Discussion of
Optimal Estate Taxation with Heterogeneous Altruism

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Introduction

- Optimal taxation with taste/discount factor shocks

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  - A Slightly different version of the model

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- Optimal taxation with taste/discount factor shocks

- My discussion:
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  - Contrast this approach with standard dynamic Mirrlees models

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$$\varphi v(c_0) + u(c_1); \qquad \varphi = \frac{1-\theta}{\theta}$$

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- Shock to the intra-temporal margin vs. shocks to intertemporal margin

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H_0, H_1 are CDF functions

- Given an allocation $\{c_0(\varphi), c_1(\varphi)\}$, tax rates are given by

$$1 - \tau_b(\varphi) = \varphi \frac{v'(c_0(\varphi))}{u'(c_1(\varphi))}$$

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- Optimal Taxes

$$\frac{\tau_b}{1-\tau_b} = \frac{F(\varphi) - \alpha H_1(\varphi) - (1-\alpha) H_0(\varphi)}{\varphi f(\varphi)} - \alpha \frac{h_1(\varphi)}{f(\varphi)}$$

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- as $\alpha \to 1$, $\tau_b \to -\infty$

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  - Capital income risk: Albanesi, Shourideh

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  - Shocks to inter temporal margin can generate high concentration of wealth at the top
- Potential benefit of (N)DPF: endogenize objects that static models take as structural, e.g., wealth distribution, income distribution
  - Example: Saez(12) vs. Shourideh(12)

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  - Implications about taxes?