

Public Economics

(Master PPD & APE, Paris School of Economics)

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Academic year 2016-2017

Syllabus & Course Material

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

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- Course web page :
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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 12 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** (Monday Sept. 19th 2016)
- **Lecture 2: Normative theories of fiscal and social justice in historical perspective**
(Monday September 26th 2016)
- Lectures 3-6 by A. Bozio and J. Grenet
(Tools for welfare analysis; taxation of goods and services; labor income taxation 1 and 2)

- **Lecture 7: Wealth & property taxes over time & across countries** (Monday November 7th 2016)
- **Lecture 8: Optimal taxation of capital & capital Income** (Monday November 14th 2016)
- Lectures 9-12 by A. Bozio & J. Grenet
(Corporation taxation; externalities; public goods; social insurance)

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](#) ; [SJE 2006](#); [SIR 2009](#); [JES 2013](#)
- L. Kuziemko, M. Norton, E. Saez, S. Stantcheva, « How Elastic are Preferences for Redistribution? », [AER 2015](#)

Lecture 7: 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 8: 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