
Subject Index

- Accelerated depreciation, 262–63
Adjusted gross income (AGI), 24–26, 141
Adjustment cost function, 285–86
After-tax wage, nonconstancy of, 48
Age-asset profile, 469
Aid for Dependent Children (AFDC), 50–51
Altruism, and charitable giving, 151–52, 164–66, 169–70
Armington assumption, 345, 346, 356–57
Arm's length rule, of income allocation, 295–96, 328
Asset demand equation, 455
Asset depreciation range (ADR), 417
Assets, endogeneity of, 75
Asset transfer, tax induced, 181–84
Atkinson index, 117
- Bankruptcy costs, 251, 375. *See also* Leverage-related costs
Baseline tax revenue, imputed, 12–18, 44
Benefit taxation, 423–24
Brookings tax calculator, 103
Budget constraint, 115; and consumption tax, 466–67; kinked, 20–21, 72–74, 200; linear, 19–20, 199; nonconvex, 21, 47–59, 70, 72–74; nonlinear, 47–48, 146; and progressive taxation, 19–21, 465–66
Bunching, of charitable gifts, 148–51, 160–64, 169–70
- Capital asset pricing model, 374
Capital export neutrality, 291
- Capital flow table (CPT), 414
Capital gains taxes, 251; and inflation, 433–34, 461
Capital income, 394; tax on, 462
Capital intensity, optimal, 376–80; for public sector, 390–91; and taxes, 373
Capital service endowment, 349, 357
Capital stock, estimate, 279–80, 393–94
Cash gain (CG), 112
Charitable giving, bunching of, 148–51, 160–64, 169–70; demand for, 145–48; price of, 152–54; and itemizing, 141–52
Cobb-Douglas production function, 335
Compensated variation, 61, 353
Composite commodity, tax on, 115
Composite commodity theorem, 79
Constant elasticity demand function, 145
Constant elasticity offer curve, 344
Consumer heterogeneity, 25–26
Consumer surplus, 61
Consumption-savings ratio, 395
Consumption tax, progressive, 466–67
Corporate financial policy, 437–38
Corporate taxation, reduction in, 265–68; effective, 317, 440–41
Cost function, 251
Cost of capital, 282, 349, 377, 390
Credit market constraints, 251
Cross-equation restriction, 343
Cross-hauling, 345
Crowding out, 386–87, 459–66. *See also* Government expenditure
Current Population Survey, 16, 217

- Deadweight loss, 61–62, 65–69; measure of, 113–14
- Debt, market value of, 274–75
- Debt capacity, of firms, 251
- Debt-capital ratio, 251, 382, 433
- Debt-equity policy, 438
- Debt-equity ratio, average, 441; optimal, 375, 377, 438; and taxes, 373. *See also* Tax-induced leverage
- Deductible expenses, distribution, 33; imputed, 33–35
- Deductions, for earned income, 88–91; for foreign taxes, 293–95, 327; for savings, 178–94
- Deferral, of foreign income, 292–93, 312, 317; of taxes, 434
- Deficit policy, implications of, 461–62
- Delivery lags, 259
- Demand function, constant elasticity, 145; for housing, 114
- Depreciation allowance, 252. *See also* Economic depreciation rate; Tax depreciation allowance
- Disposable personal income, 181–82
- Distributional consequences of tax reform, 112–13, 116
- Dividend policy, 438
- Dividend-price ratio, 282
- Dividends, 250–51; and taxable income, 194–200. *See also* Double taxation of income
- Double declining balance formula, 417
- Double taxation of income, 356, 422
- Duality theory, 21–22
- Duesenberry effect, 136
- Earned taxable income, 86–91
- Earnings, distribution of, 13
- Economic depreciation rate, 384–85, 386, 415–16
- Education, and earnings, 16–17
- Effective budget constraint, 20–21; *See also* Budget constraint
- Effective marginal tax rate, 20, 70, 77, 84–86
- Effective nonlabor income, 20–21
- Effective tax, on corporate income, 317, 440–41
- “861 Regulations,” 289–90, 298–300, 328
- Elasticity of: assets with respect to returns, 314–15; charitable giving, 141–48; consumption demand, 190; exports with respect to price, 353; food with respect to income, 440; import supply, 353; labor supply, 22–23, 90, 337, 395; offer curve, 344, 355; savings with respect to interest, 336–37, 395; substitution, 347, 395, 465; supply of housing, 112, 121
- Endogenous tax rates, 433–34
- Equity, income from, 434; market value and tax reform, 261–66, 274
- Equivalent gain (EG), 113, 117, 125, 133
- Equivalent income, 116–17, 118, 135–36
- Equivalent variation, 61, 65, 398, 407
- Errors-in-variables, 74
- Excess burden, of taxation, 65, 90–91; measured, 113, 462. *See also* Deadweight loss; Tax burden
- Excess demand equation, 346–47
- Exchange rate, 342–43
- Expenditure function, Cobb-Douglas, 349, 352; nonlinear, 61
- Exponential depreciation, 251–52, 386
- Export demand function, 341–43, 346
- External sector, modeled, 339–52
- Factor subsidy, 392
- Family Expenditure Survey (FES), 110, 114, 119–20
- Financial flows, intrafirm, 312–13
- First-dollar price, of giving, 152–53, 169; as price of tax avoidance, 98
- First-in-first-out (FIFO) inventory accounting, 275–79
- Fixed cost, of working, 52–53
- Fixed investment, 414
- Foreign tax credit (FTC), 291–300, 422
- Fullerton-Shoven-Whalley general equilibrium tax model, 334–62, 369–73, 393–97, 405, 421–23, 428–29, 455
- General equilibrium model, with financial behavior, 430–39
- Geometric depreciation, 377, 385, 417
- Government commodity demand, 337
- Government expenditure, and capital formation, 486–88. *See also* Crowding out
- Government sector, modeled, 436–37
- Gross corporate earnings (GCE), 393
- G transition matrix, 335, 338
- Harberger model, 401, 421, 427–31, 439, 455
- Harrod-neutral technical progress, 338
- Historic cost depreciation, 404
- Homothetic utility function, 114

- Horizontal inequity, index of, 117, 125–27
Hours worked, expected, 60
Housing services, price of, 111, 114, 118–23; production of, 435–36
Housing tenure, 112
- Import supply function, 341–43, 346
Income allocation, foreign and domestic, 294–300
Income averaging, 103
Income distribution, and tax reform, 264–65, 269
Income effects, 56–57, 74, 146, 188–89
Income splitting, and labor supply, 28–29
Income tax, effect on labor supply, 56–57, 65–69; effect on wives' labor supply, 67–69
Indexing debt, effect of, 262, 265
Index of inequality, 117
Indirect utility function, 22, 51–52, 60–61, 111–12, 116, 133–34, 146–47; homothetic translog, 114
Individual Retirement Account (IRA), 178–81
Induced retirement, and social security, 235–36
Inequality aversion, 116–18, 136
Inflation, anticipated, 441; and capital gains, 433–34, 461; and depreciation rates, 386
Inherent risk, 383
Input-output matrix, 335
Interest payments, and taxable income, 194–206
Intergenerational transfer system, 212. *See also* Social security system
International capital flows, 348–50
Intrafirm financial flows, 312–13
Inventory, replacement value of, 275–79
Inventory indexation, and equity value, 265–68; and investment, 269–73
Inventory valuation adjustment (IVA), 263, 414–15
Investment function, 249, 254, 282–83; and tax reform, 268–73, 313–15, 317, 321
Investment tax credit (ITC), 377, 384, 401, 413–15
Itemizing, and charitable deductions, 141
- Joint filing, 8
- Kemp-Roth tax proposals, and labor supply, 67–69
- Kinked budget constraint, 20–21, 70, 72–74, 200
- Labor income, and tax distortions, 370–77
Labor supply decisions, joint, 54; of married women, 8–9, 36, 56–57
Labor supply function, 21–23, 80, 92; estimated, 57–59; linear, 50, 54; and Roy's identity, 51
Last-dollar price, of charitable giving, 152–53, 169
Last-in-first-out (LIFO) inventory accounting, 275–79
Leisure, demand for, 337; as normal good, 55, 75
Leisure-income choice, 18–23, 188. *See also* Labor supply decisions; Labor supply function
Leontief paradox, 365
Leverage, tax-induced, 373–89, 421–23
Leverage-related costs, 373–89, 398
Life-cycle model, 75, 189, 191, 462–65; consumption in, 464–66; and labor supply, 32
Life expectancy, and social security, 222
Linear expenditure system, 337
Load factor, 241
Lorenz curve, 481
Low-income tax credit, 50
Lucas critique, 464
- Marginal net wage, 48
Marginal product of capital, 355, 377, 379; in public sector, 380
Marginal tax rates, on domestic corporate income, 326–29; effective, 20, 70, 77, 84–86; and foreign income, 315–25
Market interest rate, 387, 395
“Marriage tax,” 7–8, 58
Married men, labor supply, 21–22
Married women, labor supply, 8–9, 36, 56–57
Maximum likelihood, 154
Maximum tax provision, 84–86, 104; revised, 86–91
MERGE file, of Brookings, 9
Merit good, 88
MIT-Penn-SSRS (MPS) model, 282
Modigliani-Miller theorem, 496
- National Longitudinal Study, 16
Natural rate of interest, 176
NBER TAXSIM model, 140, 152–53, 392
Negative income tax (NIT), 51

- Nested utility function, 336
 Net corporate earnings (NCE), 393
 Nominal rate of return, 373, 379
 Nonconvex budget constraint, 21, 47–59, 70, 72–74
 Nonlabor income, and labor supply, 92; and reservation wage, 13
 Nonlinear least squares, 50, 52

 Offer curve, 340, 344
 Old Age Survivors Insurance (OASI) System, 212–13; expected benefits/costs, 218–20
 Optimal taxation, theory of, 174–75
 Optional single filing, 29–31
 Owner occupied housing, income from, 109, 119–20, 433; tax on, 111–14

 Panel Study of Income Dynamics (PSID), 62
 Pareto-efficient tax reform, 461–63
 Past service credits, in social security system, 238–40
 Personal factor tax, 336
 Portfolio choice, 431–32
 Pratt's measure of relative risk aversion, 432
 Price, of charitable giving, 141–44, 152–54; of housing services, 111, 114, 119–20
 Price effect, on consumption demand, 188–89
 Production function, 121, 421; Cobb-Douglas, 467
 Progressive taxation, and budget constraint, 20–21, 47, 49–50; effects of, 479–83
 Property tax rate, 380, 392, 423–24, 441

q theory of investment, 246–55; tax-adjusted, 254–61; and tax reform, 268–73

 “Random imputation” technique, 9–18
 Rate of return, to capital, 355; to equity, 388; real, 377; social, 294
 Rate of time preference, 402, 465
 Real rate of return, 174, 377
 Reduced form, 343–44, 367
 Reforms, revenue-neutral, 113; self-financing, 115; social value of, 116, 135–36
 Relative income effect, 136
 Relative price, of consumption, 187; of traded goods, 341

 Relative risk aversion, 432
 Rental price of capital, 349
 Rent control, 119
 Reservation wage model, 13, 55; and participation, 53
 Residual distribution, 11–12, 17–18, 43
 Retirement benefits, expected, 219
 Revenue loss, from asset transfer, 184
 Revenue-neutral reform, 113
 Ricardian equivalence theorem, 210
 Risk, and portfolio choice, 431–32
 Risk aversion, 388; measure of, 432, 441–48
 Risk premium, 382–84; after-tax, 376–79, 387, 394, 398, 472; on bonds, 380, 382; on equity, 382
 Roy's Identity, 32, 51, 114

 Samuelson nonsubstitution theorem, 347
 Savings, definition of, 185; foreign, 352; in general equilibrium model, 337; and real returns, 174; and taxes, 172–78; domestic, 351
 Savings deductions, 355–56; effect on revenue, 191–92; as incentive, 394
 Search costs, of working, 52–53
 Selectivity bias, 18
 Shadow price of capital, 253–54
 Shares allocation approach, 297, 311, 318, 320–21, 327–28
 Slutsky equation, 50–51, 91–92
 Social gain (SG), 118, 135–36
 Social rate of return, 294
 Social security system: and budget constraint, 51; deficit of, 213–14, 220–22, 243; goals of, 211; as insurance, 212, 242; and labor supply, 371; reforms of, 220–34; as transfer system, 212; two-tier system, 244–45; and work disincentives, 213
 Social welfare function, 117
 Statistical matching, 9–10
 Stone-Geary utility function, 337
 Straight-line depreciation, 417
 Supplemental Security Income, 215
 Survival probability, 219

 Tastes, distribution of, 55; variation in, 52
 Taxable income, distribution of, 13; measure of, 295
 Tax-adjusted Tobin's *q*, 254–61
 Tax avoidance, 72–73, 76–81, 88, 94–98
 Tax burden, 28–31. *See also* Excess burden
 Tax credit, and labor supply, 27
 Tax deductible expenses, imputed, 33–35

- Tax depreciation allowance, 377, 385–87, 401, 416–18
- Tax distortions, on capital, 399–402; and capital intensity, 373; and debt-equity ratio, 373; and labor income, 370–73. *See also* Tax-induced leverage
- Tax-exempt bonds, 434–35
- Tax-exemptions, and budget constraint, 20–21; and labor supply, 26–27
- Tax indexation, 443–50
- Tax-induced leverage, 373–89, 421–22
- Tax integration, 359–60, 403–4, 406–12
- Tax rate, endogenous, 433–34
- Tax reform, effects of, 261–73, 309–12, 461–63, 484–86
- Tax Reform Act of 1969, 83
- Tax revenues, predicting, 10–12
- Tax subsidies, 72–73
- Tax treaties, 298
- Territorial system, for foreign taxes, 293, 295, 328
- Tiebout hypothesis, 380–81
- Time preference, 402, 465
- Tobin's q theory of investment, 246–48; estimates of, 255–56; tax-adjusted, 254–61; and tax reform, 268–73
- Tobit procedure, 33, 50, 52, 142
- Trade balance condition, 340, 343, 346
- Traded goods prices, 341
- Transfer programs, and budget constraint, 50–51; social security, 214–16, 222–24
- Translog indirect utility function, 114, 133
- Transversality condition, 250
- Treasury Tax Model, 8
- Truncated distribution, 34, 54–56
- Unearned income, tax on, 85
- Unemployment insurance, 371; tax on, 413
- University of Michigan Panel Study of Income Dynamics (PSID), 16
- Utility function, 21–23, 43, 76–77, 111–12, 465; cardinality of, 116; CES, 336, 394–96; Cobb-Douglas, 394–96; Stone-Geary, 337
- Value-added-tax (VAT), 334, 360–61
- Valued added function, 347
- Vertical inequality, index of, 117, 264; after reform, 125–27
- Virtual income, 49, 54, 80
- Wage-hours locus, 71
- Wage rates, imputed, 12–15; effect of education, 16–17; of wives, 15–18
- Walras's law, 338
- Weibull density function, 56
- Welfare costs, of capital income taxation, 471–79. *See also* Deadweight loss; Excess burden; Tax burden; Tax distortions
- Wives, labor supply, 67–69; wage rate, 15–18
- Workmen's compensation, 371–72