Online Appendix

Do Tax Increases Tame Inflation?

James Cloyne, Joseba Martinez, Haroon Mumtaz, Paolo Surico

A Data sources

Data	Source
Main macro data in $\mathbf{Y_t}$	Replication data for: Mertens and Ravn (2013).
Large quarterly data set of US Macro and Financial variables.	Data set for: Mumtaz and Theodoridis (2020)
Inflation expectations	Livingston Survey, variable `G_BP_To_12M`. Source: `https://www.philadelphiafed.org/surveys-and-data/real-time-data-research/livingston-survey`
Fama-French stock returns	Ken French data library `https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html`
Detailed subcomponents of the PCE deflator	Data set for: Baumeister, Liu and Mumtaz (2013)
Sectoral PCE price indices	U.S. Bureau of Economic Analysis Table 1.6.4.: Price Indexes for Gross Domestic Purchases
Subcomponents of the Producer Price Index	U.S. Bureau of Labor Statistics: `https://www.bls.gov/ppi/databases/`
CPI, PPI, GDP deflator, PCE deflator	`https://fred.stlouisfed.org`. Variables: `CPIAUCSL`, `PPIACO`, `GDPDEF`, `DPCERD3Q086SBEA`
S&P 500	`STOCK:_SPXTRD` S&P 500 Total Return Index (with GFD extension). Source: Global Financial Data. Converted to real by dividing by CPI.

B Figure 1 with error bands

Figure 1: Response of the aggregate PCE deflator in Figure 1 (1960-2006). Red areas denote 68% and 90% credible sets.

C Response of 53 PPI subsectors: 1950-2006

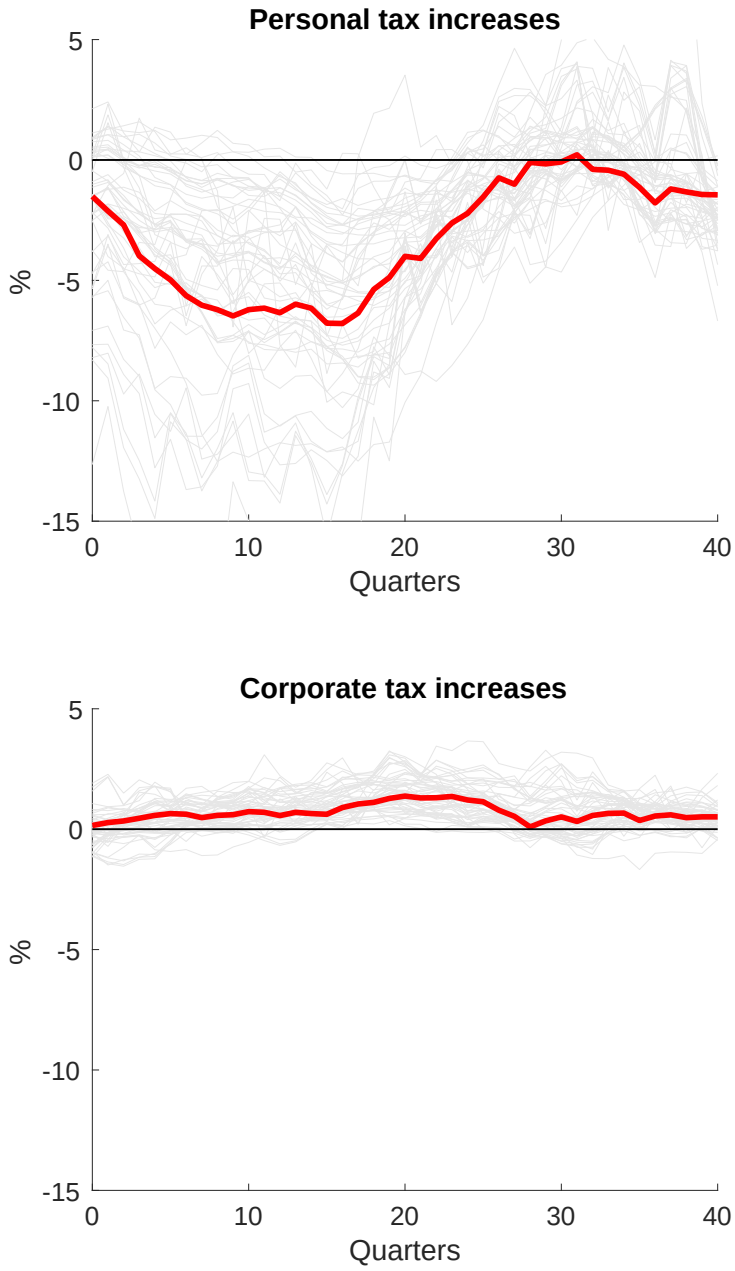

Figure 2: Response of 53 PPI subsectors (gray lines): 1950-2006. Response of aggregate PPI: solid red line. Red areas denote 68% and 90% credible sets.

D Response of aggregate PPI with error bands

Figure 3: Response of the aggregate PPI: 1950-2006. Red areas denote 68% and 90% credible sets.

E Response of PPI by broad sector

Figure 4: Percentage response of producer prices: non-durables (food and non-food), durables, capital equipment. 1950-2006. Red areas denote 68% and 90% credible sets.

F Response of PCE prices by sector

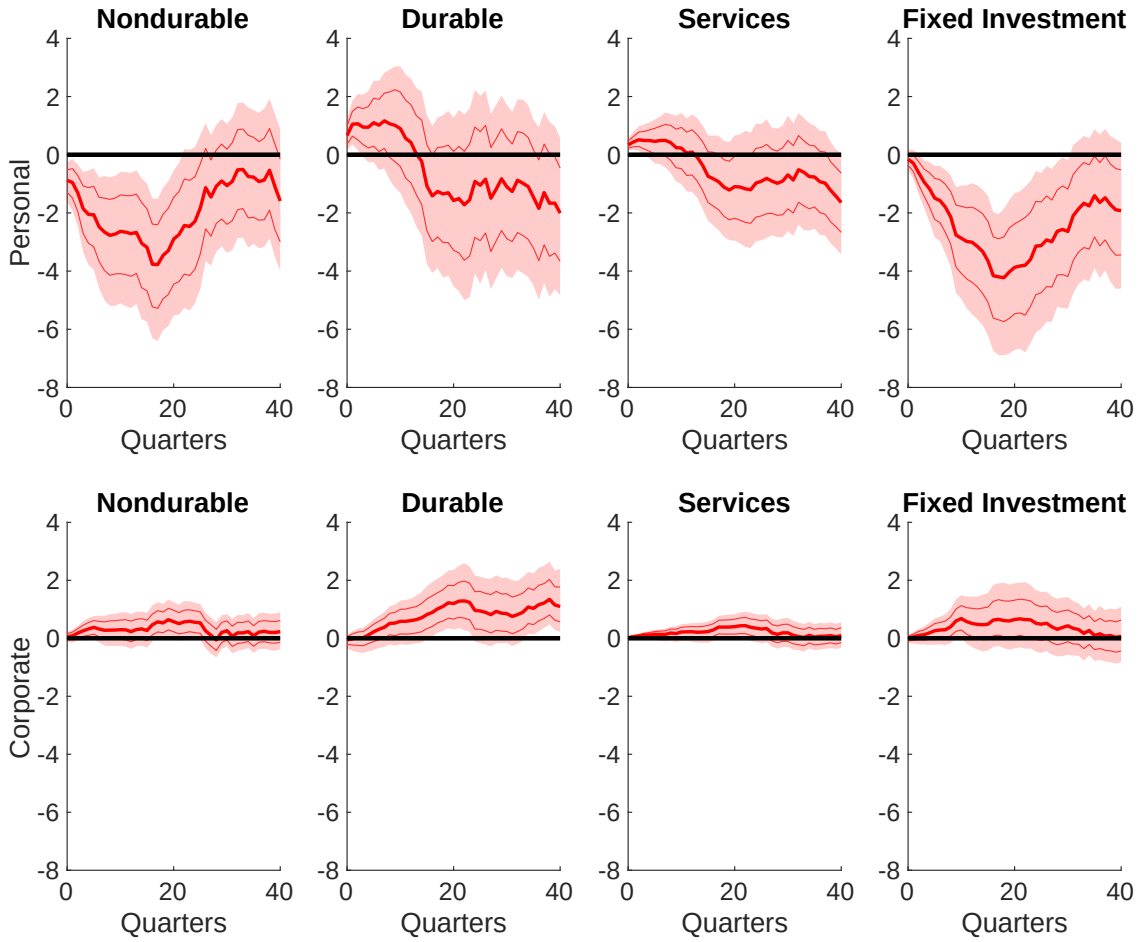

Figure 5: Percentage response of consumer prices: nondurables, durables, services and investment (1950-2006). Red areas denote 68% and 90% credible sets.

G Response of stock prices: selected industries

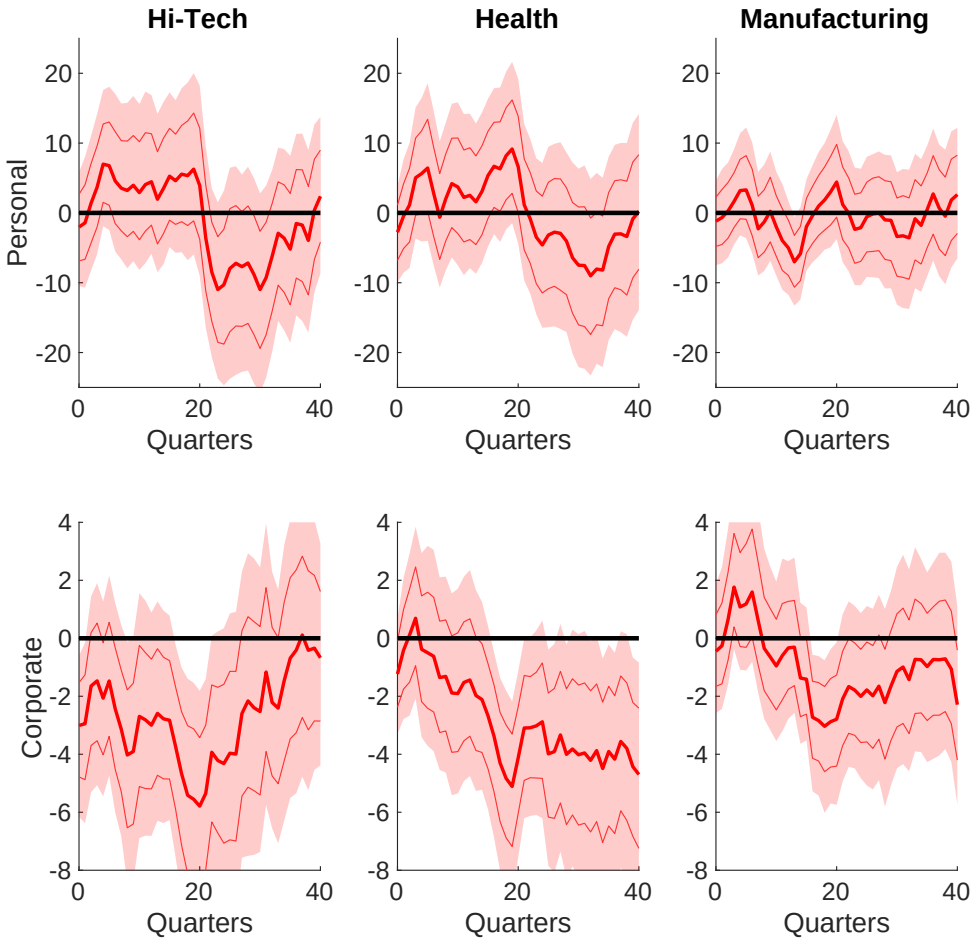

Figure 6: Percentage response of stock prices: IRFs from selected industries 1950-2006. Source: Fama-French dataset `https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html`. Fama-French returns are cumulated to obtain the level. Red areas denote 68% and 90% credible sets.

H Headline price measures compared: 1950-2006

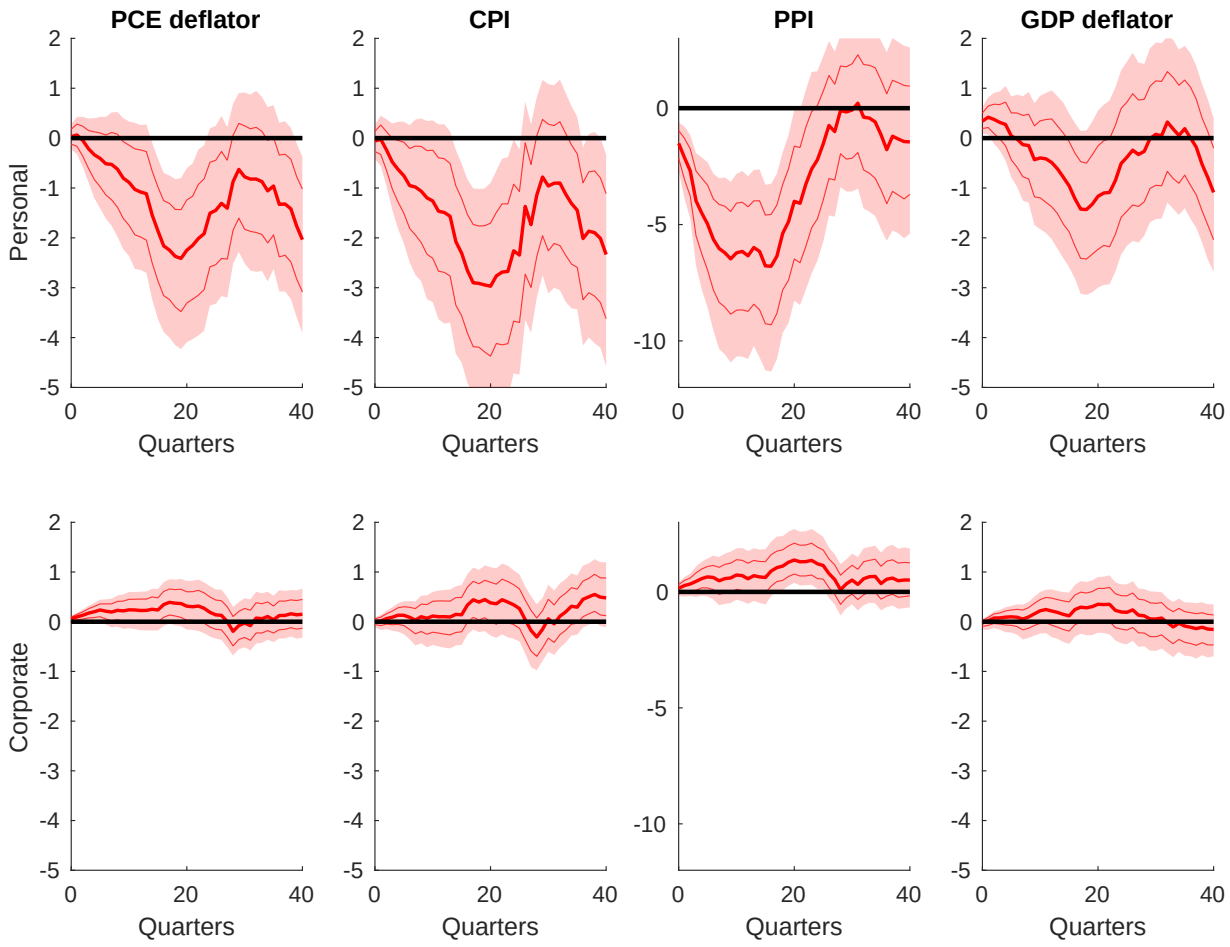

Figure 7: Percentage response of headline price indices, baseline specification using the full sample 1950-2006. Red areas denote 68% and 90% credible sets.

I Headline inflation measures compared: 1950-2006

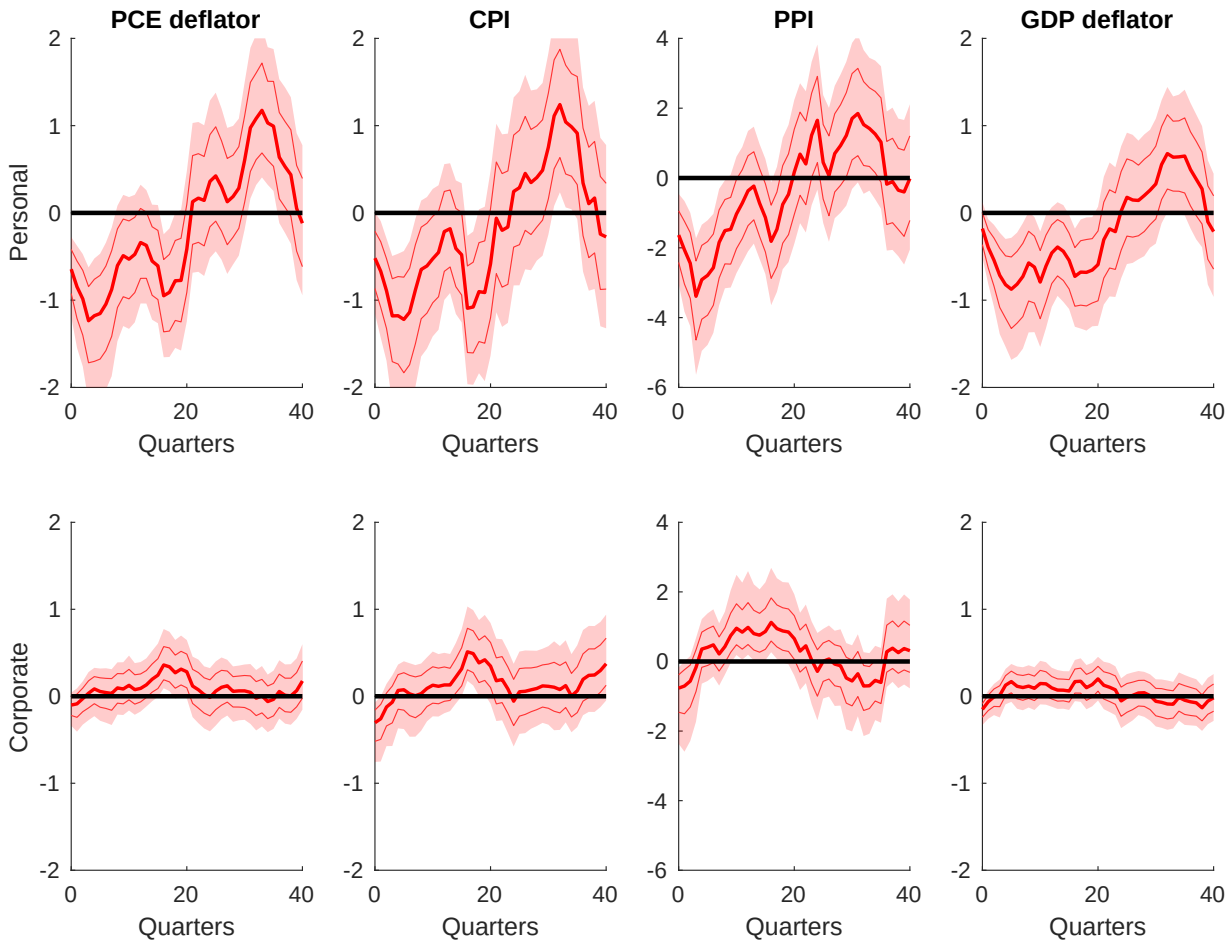

Figure 8: Percentage point response of headline inflation, baseline specification using the full sample 1950-2006. Red areas denote 68% and 90% credible sets.

J Forecast Error Variance Decompositions for Inflation: 1950-2006

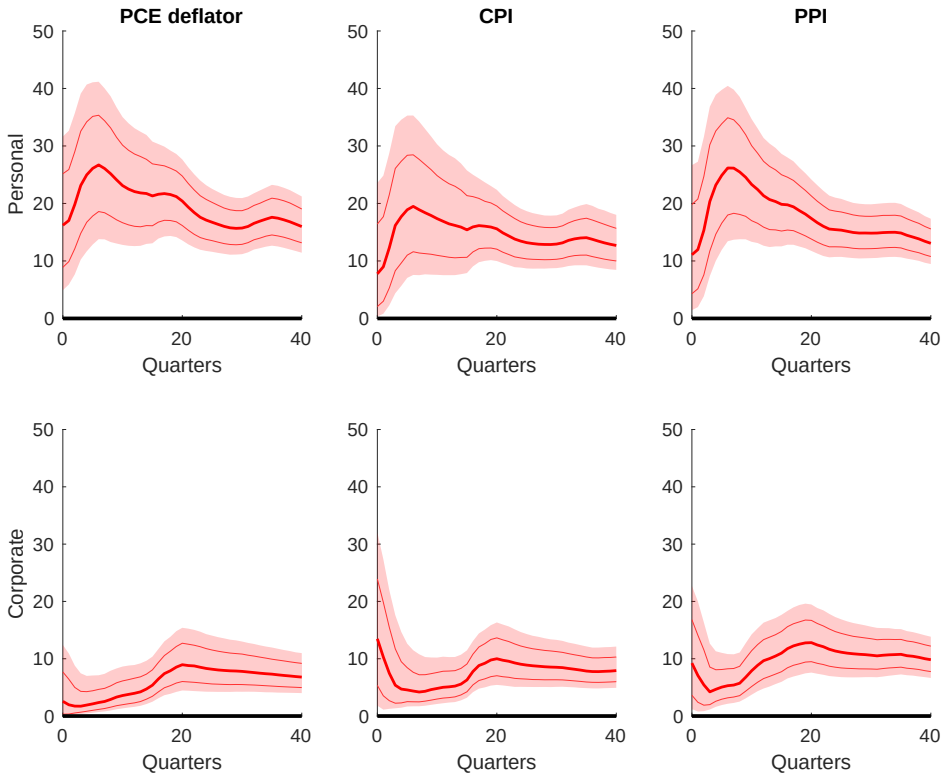

Figure 9: FEVD for inflation in the full sample 1950-2006. Red areas denote 68% and 90% credible sets.

References

Baumeister, Christiane, Philip Liu, and Haroon Mumtaz. 2013. "Changes in the effects of monetary policy on disaggregate price dynamics." *Journal of Economic Dynamics and Control*, 37(3): 543–560.

Mertens, Karel, and Morten O. Ravn. 2013. "The Dynamic Effects of Personal and Corporate Income Tax Changes in the United States." *American Economic Review*, 103(4): 1212–47.

Mumtaz, Haroon, and Konstantinos Theodoridis. 2020. "Fiscal policy shocks and stock prices in the United States." *European Economic Review*, 129(C).