

NATASHA SARIN
Curriculum Vitae

Contact Information

Yale Law School, Office 327
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Employment

Yale Law School

Professor of Law (tenured), March 2024–present

Associate Professor of Law, January 2023–March 2024

Yale School of Management

Professor of Finance (secondary), March 2024–present

Associate Professor of Finance (secondary), January 2023–March 2024

University of Pennsylvania Law School

Professor of Law (tenured), 2022

Associate Professor of Law, 2018–2022

The Wharton School, University of Pennsylvania

Assistant Professor of Finance (secondary), 2018–2022

Government Service

United States Treasury Department

Counselor for Tax Policy and Implementation, 2022

Deputy Assistant Secretary for Economic Policy, 2021

Non-Academic Employment

Washington Post, *January 2023–present*

Contributing columnist

Education

Harvard University Department of Economics, Ph.D., 2018

Field: Finance

Advisors: Howell Jackson, David Scharfstein, Jeremy Stein, Lawrence Summers

Harvard Law School, J.D., *cum laude*, 2014

Dean's Scholar Prize, Corporate Finance

Justice Elena Kagan Supreme Court Reading Group

Yale University, B.A. with Distinction, 2011

Teaching Experience

Spring 2024	American Economic Policy
Fall 2023	Corporate Finance; Law, Economics, and Organization (Seminar)
Fall 2020	Corporate Finance
Spring 2020	Financial Regulation, Law and Economics
Spring 2019	Consumer Financial Regulation (Seminar)
Spring 2017	The Financial System and the Central Bank, Harvard University TF for Prof. Jeremy Stein, Certificate of Distinction for Excellence in Teaching
2013–2017	The Future of Globalization, Harvard University TF for Prof. Robert Lawrence and Prof. Lawrence Summers
2013–2017	Inside Government, Harvard Law School TF for Prof. Lawrence Summers and Prof. Cass Sunstein

Professional Activities

2023–2024 Academic Year (includes scheduled)

Senate Finance Committee (testimony), Senate Budget Committee (testimony), National Bureau of Economic Research Summer Institute, Yale Program on Financial Stability Symposium, Yale Law School Faculty Workshop, Aspen Economic Strategy Group, NYU Law and Economics Seminar, Columbia Tax Policy Colloquium, Columbia Law School Banking Conference, Hamilton Project Conference, Conference on Empirical Legal Studies, Northwestern Law School Tax Policy Colloquium, USC Center for Law and Social Sciences Workshop, Stanford Public Economics, Stanford Institute for Economic Policy Research, United Nations Development Programme, Indiana Tax Policy Colloquium, Georgetown Tax Law and Public Finance Workshop, National Bureau of Economic Research Long-Term Asset Management Workshop, Western Finance Association Annual Meetings

2022–2023 Academic Year (abbreviated due to government leave)

National Bureau of Economic Research Public Economics Workshop (keynote address), National Bureau of Economic Research Summer Institute, UCLA/NYU/Berkeley Tax Policy Conference, Wharton Pension Research Council Symposium, Federal Bar Association Tax Law Conference, Urban Brooking Tax Policy Center Symposium, Columbia Law Conference on Empirical Corporate Governance (discussant), Tax Council Policy Institute Symposium, Vanderbilt Conference on Central Banking and Regulation

2020–2021 Academic Year

Western Finance Association, SFS Cavalcade, Northwestern Kellogg Finance Seminar, Federal Reserve Legal Conference, Federal Reserve Board/George Washington University Seminar Series, National Bureau of Economic Research Public Economics Workshop, National Bureau of Economic Research Summer Institute, Research on Income and Wealth,

Red Rock Finance Conference, NYU Tax Policy Seminar, Yale Law and Economics Seminar, NYU Household Finance Conference, CEPR Household Finance Conference, UCI Tax Policy Colloquium, Fed-HLS-Wharton Conference, National Tax Association, Public Finance Seminar Series, Penn Law Tax Policy Seminar, Vanderbilt Faculty Workshop, Harvard Law and Economics Seminar, Financial Regulation Workshop, Northwestern Kellogg Finance Workshop, Stanford Tax Policy Workshop

2019–2020 Academic Year

National Bureau of Economic Research Summer Institute, Household Finance, IMF Stress Testing Conference, Kansas City Federal Reserve Board, Chicago University Law and Economics Seminar, University of Michigan Law and Economics Seminar, Georgetown Law and Economics Seminar, NYU Stern Women in Finance Conference, American Economics Association Annual Meetings, American Finance Association Annual Meetings, Chicago Booth Household Finance Conference, Chicago Booth Financial Regulation Conference, UCLA Tax Policy Conference, Duke Law and Economics Colloquium

2018–2019 Academic Year

Northwestern Law and Economics Colloquium, Philadelphia Federal Reserve Board, Society for Empirical Legal Studies (Awarded Theodore Eisenberg Prize), American Association of Law Schools Conference: Financial Regulation Roundtable, Stanford Law Behavioral Law and Economics, Berkeley Law, Economics, and Business Workshop, University of Texas Law and Economics Seminar, New York University/University of Pennsylvania Law and Finance Conference, Wharton Finance, Boulder Consumer Financial Decision-Making Conference, Chicago Law Review Annual Symposium: Rethinking the Chicago School of Antitrust

2017–2018 Academic Year

Consumer Financial Protection Bureau, Brookings Kiessling Seminar, American Law and Economics Association, University of Pennsylvania Law School, University of Virginia Law School

2016–2017 Academic Year

Brookings Papers on Economic Activity Symposium, Institute of International Finance, Harvard Law School, Georgetown McDonough Business School

Refereeing: Quarterly Journal of Economics, Journal of Finance, Review of Financial Studies, Review of Finance, Journal of Monetary Economics

Bar Admission: California (2015)

Working Papers

[Social Security and Trends in Wealth Inequality](#)
(with Sylvain Catherine and Max Miller)

Revise and Resubmit at *The Journal of Finance* (second round).

Recent influential work finds large increases in inequality in the U.S., based on measures of wealth concentration that notably exclude the value of social insurance programs. This paper shows that top wealth shares have not changed much over the last three decades when Social Security is properly accounted for. This is because Social Security wealth increased substantially from \$7 trillion in 1989 to

\$39 trillion in 2019 and now represents 49% of the wealth of the bottom 90% of the wealth distribution. This finding is robust to potential changes to taxes and benefits in response to system financing concerns. *Presentations:* Red Rock Finance Conference (Best Paper Award), NBER SI Research on Income and Wealth, NYU Household Finance Conference*, CEPR Household Finance Conference, Chicago Household Finance Conference, Virtual Finance Conference, Virtual Public Finance Seminar, NBER Public Economics, SFS Cavalcade (Best Paper Award), NBER SI Inequality and Macroeconomics, Stanford Public Economics Seminar, Hoover Institution.

Media: [*The Economist*](#), [*ProMarket*](#), [*Economics 21*](#)

[Price Regulation in Two-Sided Markets: Empirical Evidence from Debit Cards](#)
(with Vladimir Mukharlyamov)

Revise & Resubmit at *The Journal of Financial Economics*.

This paper studies the impact of price regulation in two-sided markets, where intermediaries must get both sides of the market on board. Since platforms such as debit card networks can only succeed by simultaneously convincing consumers to use cards and merchants to accept them, they often subsidize one side of the market to generate supracompetitive profits from the other side (Rochet and Tirole 2003). Using a novel dataset on card processing fees, we show a regulation restricting banks' ability to charge high processing fees on debit-card transactions (the Durbin Amendment of the 2010 Dodd-Frank Act) led to higher checking account fees paid by consumers, the previously subsidized side of the market. In addition, the policy has likely accelerated the adoption of credit cards with higher interchange fees, thus diminishing—if not offsetting entirely—merchants' savings. Taken together, these effects impede the regulation's stated objective of enhancing consumers' welfare through lower retail prices. Our evidence adds empirical support to the concern that market failures in two-sided markets are hard to identify, and even harder to correct.

Presentations: AFA, NBER SI Household Finance, Booth Conference on Financial Regulation*, NYU Stern Women in Finance, Philadelphia Federal Reserve Consumer Finance Conference, Consumer Financial Protection Bureau, Society for Empirical Legal Studies (Theodore Eisenberg Prize), Brookings Institute

[Interest-Rate Risk and Household Portfolios](#)
(with Sylvain Catherine, Max Miller, and James Paron)

Submitted at *American Economic Review*.

How are households exposed to interest-rate risk? When rates fall, households face lower future expected returns but those holding long-term assets—disproportionately the wealthy and middle-aged—experience capital gains. We study the hedging demand for long-term assets in a portfolio choice model. The optimal interest-rate sensitivity of wealth is hump-shaped over the life cycle. Within cohorts, it increases with wealth and earnings. These predictions fit observed patterns in the United States, suggesting a relatively efficient distribution of interest-rate risk. By protecting workers from rate fluctuations, Social Security limits the welfare consequences of rising wealth inequality when rates fall.

Presentations: WFA, NBER Long-Term Asset Management

[Stress Testing Lessons from the Banking Turmoil of 2023](#)
(with Til Schuermann)

The series of bank failures and resultant turmoil in the banking system revealed flaws in the stress testing regime that today governs the regulatory capital regime. We make five recommendations for improving stress testing, and specifically suggest: 1) using multiple scenarios to allow exploration of a wider set of risks; 2) using (stressed) fair value for the assessment of all securities held on banks' balance sheets; 3) subjecting more banks to the stress tests; 4) stress testing of funding risk; and 5) disclosing stress test models to address model risk and model monoculture. We also made a number of other policy recommendations including broader (and paid for) deposit insurance, disincentivizing the use of unstable funding, a more robust lender of last resort regime, and explicit inclusion of interest rate risk in the regulatory capital regime.

Presentations: Yale Law School faculty seminar, Columbia Law Banking Conference, Yale Program on Financial Stability Conference

Broken Budgeting **(with Safia Sayed)**

While ostensibly neutral, the primacy of scorekeeping and scorekeepers has created impediments to legislating a progressive vision of government. Progressive policymaking has at its core government interventions that give society the ability to reap benefits down the line—like investments in children, or in combatting climate change—benefits that accrue in the long-term and are difficult to quantify. Presently, scorekeepers register these types of interventions as costs to the fisc rather than profitable investments, and that hinders their adoption. This is not the fault of scorekeepers, who have limited scope to act outside their mandate. But it is a critique of that mandate, which creates a process that is far from neutral: instead, one that skews policy outcomes against progressive reforms that invest in future generations and in redressing inequality. In this piece we lay out the ways in which deficit-centrality has shaped the federal budgeting and scorekeeping process, synthesize the deficiencies of this approach, and offer a way forward. Our piece is a call-to-arms, as academics have an important role to play in helping policymakers arrive at a more holistic approach to policy analysis, as opposed to the narrow focus on cost estimates that guides policy discussions today.

Publications

Social Security and the Racial Wealth Gap **(with Sylvain Catherine)**

Chapter in *Diversity, Inclusion, and Inequality: Implications for Retirement Income Security and Policy* (eds. Olivia Mitchell and Nikolai Roussanov), forthcoming.

In the United States, the median Black household earns 30 percent less per adult than the median White household, yet the latter has over six times more marketable wealth than the former. We revisit this puzzle by expanding our wealth concept to include the present value of social security payments. Once social security wealth is accounted for, the racial wealth gap has narrowed over the last 30 years. In 1989, the median White American household owned over four times more total wealth than their Black and Hispanic American counterparts, but under twice as much in 2019. We argue for the importance of including social security in our study of wealth inequality, because of the role it plays in shaping the marketable wealth distribution and the recent rise in its value.

[The Inflation Reduction Act's Impact on Tax Compliance—and Fiscal Sustainability](#)
(with Mark J. Mazur)

Tax Notes Federal 182 (2024): 1397-1419.

The Inflation Reduction Act (IRA) includes a once-in-a-generation investment in the Internal Revenue Service (IRS) to modernize America's tax administration and, by doing so, meaningfully increase compliance with the nation's tax laws. We consider the impact of this investment on new tax revenue that the agency will be able to collect. Our rough estimate suggests that IRS funding will raise at least \$560 billion (\$480 billion, net) over the course of the next ten years—and, depending on the extent of taxpayer's behavioral response to greater enforcement presence, could easily raise closer to \$1 trillion. This is much larger than official government estimates.

Presentations: NBER Public Economics (basis for keynote address), Tax Policy Center, Senate Finance Committee (testimony), Senate Budget Committee (testimony)

[Tax Reform Project: Seeking Experts' Ideas for a Better Tax Code](#)
(with Lawrence H. Summers, Fred T. Goldberg, and Leslie B. Samuels)

Tax Notes Federal 182 (2024): 1027-1029.

There is broad agreement on both sides of the political aisle that today, our tax system is not working the way it should. The upcoming 2025 tax debate will come at a time when the Congressional Budget Office's latest long-term budget outlook suggests that the nation's fiscal balance is teetering dangerously out of control, with the annual deficit as a share of GDP projected to nearly double to 10 percent by 2053. Debt as a share of GDP is on track to reach never-before-seen heights at over 180 percent of GDP by 2053. We are heading toward uncharted fiscal territory, which suggests the need for both creative revenue solutions as well as innovative ideas for improving the tax system. This is where the Tax Reform Project (TRP) comes in. Our broad objective is to provide a forum for ideas that could (relatively) easily be implemented in today's code, drawing on insights from practitioners, academics, and other experts.

[What Private Equity Does Differently: Evidence from Life Insurance](#)
(with Divya Kirti)

The Review of Financial Studies 37.1 (2024): 201-230.

This paper studies how private equity creates value and its consequences for consumer welfare in the insurance industry, where PE investments grew tenfold following the financial crisis. PE firms add value through regulatory and tax arbitrage that increases profits relative to their non-PE counterparts. Crucially, the impact on consumer welfare is nuanced: in the short run, consumers benefit from more favorably priced products. But the arbitrage strategy also exposes them to more risk, as annual expected losses scaled by capital buffers rise by 50 percentage points. This creates the possibility of consumer harm in the event of a downturn.

Presentations: NYU/Penn Law & Finance Conference, IMF Annual Conference*, European Financial Association*

[The Coming Fiscal Cliff: A Blueprint for Tax Reform in 2025](#)
(with Kim Clausing)

The Hamilton Project 14 (2023).

At the end of 2025, almost all of the individual, estate, and pass-through provisions of the Tax Cuts and Jobs Act (TCJA) will expire. This looming expiration creates an important opportunity to improve tax policy along multiple dimensions at the same time that TCJA provisions are evaluated for possible extension. In this paper, we suggest four key principles to guide tax policy choices in 2025: first, reforms should raise revenue on net, improving fiscal sustainability; second, reforms should respond to persistent inequalities by increasing the progressivity of the tax code; third, reforms should work to reduce tax-based inefficiencies in the code, and finally, reforms should address global collective action problems such as climate change and tax competition. Using these principles as a guide, we then evaluate possible TCJA extensions and consider a menu of revenue-raising reforms that together have the potential to raise about \$3.5 trillion over the coming decade, while improving the progressivity and efficiency of the tax system.

Presentations: Brookings, NYU Law and Economics Seminar, Columbia Tax Policy Colloquium, Northwestern Tax Policy Colloquium

[The Deregulatory Deception](#)
(with Cary Coglianese and Stuart Shapiro)

Regulation and Governance, forthcoming.

President Donald Trump and his supporters like to point to the positive economic trends the United States experienced prior to the COVID pandemic. They argue that these positive conditions stemmed from the President's policies, especially his emphasis on deregulation. But what has the Trump Administration really accomplished when it comes to regulation? The answer is much less than the Administration has claimed—and much less than probably most members of the public would surmise. We compare the claims the Administration has made about its deregulatory accomplishments with what the evidence can sustain. Drawing on an original compilation of data on federal regulation from over the last four years, we find three new completed actions appear in agencies' regulatory agendas for every one that is labeled deregulatory. When we look at just economically significant actions, even on assumptions favorable to the Administration, we find only one deregulatory action for every one action labeled as regulatory. Overall, we find that every claim we examine about the Trump Administration's deregulatory efforts is either wrong or exaggerated. The reality is that the Trump Administration has done less deregulating than regulating, and its deregulatory actions have not achieved any demonstrable boost to the economy.

Media: [The Regulatory Review](#), [Bloomberg](#)

[On Market-Based Approaches to the Valuation of Bank Capital](#)
(with Lawrence H. Summers)

Chapter in *Handbook of Financial Stress Testing* (eds. J. Doyne Farmer, Alissa M. Kleinnijenhuis, Til Schuermann, and Thom Wetzer), Cambridge University Press (2022).

In this paper, we build on our prior work to highlight four points. First, stress tests are dependent on regulatory measures of bank capital, which appear to not be a good proxy for economic capital measures that more accurately indicate the risk of insolvency. Second, stress tests have almost come to be seen as a panacea for resolving crises based on the successes of SCAP. We point out that while crisis stress tests were clearly valuable, it is hard to disentangle the role they played in stabilizing the financial sector from other factors like extraordinary fiscal interventions and good fortune. Third, banks perform far worse on a naive market-based stress test than on the annual regulatory exercise, which provides suggestive evidence that the regulatory tests are not painting a full picture about financial stability. Finally, we provide some early thoughts on the COVID-19 experience. The disparity between the optimistic view of bank health in recent stress tests and the reality today provides additional evidence that the current exercise is lacking.

[Rethinking How We Score Capital Gains Tax Reform](#)
(with Lawrence Summers, Owen Zidar, and Eric Zwick)

***Tax Policy and the Economy* 36.1 (2022): 1-33.**

We argue the revenue potential from increasing tax rates on capital gains may be substantially greater than previously understood. First, many prior studies focus primarily on short-run taxpayer responses, and so miss revenue from gains that are deferred when rates change. Second, the rise of pass-throughs and index funds has shifted the composition of capital gains in recent years, such that the share of gains that are highly elastic to the tax rate has likely declined. If some components are less elastic, then their elasticity should get more weight when scoring big changes because they will comprise more of the remaining tax base. Third, closer parity to income rates would provide a backstop to rest of tax system. Fourth, additional base-broadening reforms, like eliminating stepped-up basis, making charitable giving a realization event, reforming donor advised funds, and limiting opportunity zones to places with the highest poverty rates, will decrease the elasticity of the tax base to rate changes. Overall, we do not think the prevailing assumption of many in the scorekeeping community—that raising rates to top ordinary income levels would raise little revenue—is warranted. A crude calculation illustrates that raising capital gains rates to ordinary income levels could raise hundreds of billions more revenue over a decade than other leading estimates suggest.

Presentations: NBER TPE, National Tax Association

[Corporate Crime and Punishment: An Empirical Study](#)
(with Dorothy Lund)

***Texas Law Review* 100.2 (2021): 285-352.**

For many years, law and economics scholars, as well as politicians and regulators, have debated whether corporate punishment chills beneficial corporate activity, or, in the alternative, lets corporate criminals off too easily. In this paper, we take important first steps in addressing these questions. Specifically, we proxy for corporate crime using three novel sources: the Financial Crimes Enforcement Network (FinCEN) Suspicious Activity Reports (SARs), consumer complaints made to the Consumer Financial Protection Bureau (CFPB), and whistleblower complaints made to the Securities and Exchange Commission (SEC). Each source reveals an increase in complaints or reports indicative of corporate misconduct over the past decade. We also examine levels of public company recidivism and find that they are also on the rise. And we document a potential explanation: recidivist companies are much larger than non-recidivist companies, but they receive *smaller* fines than non-recidivist companies (measured as a percentage of market capitalization and revenue). We conclude by offering recommendations for enforcement agencies and policymakers. In particular, our results suggest that enforcers are unlikely to achieve optimal deterrence using fines alone. Enforcement agencies should therefore consider other ways of securing deterrence, such as by seeking penalties against guilty individuals and the top executives who facilitate their crimes.

Presentations: Corporate Law Academic Series, Yale Law & Economics Seminar*

Media: [Corporate Crime Reporter](#), [Columbia Blue Sky Blog](#)

Dynamic Regulation

***Southern California Law Review* 94.5 (2021): 1005-1082.**

There is widespread consensus that the Great Recession did not have to be as Great as it was: Had regulators acted earlier, its consequences would have been less severe. Two explanations are typically offered for early inaction. The first is that crises occur unexpectedly, so there is little time to respond aggressively. The second is that even regulators who suspected a downturn was imminent lacked the legal authority to intervene. This Article disputes these myths. First, empirical evidence demonstrates that there was over a year between the first tremors in financial markets and the crash. Second, legal analysis illustrates that regulators had at their disposal significant authority to bolster banks. In fact, they used this authority with respect to small banks, but not large, systemically important firms.

There is an alternative explanation for the tepid initial response to the crisis. Regulators' default is inaction until regulatory measures of bank health signal distress. These measures are slow to update—in many cases, the day before banks failed, their regulatory capital measures suggested no cause for concern. In the absence of significant change, regulators will inevitably be fire-fighting future financial crises ex-post; rather than successfully policing financial markets ex-ante. The next crisis can be prevented. But to do so will require an overhaul of the financial regulatory regime. This Article proposes a way forward. It advocates for automating aggressive action when financial markets indicate that distress is likely. Such reform will finally make costly bank failures a relic of the past.

Presentations: Duke Law & Economics Seminar, Michigan Law & Economics Seminar, Georgetown Law & Economics Seminar

Relaxing Household Liquidity Constraints through Social Security **(with Sylvain Catherine and Max Miller)**

***Journal of Public Economics* 189 (2020): 104243.**

More than a quarter of working-age households in the United States do not have sufficient savings to cover their expenditures after a month of unemployment. We explore proposals to alleviate financial distress arising from the COVID-19 pandemic. We show that giving workers early access to just 1% of their future Social Security benefits allows most households to maintain their current consumption for at least two months. Unlike other approaches (like early access to retirement accounts, stimulus relief checks, and expanded unemployment insurance), access to Social Security serves the needs of workers made vulnerable by the crisis, but it does not increase the overall liabilities of the federal government or have distortionary effects on the labor market.

What's in Your Wallet (and What Should the Law Do About it?)

***Chicago Law Review* 87.2 (2020): 553-594.**

In traditional markets, firms can charge prices that are significantly elevated relative to their costs only if there is a market failure. However, this is not true in a two-sided market (like Amazon, Uber, and Mastercard), where firms often subsidize one side of the market and generate revenue from the other. This means consideration of one side of the market in isolation is problematic. The Court embraced this view

in *Ohio v. American Express*, requiring that anticompetitive harm on one side of a two-sided market be weighed against benefits on the other side.

Legal scholars denounce this decision, which, practically, will make it much more difficult to wield antitrust as a tool to rein in two-sided markets. This inability is concerning as two-sided markets are growing in importance. Furthermore, the pricing structures used by platforms can be regressive, with those least well-off subsidizing their affluent and financially-sophisticated counterparts.

In this Article, I argue that consumer protection, rather than antitrust, is best suited to tame two-sided markets. Consumer protection authority allows for intervention on the grounds that platform users create unavoidable externalities for all consumers. The Consumer Financial Protection Bureau (“CFPB”) has broad power to curtail “unfair, abusive, and deceptive practices.” This authority can be used to restrict practices that decrease consumer welfare, like the anti-steering rules at issue in *Ohio v. American Express*.

Presentations: Chicago Antitrust Symposium

[Tax Reform for Progressivity: A Pragmatic Approach](#)
(with Lawrence H. Summers and Joe Kupferberg)

Chapter in *Tackling the Tax Code: Efficient and Equitable Ways to Raise Revenue*, Hamilton Project (2020).

In the coming decades, federal spending will need to grow just to enable the government to continue to provide the services it does today. One important weakness in the tax system that funds this spending is insufficient tax compliance: In 2020 the IRS will fail to collect more than \$630 billion, or nearly 15 percent of tax liabilities. Illegal tax evasion generates unfair differences in tax payments across otherwise similar individuals and firms.

The tax code also presents many legal opportunities for tax avoidance. Taxpayers differ in their ability to benefit from these opportunities, generating further inequities. Tax avoidance can also lead taxpayers to engage in socially unproductive activities (e.g., avoiding realization of capital gains in order to benefit from stepped-up basis).

Presentations: Brookings Institution ([video](#)), National Tax Association, Penn-Wharton Budget Model

[Shrinking the Tax Gap: A Comprehensive Approach](#)
(with Lawrence H. Summers and Charles Rossotti)

Tax Notes Federal 169 (2020): 1467-1475.

In this short article, we come together to provide some detail about the steps a new administration should take to attack the tax gap. Many useful actions can be taken through near-term executive actions. More fundamental changes are likely to require legislation. These reforms will not only generate major amounts of long-term revenue from taxes already on the books but, equally important, they will create a system that is fairer to the majority of compliant taxpayers and provide a far sounder foundation for our federal tax system, which accounts for close to a fifth of the entire U.S. GDP. Combining the insights of our past work, we reach the conclusion that investing less than \$100 billion in the IRS over a decade will generate \$1.2 trillion to \$1.4 trillion in additional tax revenue, primarily from high-income individuals, who are disproportionately responsible for underpayment of owed tax liabilities.

[CBO Recognizes, but Understates, Potential of Tax Compliance Efforts](#)
(with Lawrence H. Summers)

Tax Notes Federal 168 (2020): 443-449.

In a July 2020 report, the Congressional Budget Office estimated that modest investments in the IRS would generate somewhere between \$60 and \$100 billion in additional revenue over a decade. This is qualitatively correct. But quantitatively, the revenue potential is much more significant than the CBO report suggests. We highlight five reasons for the CBO's underestimation: 1) the scale of the investment in the IRS contemplated is modest and far short of sufficient even to return the IRS budget to 2011 levels; 2) the CBO contemplates a limited range of interventions, excluding entirely progress on information reporting and technological advancements; 3) the estimates assume rapidly diminishing returns to marginal increases in investment; 4) the estimates leave out the effect of increased enforcement on taxpayer decision-making; and 5) the use of the 10-year window means that the long-run benefits of increased enforcement are excluded. We discuss these issues, present an alternative calculation, and conclude that a commitment to restoring tax compliance efforts to historical levels could generate over \$1 trillion in the next decade.

Making Consumer Finance Work

Columbia Law Review 119.6 (2019): 1519-1596.

The financial crisis exposed major fault lines in banking and financial markets more broadly. Policymakers responded with far-reaching regulation that created a new agency—the Consumer Financial Protection Bureau—and changed the structure and function of these markets.

Consumer advocates cheered reforms as welfare enhancing, while the financial sector declared that consumers would be harmed by interventions. With a decade of data now available, this Article examines the successes and failures of the consumer finance reform agenda. Specifically, it marshals data from every zip code and bank in the United States to test the efficacy of three of the most significant postcrisis reforms: in the debit, credit, and overdraft markets.

The results are surprising. Despite cosmetic similarities, these reforms had very different outcomes. Two (changes in the credit and overdraft markets) increase consumer welfare, while the other (in the debit market) decreases it. These findings run counter to prior work by prominent legal scholars and encourage reevaluation of our (mis)conceptions about the efficacy of regulation.

The evidence leads to several insights for regulatory design. First, banks regularly levy hidden fees on consumers, obscuring the true cost of financial products. Regulators should restrict such practices. Second, consumer finance markets are regressive: Low-income customers often pay higher prices than their higher-income counterparts. Regulators should address this inequity. Finally, banks tend to discourage regulation by promising their costs will be passed through to consumers. Regulators should not be overly swayed by their dire warnings.

Presentations: University of Pennsylvania Law, University of Virginia Law, Northwestern Law & Economics Seminar, Texas Law & Economics Seminar, Stanford Behavioral Law Workshop, Berkeley Law and Economics Seminar.

***Shrinking the Tax Gap: Approaches and Revenue Potential*
(with Lawrence H. Summers)**

Tax Notes Federal 165 (2019): 1099-1112.

Between 2020 and 2029, the IRS will fail to collect nearly \$7.5 trillion of taxes it is due. It is not possible to calculate with precision how much of this “tax gap” could be collected. This paper offers a naïve

approach. The analysis suggests that with feasible changes in policy, the IRS could aspire to shrink the tax gap by around 15 percent in the next decade—generating over \$1 trillion in additional revenue by performing more audits (especially of high-income earners), increasing information reporting requirements, and investing in information technology. These investments will increase efficiency and are likely to be very progressive.

Related: [VoxEU April 2020](#)

Understanding Bank Risk through Market Measures **(with Lawrence H. Summers)**

***Brookings Papers on Economic Activity* 2016.2 (2016): 57-127.**

Since the financial crisis, there have been major changes in the regulation of large banks directed at reducing their risk. Measures of regulatory capital have substantially increased; leverage ratios have been reduced; and stress-testing has sought to further assure safety by raising levels of capital and reducing risk-taking. Standard financial theories predict that such changes would lead to substantial declines in financial market measures of risk. For major banks in the United States and around the world and for midsized banks in the United States, we test this proposition using information on stock price volatility, option-based estimates of future volatility, beta, credit default swaps, price–earnings ratios, and preferred stock yields. To our surprise, we find that financial market information does not bear out the predictions of financial theory. Measures of volatility and risk premiums today are no lower and perhaps somewhat higher than they were prior to the financial crisis. We examine a number of possible explanations for our findings. While financial markets underestimated risk prior to the crisis and regulatory measures of capital are flawed, we believe that the most important explanation for our findings is the dramatic decline in the franchise value of major banks. We highlight that the ratio of the market value of common equity to assets on both a risk-adjusted and risk-unadjusted basis has declined significantly from the precrisis period to the current period for most major banks. As a consequence, banks are more vulnerable to adverse shocks. We argue for taking a dynamic view of capital that recognizes future profits as a source of capital, and urge approaches to financial regulation supervision that will reliably force rapid capital replenishment in difficult times—something that did not take place in the United States in 2008 and is not taking place in Europe today.

Popular Press Articles

Natasha Sarin, “Trump’s tax cuts are expiring soon. What should come next?” *Washington Post*, April 12, 2024.

Natasha Sarin, “The real reason women are having fewer kids.” *Washington Post*, March 18, 2024.

Natasha Sarin, “How to save Social Security – and make it better.” *Washington Post*, February 12, 2024.

Natasha Sarin, “Taylor Swift, Janet Yellen, and Barbie: The year of the (economic) woman.” *Washington Post*, December 26, 2023.

Natasha Sarin and Kim Clausing, “There’s a big opportunity coming to change course on the federal budget.” *Washington Post*, November 14, 2023.

Natasha Sarin, “The Supreme Court tax case that could blow a hole in the federal budget.” *Washington Post*, October 5, 2023.

Natasha Sarin, “5 ways the IRS funding boost is paying off.” *Washington Post*, August 17, 2023.

Natasha Sarin and Kim Clausen, “Debunking 5 Republican arguments against the global minimum tax.” *Washington Post*, August 7, 2023.

Natasha Sarin, “Why the commercial real estate crisis may not be as bad as you think.” *Washington Post*, June 29, 2023

Natasha Sarin and Mark J. Mazur, “Republicans say they want to cut debt, but tax plans say the opposite.” *Washington Post*, May 16, 2023

Natasha Sarin, “Regulators missed Silicon Valley Bank’s problems for months. Here’s why.” *Washington Post*, April 3, 2023

Natasha Sarin, “There’s nothing fair about Republicans’ FairTax proposal.” *Washington Post*, February 13, 2023

Lawrence Summers and Natasha Sarin, “The Republicans don’t want to fix the IRS. Here’s how to do it anyway.” *Washington Post*, January 16, 2023

Natasha Sarin, “Where Biden Can Find \$1 Trillion,” *Bloomberg*, November 16, 2020

Natasha Sarin, “Trump is No ‘Deregulator in Chief,’” *Bloomberg*, November 3, 2020

Lawrence Summers and Natasha Sarin, “Many Companies Pay Nothing in Taxes: the Public has a Right to Know how They Pull it Off,” *Washington Post*, October 22, 2020

Natasha Sarin, “The IRS is Outgunned,” *New York Times*, October 2, 2020

Natasha Sarin, “The Fed Just Bungled its Bank Stress Tests,” *Bloomberg*, June 26, 2020

Lawrence Summers and Natasha Sarin, “The IRS is leaving billions on the table. Here’s how it can collect that money,” *Washington Post*, June 22, 2020.

Natasha Sarin, “Tapping Social Security Would Be a Big Mistake,” *Bloomberg*, May 12, 2020.

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