[A general theory of tax-smoothing](#)

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This paper extends the dynamic theory of optimal fiscal policy with a representative agent in several environments by using a generalized version of recursive preferences. I allow markets to be complete or incomplete and study optimal policy under commitment or discretion. The resulting theories are interpreted through the *excess burden of taxation*, a multiplier, whose evolution gives rise to different notions of "tax-smoothing". Variants of a law of motion in terms of the *inverse* excess burden emerge when we allow for richer asset pricing implications through recursive preferences. I highlight a common unifying principle of taxation and debt issuance in all environments that revolves around interest rate manipulation: issue new debt and tax more in the future if this can lead to lower interest rates today.