





• To address these issues → take sufficient-statistic approach.

- from public finance (1950s, 1960s, 1970s)

- Saez (2001): optimal taxation

Chetty (2006): UI

Chetty (2009): survey

- new in macro in 2010 → spreading rapidly now.

Overview of sufficient-statistic approach:

① Minimal set of assumptions on welfare

function + structure of economy that allow for policy analysis → no need to specify entire model.

- analysis applies to a range of model (any model satisfying minimal set of assumptions)
- more likely to hold in real world & be useful to practitioners

② Express results & optimal policies in terms of statistics that can be properly estimated → connection b/w theory & empirics