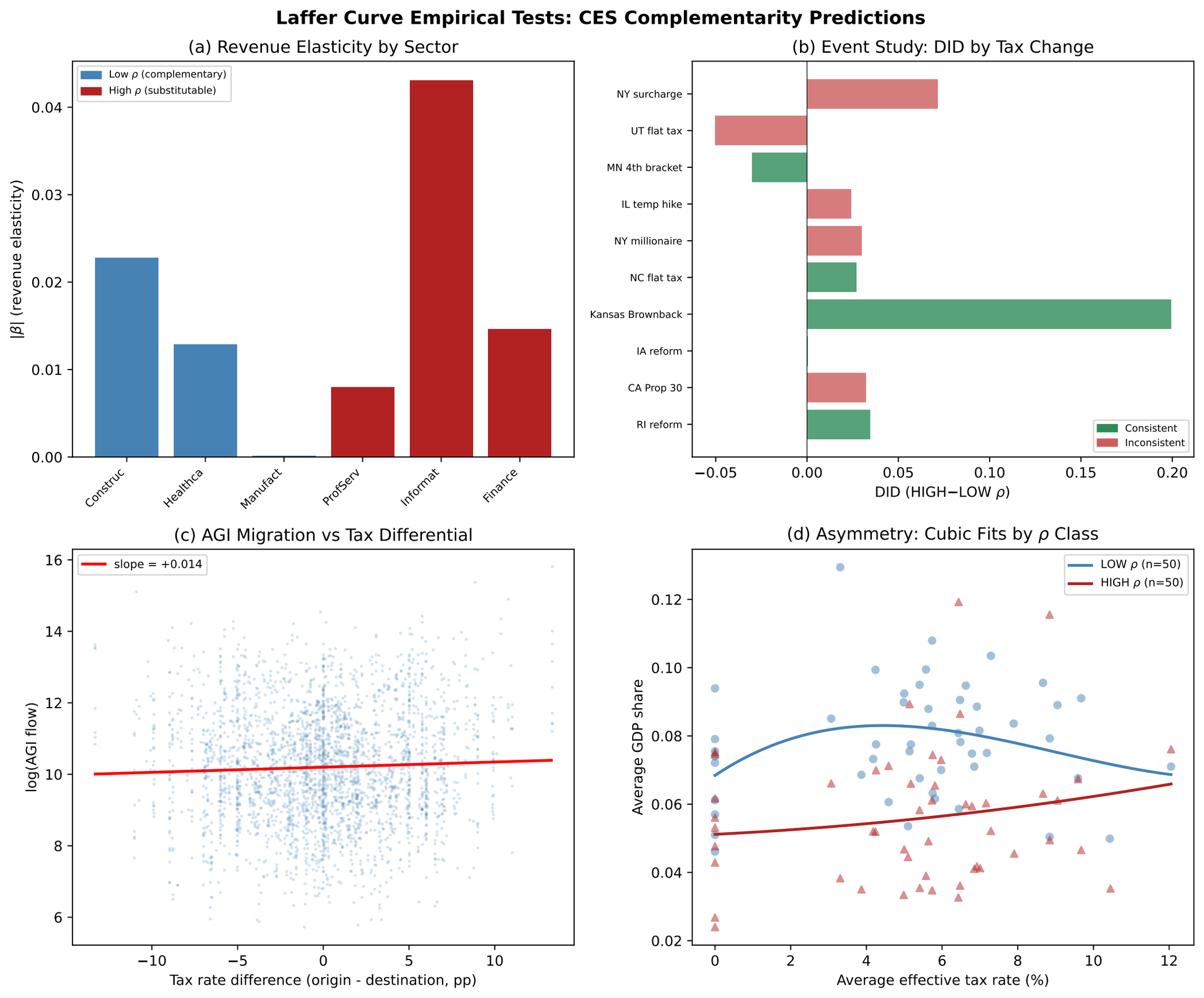
Laffer Curve Empirical Tests: CES Complementarity Predictions
(a) Revenue Elasticity by Sector
Low ρ (complementary)
High ρ (substitutable)
|β| (revenue elasticity)
0.00
0.01
0.02
0.03
0.04
Construc
Healthca
Manufact
ProfServ
Informat
Finance
(b) Event Study: DID by Tax Change
NY surcharge
UT flat tax
MN 4th bracket
IL temp hike
NY millionaire
NC flat tax
Kansas Brownback
IA reform
CA Prop 30
RI reform
Consistent
Inconsistent
−0.05
0.00
0.05
0.10
0.15
0.20
DID (HIGH−LOW ρ)
(c) AGI Migration vs Tax Differential
slope = +0.014
log(AGI flow)
6
8
10
12
14
16
−10
−5
0
5
10
Tax rate difference (origin - destination, pp)
(d) Asymmetry: Cubic Fits by ρ Class
LOW ρ (n=50)
HIGH ρ (n=50)
Average GDP share
0.02
0.04
0.06
0.08
0.10
0.12
0
2
4
6
8
10
12
Average effective tax rate (%)