OG-India: Policy Parameters

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Policy Parameters

- There are many fiscal policy levers among the parameters in `OG-India`
- One can model changes in:
  - The personal income tax code (with all detail available in the India `taxcalc` package)
  - Taxes on wealth
  - Taxes on bequests
  - Consumption tax rates
  - Corporate income tax rates and accelerated depreciation/expensing
  - Government spending amounts
  - Government transfer amounts and distribution
  - Government pension systems
  - Budget closure rules

Household Tax Parameters in `OG-India`

- Through `taxcalc`: any (modeled) parameters of the DTC
- $\tau_{j,s,t}^{c}$ (`tau_c`): consumption tax rates
- τ_{t}^{bq} (`tau_bq`): tax rate on bequests
- τ_{t}^{W} (`h_wealth`, `m_wealth`, `p_wealth`): parameters of a wealth tax function
- τ_{t}^{P} (`tau_payroll`): payroll tax rate

Business Tax Parameters in `OG-India`

- τ_t^b (`tau_b`): business income tax rate
- δ_t^τ (`delta_tau_annual`): rate of depreciation on capital for tax purposes

Government Pension Parameters

- R (retirement_age): age at which eligible for government pension benefits
- AIME_num_years: number of years of earnings used in pension benefit calculation
- AIME_bkt_1, AIME_bkt_2, AIME_bkt_3: thresholds for brackets determining pension benefit amount
- PIA_rate_bkt_1, PIA_rate_bkt_2, PIA_rate_bkt_3: rates used to determine pension amount
- PIA_maxpayment, PIA_minpayment: max and min pension benefit amounts
- replacement_rate_adjust: parameter to scale pension benefits up or down over time

Government Transfers Parameters

- $\alpha_{T,t}$ (alpha_T): government transfer spending (excluding government pensions) as a fraction of GDP
- η_t (eta): distribution of transfers across age and ability type
- budget_balance: impose a balance budget rule each period by adjusting transfers

Government Expenditures Parameters

- $\alpha_{G,t}$ (`alpha_G`): non-transfer government spending as a fraction of GDP
- `baseline_spending`: whether to keep the *level* of spending the same in the reform run as in the baseline run

Government Budget Closure Rule Parameters

- α_D (debt_ratio_SS): long-run steady-state debt-to-GDP ratio
- T_{G1} (tG1): number of periods after model start year to begin budget closure process
- T_{G2} (tG2): number of periods after model start year at which budget closure is completed
- ρ_G (rho_G): smoothing parameter to adjust government spending during budget closure process