
Inflation, Tax Rules, and Capital Formation



A National Bureau
of Economic Research
Monograph

Inflation, Tax Rules, and Capital Formation

Martin Feldstein



University of Chicago Press

Chicago and London

MARTIN FELDSTEIN is professor of economics at Harvard University (on leave) and chairman of the Council of Economic Advisers.

The University of Chicago Press, Chicago 60637
The University of Chicago Press, Ltd., London

© 1983 by The University of Chicago
All rights reserved. Published 1983
Printed in the United States of America
5 4 3 2 1 83 84 85 86 87 88 89

Library of Congress Cataloging in Publication Data

Feldstein, Martin S.

Inflation, tax rules, and capital formation.

(A National Bureau of Economic Research monograph)

Bibliography: p.

Includes index.

1. Inflation (Finance)—Addresses, essays, lectures. 2. Taxation—Effect of inflation on—Addresses, essays, lectures. 3. Saving and investment—Addresses, essays, lectures. I. Title. II. Series.

HG229.F35 1983 332.4'1 82-10854

ISBN 0-226-24085-1

National Bureau of Economic Research

Officers

Eli Shapiro, *chairman*

Franklin A. Lindsay, *vice-chairman*

Martin Feldstein, *president and
chief executive officer*

David G. Hartman, *executive director*

Charles A. Walworth, *treasurer*

Sam Parker, *director of finance and
administration*

Directors at Large

Moses Abramovitz

George T. Conklin, Jr.

Morton Ehrlich

Martin Feldstein

Edward L. Ginzton

David L. Grove

Walter W. Heller

Franklin A. Lindsay

Roy E. Moor

Geoffrey H. Moore

Michael H. Moskow

James J. O'Leary

Peter G. Peterson

Robert V. Roosa

Richard N. Rosett

Bert Seidman

Eli Shapiro

Stephen Stamas

Lazare Teper

Donald S. Wasserman

Marina v.N. Whitman

Directors by University Appointment

Charles H. Berry, *Princeton*

Otto Eckstein, *Harvard*

Walter D. Fisher, *Northwestern*

J. C. LaForce, *California, Los Angeles*

Paul McCracken, *Michigan*

Daniel McFadden, *Massachusetts Institute
of Technology*

Almarin Phillips, *Pennsylvania*

James L. Pierce, *California, Berkeley*

Nathan Rosenberg, *Stanford*

James Simler, *Minnesota*

James Tobin, *Yale*

William S. Vickrey, *Columbia*

Dudley Wallace, *Duke*

Burton A. Weisbrod, *Wisconsin*

Arnold Zellner, *Chicago*

Directors by Appointment of Other Organizations

Carl F. Christ, *American Economic
Association*

Robert C. Holland, *Committee for
Economic Development*

Stephan F. Kaliski, *Canadian Economics
Association*

Albert G. Matamoros, *National Associa-
tion of Business Economists*

Douglass C. North, *Economic History
Association*

Rudolph A. Oswald, *American
Federation of Labor and Congress of
Industrial Organizations*

Joel Popkin, *American Statistical
Association*

G. Edward Schuh, *American Agricultural
Economics Association*

Albert Sommers, *The Conference
Board*

James C. Van Horne, *American Finance
Association*

Charles A. Walworth, *American Institute
of Certified Public Accountants*

Directors Emeriti

Arthur Burns

Emilio G. Collado

Solomon Fabricant

Frank Fetter

Thomas D. Flynn

Gottfried Haberler

Albert J. Hettinger, Jr.

George B. Roberts

Murray Shields

Boris Shishkin

Willard L. Thorp

Theodore O. Yntema