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The Sufficient Statistic Approach: Predicting the Top of the Laffer Curve

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PII: S0304-3932(17)30015-6
DOI: 10.1016/j.jmoneco.2017.02.001
Reference: MONEC 2907

To appear in: *Journal of Monetary Economics*

Received date: 11 November 2015
Revised date: 14 February 2017
Accepted date: 16 February 2017

Please cite this article as: Alejandro Badel, Mark Huggett, The Sufficient Statistic Approach: Predicting the Top of the Laffer Curve, *Journal of Monetary Economics* (2017), doi: 10.1016/j.jmoneco.2017.02.001

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Highlights

- A formula for the revenue maximizing top tax rate is derived
- The formula applies widely to static models and to steady states of dynamic models
- The formula highlights two new forces that are not captured by a widely-used formula
- A quantitative example illustrates the application of the formula

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