

INTERPRETING "THE MANY-PERSON RAMSEY TAX RULE" OF OPTIMAL TAX THEORY

by

Charles A.M. de Bartolome

*New York University*

ABSTRACT

"The Ramsey Equations," which characterize the optimal indirect tax structure, are interpreted. The price derivatives of compensated demand are important because they measure the gain from substituting the collection of tax revenue from one tax instrument to others.

Proposed running title: The Ramsey Equations.

Address for correspondence: Charles A.M. de Bartolome, Department of Economics, New York University, 269 Mercer Street, New York, NY 10003.

This paper has greatly benefited from the comments of Kevin Hassett and Ian Novos. The technical assistance of the C.V. Starr Center at New York University is gratefully acknowledged.