

Discussion of “Taxing Wealth and Capital Income with Heterogeneous Returns”

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- **Contribution:** **analytical framework** to inform **public policy**

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- **Calibration of elasticities** ($\alpha, \xi_K, \xi_{R_l}, \xi_{R_h}$) to empirical values from different countries/contexts
- Implications in terms of **positive and normative analysis**
- How do the relevant values of α, ξ_K, ξ_{R_l} , and ξ_{R_h} affect the impact of higher wealth tax on productivity and aggregate variables? and the optimal mix of capital income and wealth tax?
- How far are optimal policies from those implemented in reality? How does this depend on the relevant values of elasticities?

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- Collateral constraint and wealth weighted productivity:

$$k \leq \lambda a$$

$$Z \equiv s_h z_\lambda + (1 - s_h) z_l$$

$$z_\lambda \equiv z_h + (\lambda - 1)(z_h - z_l)$$

- Steady-state condition:

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- How do **lower/upper bounds of optimal taxation vary with λ** and what consequences for optimal taxation results?

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- **Alternative social welfare functions:**
 - transition dynamics taken into account
 - inequality averse social planner (instead of utilitarian)