10 Things I Don’t Know, and Would Like (You) to Find Out About

Joel Slemrod
November 16, 2012
National Tax Association
Holland Medal Ceremony
Long-term Tax Disincentive Effects

• Does it take a generation for tax disincentive effects to show up?
• This is very difficult to measure, but may nevertheless be significant.
• Possible hint: we now know that portfolio choices depend on how many years of the Great Depression one lived through.
Reconciling Micro and Aggregate

• Version #1: Micro studies find small labor supply effects, but (some) cross-country studies find big effects.

• Version #2: Micro studies find a substantial elasticity of taxable income, but aggregate growth studies find no clear tax effect.

• If taxes matter so much, why do they matter so little?
Information

• Non-capricious tax collection relies on the transmission of information.
• The world is undergoing an information revolution—how will/should it affect tax policy?
• At the same time, in many developing countries, information is scarce and presumptive tax systems are the de facto norm.
How Did the Republic Survive...?

• ...and, indeed, prosper during the 1950s and 1960s, when the top income tax rates exceeded 90%?
• Will France survive the 2010s with a 75% top rate?
• Can the U.S. survive, and even prosper, with a 39.6% top rate?
Firms Remit Tax, Not People

• How can we incorporate heterogeneous firms into our standard models, in light of the central role of firms in tax collection?

• NB: the international trade folks have done it.

• Is the Coasean equilibrium of firm sizes also an optimum, or does the need for tax collection mean that we should subsidize big (not small) firms?
Credibility

• Will tax analysis be left behind in the credibility revolution in econometrics if governments won’t let us randomize tax policies?

• Some governments will let us randomize tax system aspects, such as information transmission and audit policy.

• The high correlation between our values and our parameter beliefs is bad for our aspiration to be a science.
Macro

• How can we integrate standard tax analysis with macro concerns, so that we need not so abruptly switch from talking about equity and efficiency to talking about MPCs whenever a recession comes among?

• Is there a straightforward way to integrate deficit concerns into standard analysis?
The Future and Deficits

• If 70% of youth think they’ll get no Social Security, doesn’t that turn payroll taxes into a huge disincentive, with a big negative income effect?

• The cost of government is measured not by taxes collected, but by its spending.

• The net cost is measured by the non-transfer spending.
How do we incorporate horizontal inequity into formal normative models?

It undermines the legitimacy of government, and ignoring it allows capriciousness and discrimination.

It’s harder than you might think to do this without violating other principles of welfare analysis.
Why Is Tax Different?

• Cell phone plans are complicated; people cheat on lots of things; people react to the relative prices of everything.
• What can we learn from psychology about how people react to authority?
• Can, e.g., lab experiments help us disentangle the role of authority “in” and authority “to”?
• Beware the Milgram shocking experiments.
Keep Up the Good Work

• Hopefully, I’ll have the opportunity to take a crack at some of these questions.
• But, mostly it’s up to you.
• I respect you all greatly for pursuing this noble and important, albeit fascinating, profession.
• I am deeply honored to receive the Daniel Holland Medal from the National Tax Association.