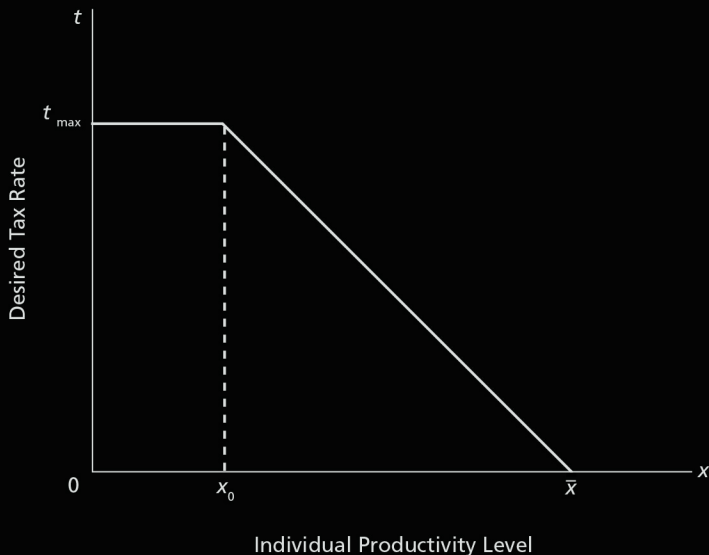


**FIGURE 9.2****Individual Productivity and Desired Tax Rate According to the Meltzer-Richard Model**

*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.