

Public Economics: Tax & Transfer Policies

(Master PPD & APE, Paris School of Economics)

Thomas Piketty

Academic year 2015-2016

Syllabus & Course Material

(check [on line](#) for updated versions)

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(check on-line for updated versions)

- The objective of this course is to present an introduction to public economics, with special emphasis on the history of taxation, public spending and state formation, normative theories of government intervention & redistribution, and the incidence of tax and transfer policies, both in developed countries and in the developing world
- For an introduction to economic history, with emphasis on capital accumulation, inequality & growth, see [Economic History](#) course; both courses are complementary
- The course is organized in 7 lectures of 3 hours
- To validate the course, students are required
 - (1) to attend and actively participate to all lectures;
 - (2) to take the exam (past exams are available [here](#))

A quick roadmap of the lectures

- **Lecture 1: State formation & taxation in historical perspective** (Tuesday Nov. 17th 2015)
- **Lecture 2: Normative theories of fiscal and social justice in historical perspective** (Tuesday November 24th 2015)
- **Lecture 3: Income & wage taxation over time & across countries** (Tuesday January 12th 2016)

- **Lecture 4: Optimal taxation of labor income**
(Tuesday January 19th 2016)
- **Lecture 5: Wealth & property taxes over time & across countries** (Tuesday January 26th 2016)
- **Lecture 6: Optimal taxation of capital & capital Income** (Tuesday February 2nd 2016)
- **Lecture 7: Global warming, carbon taxation & externalities in historical perspective** (Tuesday February 9th 2016)

How to use the reading list

- The reading list contains many references (particularly regarding the history of taxation, theories of justice, and optimal taxation). Aim is to provide an introduction to the existing literature for students who plan to specialize in these areas. **You are not expected to read everything!**
- You should try to read at least the “**highly recommended readings**” (denoted with a *), as well as a selection of books and articles based on your own tastes. **But please read!**
- **The exam will be based upon a good working knowledge of all the material that is presented in the lecture slides (in particular the optimal tax models).** Please ask during the classes if there is anything unclear in this material.

Reading list

(* : highly recommended reading)

Lecture 1: State formation & taxation in historical perspective

The rise of the fiscal and social state

- * T. Piketty, *[Capital in the 21st century](#)*, HUP 2014, [chap.13](#)
- P. Lindert, *Growing Public – Social spending & economic growth since the 18th century*, CUP 2004
- G. Esping Andersen, *The Three Worlds of Welfare Capitalism*, PUP 1990
- W. Adema, P. Fron, M. Ladaique, “Is the European Welfare State Really More Expensive? Indicators on Social Spending, 1980-2012; and a Manual to the OECD Social Expenditure Database (SOCX)”, [OECD 2011](#)
- * Eurostat, *Taxation Trends in the European Union*, [2014](#) ([summary](#))
- European Commission, *Tax Reforms in EU Member States*, [2015 Report](#)

- [Revenue Statistics in Latin America](#), OECD & ECLAC, 2012
- *The Role of Tax Policy in Times of Consolidation*, [EC Report](#), 2013 (see also *Taxing Times*, [IMF Fiscal Monitor](#), 2013)

The structure of taxation in historical and sociological perspective

- J. Cagé, L. Gadenne, “Tax Revenues, Development, and the Fiscal Cost of Trade Liberalization, 1792-2006 », [WP 2014](#)
- N. Delalande, *Les batailles de l’impôt – Consentement et résistance de 1789 à nos jours*, Seuil 2011
- R. Huret, *American Tax Resisters*, HUP 2014
- E. Heaman, *A Short History of the State in Canada*, 2015; *Taxes and Tax Revolts in Canada 1867-1917*, 2016
- G. Ardant, *Histoire de l’impôt* (2 tomes), Fayard 1971

- I. Martin, A. Merhotra, M. Pasad, *The New Fiscal Sociology: Taxation in Comparative and Historical Perspective*, CUP 2009
- A. Spire, K. Weinenfeld, *L'impunité fiscale – Quand l'Etat brade sa souveraineté*, La découverte, 2015

Introduction to optimal taxation: social objective vs tax & transfer incidence

- *Reforming the Tax System for the 21st Century* : [The Mirrlees Review](#), OUP 2010-2012
- G. Fack "Are Housing Benefits An Effective Way To Redistribute Income? Evidence From a Natural Experiment In France", [LE 2006](#)
- C. Carbonnier, "Who Pays Sales Taxes ? Evidence from French VAT Reforms, 1987-1999", [JPubEc 2007](#)

Lecture 2: Normative theories of fiscal and social justice in historical perspective

- K. Arrow, *Social Choice and Individual Values*, YUP 1951
- J. Rawls, *A Theory of Justice*, HUP 1971; *Political Liberalism*, HUP 1995; *The Law of Peoples*, HUP 1999; *Justice as Fairness: A Restatement*, HUP 2001
- * J. Harsanyi, “Can the Maximin Principle Serve as a Basis for Morality? A Critique of John Rawls's Theory”, [APSR 1975](#)
- A. Sen, *Commodities and capabilities*, OUP 1987; *Development as Freedom*, Anchor 1999; *The Idea of Justice*, HUP 2009
- * A. Sen, “Development as Freedom: an Indian Perspective”, [IJIR 2006](#)
- M. Fleurbaey, *Théories économiques de la justice*, Economica 1996; *Fairness, Responsibility and Welfare*, OUP 2008
- J. Roemer, *Theories of Distributive Justice*, HUP 1998
- W. Kymlicka, *Contemporary Political Philosophy*, OUP 2002

- P. Rosanvallon, *La société des égaux*, Seuil 2011; *Le bon gouvernement*, Seuil 2015
- M. Nussbaum, *Frontiers of Justice: Disability, Nationality, Species Membership*, HUP 2006
- M. Sandel, [*Justice: What's the Right Thing to Do?*](#), Farrar 2010; *What Money Can't buy: The Moral Limits of Markets*, Farrar 2012
- * T. Piketty, “Social Mobility & Redistributive Politics”, [QJE 1995](#)
- * -- , “The Information-Aggregation Approach to Political Institutions”, [EER 1999](#)
- D. Spector, “Rational Debate Leads to One-Dimensional Conflict”, [QJE 2000](#)
- J. Roemer, W. Lee, K. Van der Straeten, *Racism, Xenophobia, and Distribution: Multi-Issue Politics in Advanced Democracies*, HUP 2007; [JEEA 2006](#); [JE 2005](#)
- L. Kuziemko, M. Norton, E. Saez, S. Stantcheva, « How Elastic are Preferences for Redistribution? », [AER 2015](#)

Lecture 3: Income & wage taxation over time & across countries

- * [Capital...](#), [chap.14](#)
- M. Touzery, *L'invention de l'impôt sur le revenu – La taille tarifée 1715-1789*, CHEFF 1994
- A. Mehrotra, *Making the Modern American Fiscal State. Law, Politics, and the Rise of Progressive Taxation, 1877-1929*, CUP 2013
- J. Witte, *The Politics and Development of the Federal Income Tax*, University of Wisconsin Press, 1985
- T. Piketty, *Les hauts revenus en France au 20^e siècle*, [Grasset 2001](#), [chap.4](#)
- C. Landais, T. Piketty, E. Saez, *Pour une révolution fiscale - Un impôt sur le revenu pour le 21^e siècle*, Le Seuil, 2011, www.revolution-fiscale.fr

- * [French & US recent income tax schedules \(xls\)](#)
- C. Landais, « Le quotient familial a-t-il stimulé la natalité française? », [EP 2003](#)
- G. Esping Andersen, *The Incomplete Revolution: Adapting Welfare States to Women's New Roles*, PUP 2009; *Trois leçons sur l'Etat-Providence*, Seuil 2008
- T. Besley, T. Persson, “On the Origins of State Capacity”, [2009](#) ; “Why do developing countries tax so little?”, [JEP 2014](#)
- H. Kleven, H. Kreiner, E. Saez, “Why Can Modern Governments Tax so much?”, [2009](#); “How Can Scandinavians Tax So Much?”, [JEP 2014](#)
- T. Piketty & N. Qian, « Income inequality and progressive income taxation in China and India: 1986-2015 », [AEJ 2009](#)

Lecture 4: Optimal taxation of labor income

- J. Mirrlees, "An exploration in the theory of optimum income taxation", RES 1971
- H. Varian, "Redistributive Taxation as Social Insurance", JPubEc 1980
- Diamond, P., "Optimal Income Taxation: An Example with a U-Shaped Pattern of Optimal Marginal Rates", [AER 1998](#)
- E. Saez, "Using Elasticities to Derive Optimal Tax Formulas", [RES 2001](#)
- P. Diamond & E. Saez, "The Case for a Progressive Tax: From Basic Research to Policy Recommendations", [JEP 2011](#)
- * **T. Piketty, E. Saez, "Optimal Labor Income Taxation", [HPE 2013](#)**
- T. Piketty, E. Saez, S. Stantcheva, "Optimal Taxation of Top Labor Incomes: A Tale of Three Elasticities", [AEJ 2014](#)
- B. Salanié, Théorie économique de la fiscalité, Economica, 2002 (The Economics of Taxation, MIT Press, 2003)

- E. Saez, J. Slemrod and S. Gierz, “The Elasticity of Taxable Income with Respect to Marginal Tax Rates: A Critical Review”, [JEL 2010](#)
- B. Meyer, T. Rosenbaum, "Welfare, the Earned Income Tax Credit, and the Labor Supply of Single Mothers“, [QJE 2001](#)
- T. Piketty, “La redistribution fiscale face au chômage”, [RFE 1997](#)
- C. Landais, “Assessing the Welfare Effects of Unemployment Benefits Using the Regression Kink Design”, [AEJ 2014](#)
- R. Chetty, “Sufficient Statistics for Welfare Analysis: A Bridge between Structural and Reduced-Form Approaches”, [AR 2009](#)
- T. Aronsson, O. Johansson-Stenman, « Keeping up with the Joneses, the Smiths and the Tanakas: On international tax coordination and social comparisons », [JPubEc 2015](#)

Lecture 5: Wealth & property taxes over time & across countries

- * [Capital...](#), [chap.15](#)
- J. Beckert, *Inherited wealth*, PUP 2008
- I. Fisher, « Economists in Public Service », [AER 1919](#)
- K. Scheve, D. Stasavadge, “Democracy, War & Wealth – Evidence from Two Centuries of Inheritance Taxation”, [APSR 2011](#)
- * [French & US recent inheritance & wealth tax schedules \(xls\)](#)
- G. Du Rietz, M. Henrekson, D. Waldenström, « Swedish Inheritance and Gift Taxation (1885–2004) », in *Swedish Taxation: Developments since 1862*, [Palgrave 2015](#), [Chap. 5](#)
- G. Du Rietz, M. Henrekson, « Swedish Wealth Taxation (1911–2007) », in *Swedish Taxation: Developments since 1862*, [Palgrave 2015](#), [Chap. 6](#)

- I. Martin, *The Permanent Tax Revolt: How the Property Tax Transformed American Politics*, SUP 2008; *After the Tax Revolt: California's Proposition 13 Turns 30*, 2008; *Rich People's Movements: Grassroots Campaigns to Untax the One Percent*, OUP 2013
- H. Glennester, "A Wealth Tax Abandoned: The Role of UK Treasury 1974-1976", [LSE 2011](#)
- G. Zucman, "Les hauts patrimoines fuient-ils l'ISF? Une estimation sur la période 1995-2006 », [PSE Master Thesis, 2008](#)
- - - , « The missing wealth of nations: are Europe and the US net debtors or net creditors? », [QJE 2013](#)
- * - - , « **Taxing across borders: Tracking personal wealth and corporate profits** », [JEP 2014](#)
- - - , *The Hidden Wealth of Nations*, The University of Chicago Press, 2015
- N. Johannesen and G. Zucman,, "The End of Bank Secrecy? An Evaluation of the G20 Tax Haven Crackdown", [AEJ 2014](#)
- K. Clausing, "In Search of Corporate Tax Incidence", [WP 2011 Tax Law Review 2012](#)

Lecture 6: Optimal taxation of capital & capital income

- * T. Piketty, E. Saez, G. Zucman, “Rethinking Capital & Wealth Taxation”, [PSE 2013](#)
- A.B. Atkinson and J. Stiglitz, “The design of tax structure: direct vs indirect taxation”, *JPubEc* 1976
- V. Christiansen, « Which Commodity Taxes Should Supplement the Income Tax ? », [JPubEc 1984](#)
- E. Saez, “The Desirability of Commodity Taxation under Non-Linear Income Taxation and Heterogeneous Tastes”, [JPubEc 2002](#)
- --, « Direct vs Indirect Tax Instruments for Redistribution : Short-run vs Long-run », [JPubEc 2004](#)
- --, “Optimal Progressive Capital Income Taxes in the Infinite Horizon Model”, [JPubEc 2013](#)
- T. Piketty, E. Saez, “A Theory of Optimal Inheritance Taxation”, [Econometrica 2013](#) ([WP 2012](#))
- E. Farhi, I. Werning, “Bequest Taxation and $r - g$ ”, [WP 2014](#)
- N. Kaldor, *An Expenditure Tax*, Unwin 1955

Lecture 7: Global warming, carbon taxation & externalities in historical perspective

- * N. Stern, *The Economics of Climate Change: [The Stern Review](#), 2007 (chapter 2A)*
- W. Nordhaus, "Critical Assumptions in the Stern Review on Climate Change", [Science 2007](#)
- Symposium on Stern Report, [JEL 2007](#)
- T. Sterner, "An Even Sterner Review: Introducing Relative Prices into the Discounting Debate", [JEP 2008](#)
- R. Guesnerie, "Calcul économique et développement durable", [RE 2004](#); "Pour une politique climatique globale", [Cepremap 2010](#)
- M. Drupp, M. Freeman, « Discounting disentangled: an expert survey on the determinants of the long-term social discount rate », [WP 2015](#)

- T. Sterner, *Fuel Taxes and the Poor-The Distributional Effects of Gasoline Taxation and Their Implications for Climate Policy*, RFF 2011, [Slides 2015](#)
- * L. Chancel, T. Piketty, “Carbon and Inequality: from Kyoto to Paris. Trends in the Global Inequality of Carbon Emissions (1998-2013) and Prospects for an Equitable Adaptation Fund”, [PSE 2015](#)