

## Macro Roundup Article

**Headline:** [Calomiris on Gramm Ekelund and Early on Income Distribution](#)

**Article Link:** <https://johnhcochrane.blogspot.com/2022/12/calomiris-on-gramm-ekelund-and-early-on.html>

Author(s)	John Cochrane
Publication	The Grumpy Economist
Publication Date	January 03, 2023

**Tweet:** [@JohnHCochrane](#) reviews Phil Gramm, Robert Ekelund and John Early book and highlights their big finding, "The effective marginal tax rate in the lowest three quintiles is effectively 100%. Earn a dollar and lose a dollar of benefits. Why work?"

**Summary:** Why has work collapsed in the bottom decile? Here we might have a big debate. \$11.76 per hour (2017) isn't a lot. But the previous graphs certainly contain a suggestion worth pursuing: The effective marginal tax rate in the lowest three quintiles is effectively 100%. Earn a dollar and lose a dollar of benefits. Why work? Gramm Ekelund and Early are careful, and don't make any causal assertions here. They don't really even stress the fact popping from the table as much as I have. But the fact is a fact, a nearly 100% tax rate + an income effect isn't a positive for labor supply, and the amount of work in lower quintiles has plummeted. This is a book about facing facts and this one is undeniable.

**Related Articles:** nan

**Primary Topic:** Unemployment/Participation

**Topics:** Database, Op-Ed/Blog Post, Quote, Unemployment/Participation, Weekly, Workforce

**Permalink:** <https://www.edwardconard.com/macro-roundup/johnhcochrane-reviews-phil-gramm-robert-ekelund-and-john-early-book-and-highlights-their-big-finding-the-effective-marginal-tax-rate-in-the-lowest-three-quintiles-is-effectively-100-earn-a-dollar-and-lose-a-dollar-of-benefits-why-work?view=detail>

**Featured Image**

**Link:** <https://www.edwardconard.com/wp-content/uploads/2023/01/1.3.23-Cochrane-quintiles.png>