

Aggregate Implications of Corporate Taxation over the Business Cycle

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Discussion by Johannes Fleck (views are my own)

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Comments (1/2)

- Motivation:
 - Do other countries use (these two specific) corporate tax deductions?
 - How big have corporate tax deductions been compared to other elements of countercyclical fiscal policy packages?
- Firm heterogeneity in model with exogenous exit/entry:
 - Small vs. large = unproductive vs. productive = constrained vs unconstrained?
 - Would be helpful to explain earlier (intro or literature) which are the main drivers of the firm distribution over state space.

Comments (2/2)

- Extend Model to Capture Business Cycle Dynamics
 - Aggregate uncertainty
 - Interaction between firm financial conditions and two different deductions is key mechanism for different effects.
 - What if firms endogenize risk (e.g. via precautionary behavior)?
 - What if credit crunch also affects price of credit (not just quantity)?
 - Endogenous firm exit/entry
 - Defaults fluctuate over cycle and depend critically on firm financial conditions.
 - Misallocation and firm productivity distribution endogenous to cycle.

Great paper – I learned a lot from it!

- Very well-written and structured
- Model and mechanisms clearly explained
- Focus on TCJA is very timely