

Macro Roundup Article

Headline: [The Future of Taxes](#)

Article Link: <https://www.nytimes.com/2023/03/10/opinion/taxes-medicare-medicaid.html>

Author(s)	Paul Krugman
Publication	Krugman Wonks Out
Publication Date	March 13, 2023

Tweet: .@paulkrugman argues that higher marginal taxes rates won't be enough to close the long-run fiscal gap. "We'll eventually have to raise taxes, at least somewhat, on people making less than \$400,000."

Summary: Very high marginal tax rates create problematic incentives. Conservatives emphasize how taxes reduce the incentive to work and create wealth; this effect is surely overrated, but it does exist. More important, high tax rates encourage extraordinary efforts to avoid taxes (which is legal) or evade them (which isn't). Estimates of the revenue-maximizing top tax rate tend to be in the range of 70 percent to 80 percent, well above the federal maximum of 37 percent — but bear in mind that many high earners also face state and local taxes that raise their effective marginal rate to something like 50 percent. So, the amount of additional revenue we can raise from taxing the rich, while substantial, is considerably less than their remaining untaxed income.

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Primary Topic: Taxation

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