

On the Equitability of Progressive Taxation*

TAPAN MITRA[†]

AND

EFE A. OK[‡]

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Abstract

We propose the principle of equal sacrifice to determine the class of “vertically inequitable” progressive taxes. A necessary condition for an income tax function to be equal sacrifice is formulated, and hence, a subclass of progressive taxes which cannot inflict the same sacrifice upon all individuals relative to *any* strictly increasing and concave utility function is determined. Conversely, it is shown in a very general framework that any convex (thus progressive) tax function satisfies the principle of equal sacrifice. Our findings point to the fact that equal sacrifice under progressive income taxation depends heavily upon the degree of marginal rate (as opposed to average rate) progressivity.

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Key words: Income taxation, tax progressivity, equal sacrifice.

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[†]Department of Economics, Cornell University, 416 Uris Hall, Ithaca NY 14853. Telephone: 607 255 4062. E-mail: tm19@cornell.edu

[‡][*Corresponding author*] Department of Economics, New York University, 269 Mercer St., New York NY 10003. Telephone: 212 998 8920. E-mail: okefe@fasecon.econ.nyu.edu