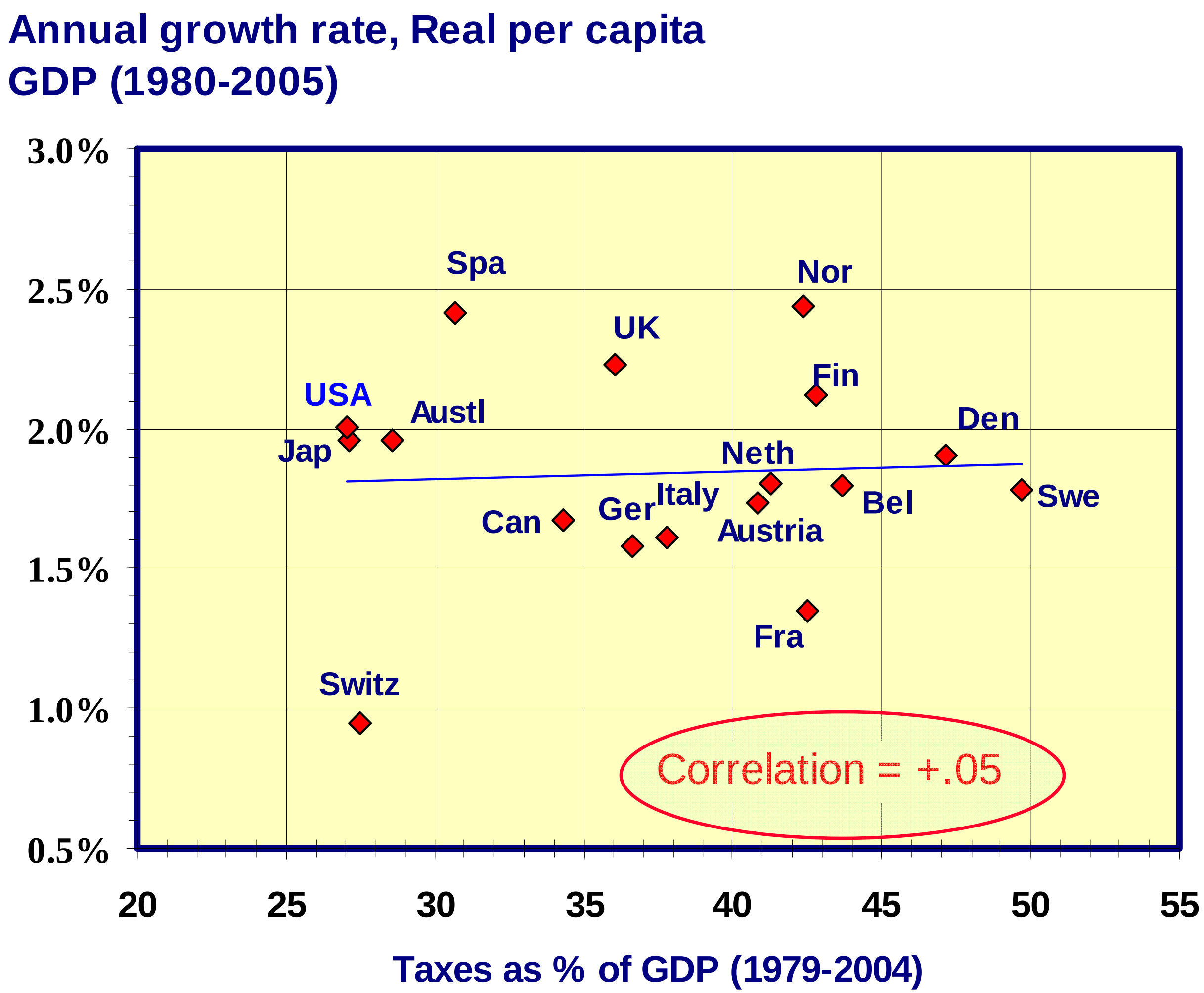
**1980-2005**




*Source:* OECD and IMF.

# Impact of taxes on per capita GDP growth

**1980-2005**




*Source:* OECD and IMF.