**Week 4 Problem Set: Wealth Taxation**

**Overview**

This problem set will comprise of three components: (1) an analysis of the mechanical effects, (2) an analysis of the behavioral effects, and (3) an overall effect on tax revenue. See below for additional details. You can pick either the Warren or Sanders plan.

**Data**

The micro-dataset for this analysis is from <http://gabriel-zucman.eu/usdina/> and can be downloaded here: <https://www.dropbox.com/s/9spftlusgce41cz/PSZ2017Dinafiles.zip?dl=0>

It has micro files for each year including projections up to 2020. Some key variables are hweal (net worth), dweght, hw\* (different wealth components), and fi\* (actual fiscal income variables).

The PSZ do files and parameters.csv are here <http://gabriel-zucman.eu/files/PSZ2017Programs.zip>

**Mechanical Effects**

Assuming behavioral and tax avoidance are zero, how much tax revenue would be raised from the Senator Warren and Senator Sanders plans, respectively? Please report the number of units and collective wealth for the different brackets and then the overall mechanical tax revenue from the two plans. The Senator Warren plan, for example, has a 0% rate on wealth below 50M, a 2% rate above 50M, and a 4% surtax for billionaires (which means billionaires pay a 6% tax on their wealth).

**Behavioral Effects**

How do will avoidance and behavioral changes affect these revenue estimates?

**Total Revenue Score**

What is the total revenue raised by these plans?

**Relevant Literature:**

Saez, Emmanuel and Gabriel Zucman, 2019, Scoring of Warren Wealth Tax Proposal
<https://eml.berkeley.edu/~saez/saez-zucman-wealthtax-warren-online.pdf>

Saez, Emmanuel, and Gabriel Zucman, 2019, Progressive Wealth Taxation. *Brookings Papers on Economic Activity.* September.
<https://www.brookings.edu/bpea-articles/progressive-wealth-taxation/>

Saez, Emmanuel and Gabriel Zucman, 2016, “Wealth Inequality in the United States Since 1913: Evidence from Capitalized Income Tax Data,” *Quarterly Journal of Economics,* 131(2): 519-578. <http://gabriel-zucman.eu/files/SaezZucman2016QJE.pdf>

Saez, Emmanuel and Gabriel Zucman, 2019, “How would a progressive wealth tax work? Evidence from the economics literature <https://eml.berkeley.edu/~saez/saez-zucman-wealthtaxobjections.pdf>

Kopczuk, Wojciech, 2015, “What do we know about the evolution of top wealth shares in the united states? *Journal of Economic Perspectives,* 29(1): 47-66.
<https://www.aeaweb.org/articles?id=10.1257/jep.29.1.47>

Smith, Matt, Owen Zidar, and Eric Zwick, 2019, “Top Wealth In the United States: New Estimates and Implications,” working paper.

Jakobsen, Katrine, and Kristian Jakobsen, Henrik Kleven, and Gabriel Zucman, 2019, “Wealth Taxation and Wealth Accumulation: Evidence from Denmark,”  NBER working paper 24371. <https://www.nber.org/papers/w24371>

Sarin, Natasha and Larry Summers, 2019, “A `wealth tax’ presents a revenue estimation puzzle,” *Washington Post*.

<https://www.washingtonpost.com/opinions/2019/04/04/wealth-tax-presents-revenue-estimation-puzzle/>

Saez, Emmanuel and Gabriel Zucman, 2019, “Response to Summers and Sarin, `A wealth tax presents a revenue estimation puzzle,’ Washington Post, April 4”
<http://gabriel-zucman.eu/files/saez-zucman-responseto-summers-sarin.pdf>

Sarin, Natasha and Larry Summers, 2019, “Be very skeptical about how much revenue Elizabeth Warren’s wealth tax could generate” *Washington Post* <https://www.washingtonpost.com/opinions/2019/06/28/be-very-skeptical-about-how-much-revenue-elizabeth-warrens-wealth-tax-could-generate/>