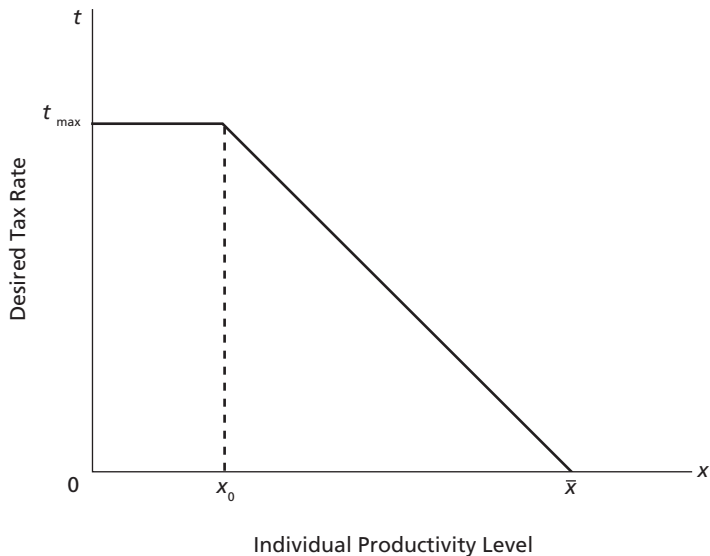


FIGURE 9.2**Individual Productivity and Desired Tax Rate According to the Meltzer-Richard Model**

Note: x = an individual's level of productivity; \bar{x} = the average level of individual productivity in society. Individuals with a productivity level below x_0 will choose not to work and to live entirely on government transfers. t = an individual's desired tax rate; t_{\max} = the maximum desired tax rate.