

Measuring the behavioural effects of tax changes

Uppsala, March 17-19, 2010

Ph. D. course for PhD students and Post Docs

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Course Outline and Selected Readings

The focus of the course will be on the evaluation and design of the taxation of earnings, savings and consumption. There will be three main themes of the course:

- (i) background on the theory of tax design and empirical methods of evaluation and measurement
- (ii) specification and estimation of models of labour supply, of savings and of consumption
- (iii) measuring the impact of earnings taxation, savings taxation and commodity taxation.

Selected Readings (* refers to useful but not required pre-course readings)

Attanasio and Wakefield (2009) "The effects on consumption and saving of taxing asset returns", *The Mirrlees Review*, IFS, www.ifs.org.uk/mirrleesReview/publications

Auerbach, A (2006), "The Choice between Income and Consumption Taxes" *Berkeley Economics Discussion Paper*, <http://elsa.berkeley.edu/~auerbach/consumption.pdf>

Banks, J., Blundell, R. and A. Lewbel (1996) Tax Reform and Welfare Measurement: Do We Need Demand System Estimation?, *The Economic Journal*, Vol.106, No.438

Banks, J., R. Blundell and S. Tanner (1998) 'Is There a Retirement-Savings Puzzle?', *American Economic Review*, Vol. 88, No.4. 769-788, September.

* Banks, J and P. Diamond (2009) "The base for direct taxation", *The Mirrlees Review*, IFS, www.ifs.org.uk/mirrleesReview/publications

* Blundell, R.W. and M. Costa-Dias "Alternative Approaches to Evaluation in Empirical Microeconomics", *Journal of Human Resources*, 44(3), 565-640
<http://www.ucl.ac.uk/~uctp39a/lect.html>

Blundell, R.W., Duncan, A. and Meghir, C. (1998), "Estimating Labour Supply Responses using Tax Policy Reforms", *Econometrica*, 66, 827-861

- * [Section 4] Blundell, R. and MaCurdy, T. (1999), "Labour Supply: A Review of Alternative Approaches", in Ashenfelter and Card (eds), *Handbook of Labour Economics*, Elsevier North-Holland. <http://www.ucl.ac.uk/~uctp39a/Blundell-MaCurdy-1999.pdf>
- Blundell, R. and Shephard, A. (2008), "Employment, Hours of Work and the Optimal Design of Earned Income Tax Credits" *IFS WP 08/01* <http://www.ifs.org.uk/wps/wp0801.pdf>
- * Crawford, Keen and Smith (2009), Value added tax and excises, *The Mirrlees Review*, IFS, www.ifs.org.uk/mirrleesReview/publications
- * Brewer, M. A. Duncan, A. Shephard, (2009) "Means-testing and tax rates on earnings", *The Mirrlees Review*, IFS, www.ifs.org.uk/mirrleesReview/publication
- Card, David and Philip K. Robins (1998), "Do Financial Incentives Encourage Welfare Recipients To Work?", *Research in Labor Economics*, 17, pp 1-56.
- Diamond, P. (1980): "Income Taxation with Fixed Hours of Work," *Journal of Public Economics*, 13, 101-110.
- Eissa, Nada and Jeffrey Liebman (1996), "Labor Supply Response to the Earned Income Tax Credit", *Quarterly Journal of Economics*, CXI, 605-637.
- Gruber, Jon, and Saez, Emmanuel (2002) "The Elasticity of Taxable Income: Evidence and Implications", *Journal of Public Economics*, 84, 1-32.
- Immervoll, Herwig, Henrik Kleven, Claus Kreiner, and Emmanuel Saez, 2007. "Welfare Reform in European Countries: Microsimulation Analysis", *Economic Journal*, 117, 1-44.
- Keane, M.P. and Moffitt, R. (1998), "A Structural Model of Multiple Welfare Program Participation and Labor Supply", *International Economic Review*, 39(3), 553-589.
- Kleven, Henrik, Claus Kreiner, and Emmanuel Saez, 2009. "The Optimal Taxation of Couples", *Econometrica*, 77, 537-560
- Laroque, G. (2005), "Income Maintenance and Labour Force Participation", *Econometrica*, 73(2), 341-376.
- * Mirrlees, J. (1971), "An Exploration in the Theory of Optimum Income Taxation" *Review of Economic Studies*, Vol. 38, No. 2. (Apr.), 175-208
<http://econweb.tamu.edu/gan/publicecon/mirrlees71.pdf>
- Saez, E. (2002): "Optimal Income Transfer Programs: Intensive versus Extensive Labor Supply Responses," *Quarterly Journal of Economics*, 117, 1039-1073.
- * Slemrod, J. and W. Kopczuk (2002), "The optimal elasticity of taxable income", *Journal of Public Economics* 84 (2002) 91 –112
http://www.ucl.ac.uk/~uctp39a/Slemrod_Kopczuk_2002_Journal-of-Public-Economics.pdf