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. 17\textsuperscript{th} 2015)

• **Lecture 2: Normative theories of fiscal and social justice in historical perspective**
  (Tuesday November 24\textsuperscript{th} 2015)

• **Lecture 3: Income & wage taxation over time & across countries** (Tuesday January 12\textsuperscript{th} 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

• P. Lindert, *Growing Public – Social spending & economic growth since the 18th century*, CUP 2004
• European Commission, *Tax Reforms in EU Member States, 2015 Report*

The structure of taxation in historical and sociological perspective
Introduction to optimal taxation: social objective vs tax & transfer incidence

- G. Fack "Are Housing Benefits An Effective Way To Redistribute Income? Evidence From a Natural Experiment In France", *LE 2006*
Lecture 2: Normative theories of fiscal and social justice in historical perspective

• K. Arrow, Social Choice and Individual Values, YUP 1951


• 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


• J. Roemer, Theories of Distributive Justice, HUP 1998

• W. Kymlicka, Contemporary Political Philosophy, OUP 2002
• M. Nussbaum, *Frontiers of Justice: Disability, Nationality, Species Membership*, HUP 2006
• * 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
• 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


• T. Piketty, Les hauts revenus en France au 20e siècle, Grasset 2001, chap.4

* French & US recent income tax schedules (xls)

C. Landais, « Le quotient familial a-t-il stimulé la natalité française? », *EP 2003*


Lecture 4: Optimal taxation of labor income

• E. Saez, “Using Elasticities to Derive Optimal Tax Formulas”, RES 2001
• * T. Piketty, E. Saez, "Optimal Labor Income Taxation", HPE 2013
• B. Salanié, Théorie économique de la fiscalité, Economica, 2002 (The Economics of Taxation, MIT Press, 2003)


• 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)*


• *- - , « 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*


• 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
• 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
• 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)


• Symposium on Stern Report, *JEL* 2007


• 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](#)