

Abstract

The structure of marginal tax rates (MTRs) in U.S. transfer programs has shifted dramatically over the past 25 years as MTRs have fallen at low levels of earnings and risen at high levels of earnings. This has led to a corresponding relative and absolute redistribution of benefits from the bottom of the earnings distribution to higher levels. It is not clear that this transformation is rationalizable from optimal tax models and probably requires more explanation from models of political economy.