

Quantifying Efficient Tax Reform, by Boerma & McGrattan

Discussant: Marina Azzimonti

Stony Brook University and NBER

What they do

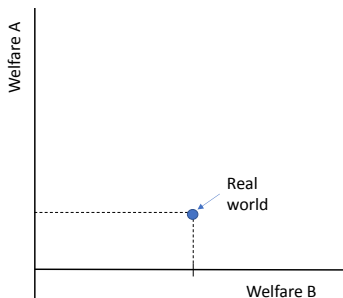
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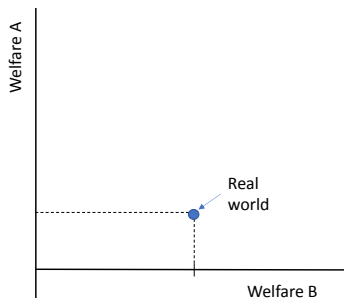
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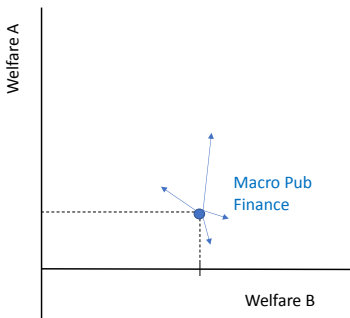
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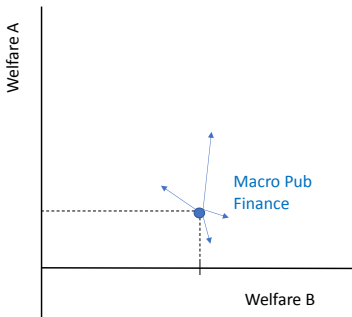
Macro Public Finance

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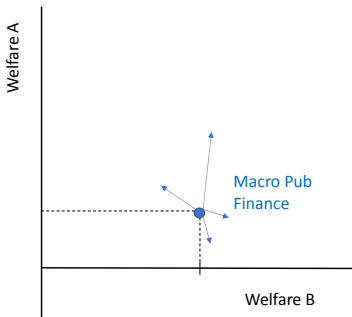
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- Reforms are not necessarily Pareto improving (pol econ considerations)—and somewhat arbitrary—but *realistic*.

New Dynamic Public Finance

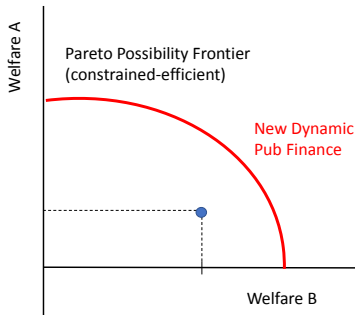
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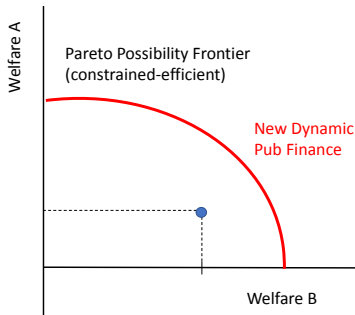
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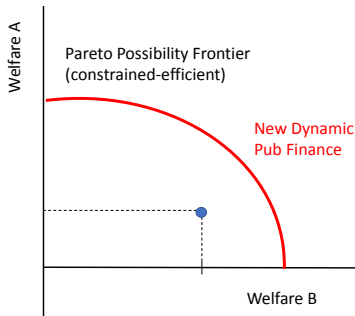
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- Too many options, not all reforms are Pareto improving (given starting point).

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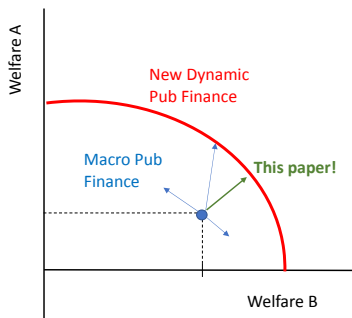
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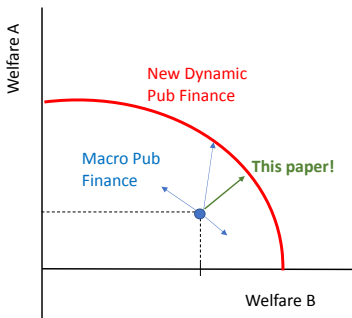
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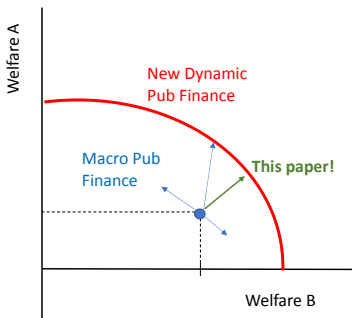
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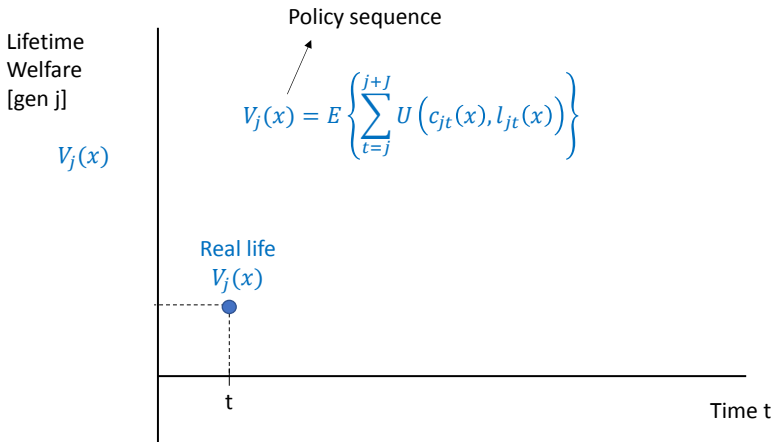
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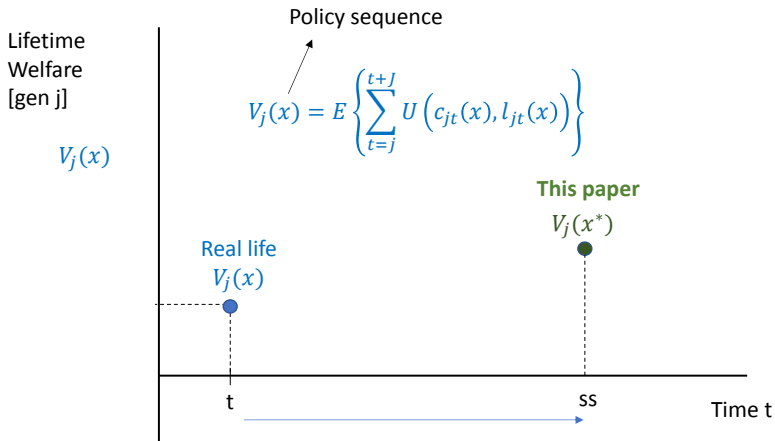
Comments

- Starting point: lifetime welfare of generation j evaluated at (calibrated) policy sequence x



Comments

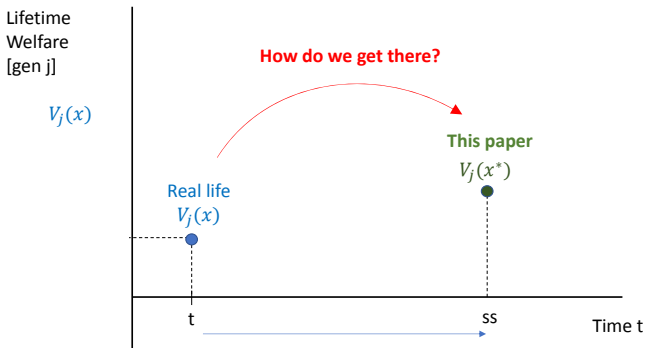
- Reform: evaluated at lifetime welfare of (future) generation born in a stationary eqn $j = ss$ (*a la* Conesa-Kitao-Krueger)



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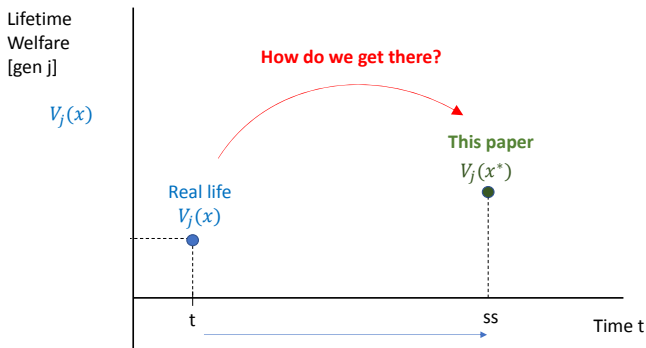
1. What about transition?

- Capital adjustments as policies are changed can be costly for current generation.



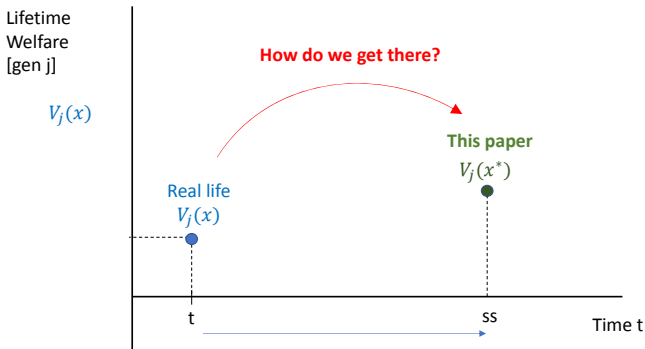
Comments

2. How to weigh different generations during transition?
- Is there discounting? Pol econ considerations are back if middle transitions lose.
 - Or better to increase welfare of all generations till SS (difficult!)



3. Which **policies** would take us there?

- Only allocations are characterized, but to be **policy relevant** we need *decentralization*!



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