

## Public Economics

Course title – Intitulé du cours	Public Economics
Level / Semester – Niveau /semestre	MRes
School – Composante	Ecole d'Economie de Toulouse
Teacher – Enseignant responsable	Catarina Goulão
Other teacher(s) – Autre(s) enseignant(s)	Jean-Marie Lozachmeur
Other teacher(s) – Autre(s) enseignant(s)	
Other teacher(s) – Autre(s) enseignant(s)	
Other teacher(s) – Autre(s) enseignant(s)	
Other teacher(s) – Autre(s) enseignant(s)	
Lecture Hours – Volume Horaire CM	
TA Hours – Volume horaire TD	15 hours
TP Hours – Volume horaire TP	
Course Language – Langue du cours	English
TA and/or TP Language – Langue des TD et/ou TP	English

### **Teaching staff contacts – Coordonnées de l'équipe pédagogique :**

Catarina Goulão [CG]: Office T.378. email : [catarina.goulao@tse-fr.eu](mailto:catarina.goulao@tse-fr.eu)

Jean-Marie Lozachmeur [JML]: Office T.380. email : [jean-marie.lozachmeur@tse-fr.eu](mailto:jean-marie.lozachmeur@tse-fr.eu)

### **Course Objectives – Objectifs du cours :**

This is one of the courses in the Public economics field at TSE. The basic issues of Public Economics are seen in the M2/ETE course. This course is designed for second-year (Mres) graduate students. We shall cover a good deal of “classical” material (you need to know the foundations) but also some more recent developments (to see some of the contemporary research in public economics). It covers issues, beyond those in textbooks, to take into consideration in the design of public policies. The goal of the course is to familiarize students with empirical and theoretical models in applied microeconomics, with a focus on connecting theory to data to inform public policy. Most of applications take Europe and the US as scenarios.

**Prerequisites – Pré requis :** M2/ETE Public Economics

### **Practical information about the sessions – Modalités pratiques de gestion du cours :**

This is 15-hour course that spans the second semester (5 weeks).

### **Grading system – Modalités d'évaluation :**

The grade of the course will consist of a choice of:

- (1) Literature review on a topic discussed in class.
- (2) Research proposal related to the topics discussed in class.
- (3) Referee report of a working paper related to the topics discussed in class.

Students will write a short paper (5-10 pages) and do an oral presentation (20 min + 10 min discussion) of the task that they chose (literature review, research proposal, referee report).

**Bibliography/references – Bibliographie/références : see below**

**Session planning – Planification des séances**

**Part 1: Indirect taxation (7.5 h, Catarina Goulão)**

**5 lectures/cours magistral (CM)**

- 1. Introduction: rational for indirect taxation. Welfare considerations with behavioral agents. Overview of indirect taxation. [CM1]**
- 2. Theory and empirics at odds: Tax Incidence, Tax equivalence, Efficiency Cost of Taxation, Inattention [CM2-CM3]**

Benzarti, Y., and Carloni, D. (2019). "Who Really Benefits from Consumption Tax Cuts? Evidence from a Large VAT Reform in France." *American Economic Journal: Economic Policy*, 11 (1): 38-63.

Benzarti, Y. , Carloni D., Harju, J. and Kosonen T. (2020) [What Goes Up May Not Come Down: Asymmetric Incidence of Value-Added Taxes](#), *Journal of Political Economy* 128:12, 4438-4474

Chetty, R., Looney, A. and Kroft, K. (2009). "Salience and Taxation: Theory and Evidence." *American Economic Review*, 99 (4): 1145-77.

Finkelstein, A. (2009). "E-Z Tax: Tax Salience and Tax Rates." *Quarterly Journal of Economics*, vol 124, 969-1010.

Gabaix X. (2018) "Behavioral Inattention". *Handbook of Behavioral Economics*, chapter 4.

Goldin, J. and T. Homonoff. (2013). "Smoke Gets in Your Eyes: Cigarette Tax Salience and Regressivity." *American Economic Journal: Economic Policy*. Vol 5, n1 302-36.

Kerschbamer, R., & Kirchsteiger, G. (2000). Theoretically Robust but Empirically Invalid? An Experimental Investigation into Tax Equivalence. *Economic Theory*, 16(3), 719–734.

Kosonen, T. (2015). "More and Cheaper Haircuts after VAT Cut? On the Efficiency and Incidence of Service Sector Consumption Taxes." *J. Public Econ.* 131:87–100.

Taubinsky, D. and A. Rees-Jones. 2018. "Attention Variation and Welfare: Theory and Evidence from a Tax Salience Experiment." *Review of Economic Studies*, vol 85 n 4, 2462-2496.

- 3. Commodity Taxation with Externalities and Internalities. [CM4]**

Allcott, H., Lockwood, B.B. and Taubinsky, D. (2019). "Should We Tax Sugar-Sweetened Beverages? An Overview of Theory and Evidence." *Journal of Economic Perspectives*. 33, n 3, 202-27.

Allcott, H., Lockwood, B.B. and Taubinsky, D. (2019), "Regressive Sin Taxes, with an Application to the Optimal Soda Tax," *Quarterly Journal of Economics*, 134(3): 1557-1626, 2019.

Auffhammer, M. "Quantifying Economic Damages from Climate Change," *Journal of Economic Perspectives*, 32(4), 33-52, 2018.

Barahona, N., Otero, C., Otero, S. and Kim, J. (2023) "Equilibrium effects of food labeling policies." *Econometrica*, 839-868.

Bernheim and Rangel (2009). *Behavioural and Experimental Economics*, S. Durlauf and L. Blume (eds.), The New Palgrave Economics Collection, Palgrave Macmillan, 2009, 51-58.

Chetty, R. (2015) "Behavioral Economics and Public Policy: A Pragmatic Perspective," *American Economic Review*, 105(5): 1-33, 2015.

Farhi E, Gabaix X. (2020) "Optimal Taxation with Behavioral Agents". *American Economic Review*;110 (1) :298-336

Gillingham, Kenneth T., Sébastien Houde, and Arthur A. van Benthem (2021). "Consumer Myopia in Vehicle Purchases: Evidence from a Natural Experiment." *American Economic Journal: Economic Policy*, 13 (3): 207-38.

Griffith, R., O'Connell, M., Smith, K. (2018). "Corrective Taxation and Internalities from Food Consumption", *CESifo Economic Studies*, Volume 64, Issue 1, March 2018, Pages 1–14, <https://doi.org/10.1093/cesifo/ifx018>

Houde, Sébastien and Myers, E. (2019) "Heterogeneous (mis-) perceptions of energy costs: Implications for measurement and policy design." *National Bureau of Economic Research WP* 25722.

O'Donoghue, T., Matthew, R. (2006). "Optimal sin taxes." *Journal of Public Economics* 90 (10), 1825–1849

#### **4. Empirical measures of Bias [CM5]**

Allcott, H., Lockwood, B.B. and Taubinsky, D. (2019), "Regressive Sin Taxes, with an Application to the Optimal Soda Tax," *Quarterly Journal of Economics*, 134(3): 1557-1626, 2019.

Chetty, R., Looney, A. and Kroft, K. (2009). "Salience and Taxation: Theory and Evidence." *American Economic Review*, 99 (4): 1145-77.

Barahona, N., Otero, C., Otero, S. and Kim, J. (2023) "Equilibrium effects of food labeling policies." *Econometrica*, 839-868.

Stantcheva, S. (2022). How to Run Surveys: A guide to creating your identifying variation and revealing the invisible. *Annual Review of Economics* 15(1): 205-234, 2022

Haaland, I., C. Roth, J. Wohlfart, S. Stantcheva (2022). Measuring what is top of Mind. Harvard University working paper 2024.

## **Part 2 : Taxation and the family (7.5h Jean-Marie Lozachmeur)**

**This part will cover the tax treatment of the couples and policies towards the children. It will cover some theoretical as well some empirical studies.**

Ananat E., Glasner B., Hamilton C. and P. Zachary, 2022, Effects of the Expanded Child Tax Credit on Employment Outcomes: Evidence from Real-World Data from April to December 2021, NBER Working paper 29823.

Apps, P. and R. Rees, 1988, "Taxation and the household," *Journal of Public Economics*, 75, 355--369.

Apps, P. and R. Rees, 1999, "Individual vs. joint taxation in models with household production," *Journal of Political Economy*, 107, 393--403.

Bastani, Spencer, Sören Blomquist, and Luca Micheletto. 2020. "Child Care Subsidies, Quality, and Optimal Income Taxation." *American Economic Journal: Economic Policy*, 12 (4): 1-37.

Boskin M.J. and E. Sheshinski, 1983, "Optimal tax treatment of the family: married couples," *Journal of Public Economics*, 20, 281--297.

Brett, C., 2007, "Optimal nonlinear taxes for families," *International Tax and Public Finance*, 14, 225--261.

Cremer, H., J.M. Lozachmeur and P. Pestieau, 2012, "Income taxation of couples and the tax unit choice," *Journal of Population Economics*, 25, 763--771.

Cremer, H., J.-M. Lozachmeur, D. Maldonado and K. Roeder, 2015, "Household bargaining and the design of couples' income taxation," mimeo.

Bastani, Spencer, Sören Blomquist, and Luca Micheletto. 2020. "Child Care Subsidies, Quality, and Optimal Income Taxation." *American Economic Journal: Economic Policy*, 12 (4): 1-37.

Kleven, H.J., C.T. Kreiner and E. Saez, 2009, "The optimal income taxation of couples," *Econometrica*, 77 (2), 537--560.

## **Distance learning – Enseignement à distance :**

*Distance learning can be provided when necessary by implementing:*

- *Interactive virtual classrooms*
- *Recorded lectures (videos)*
- *MCQ tests and other online exercises / assignments*

- *Remote (online) tutorials (classes)*
- *Chatrooms*

*En cas de nécessité, un enseignement à distance sera assuré en mobilisant:*

- *Classe en ligne interactive*
- *Vidéo enregistrée de la présentation du matériel pédagogique*
- *QCM et exercices en ligne*
- *TP/TD à distance*
- *Forum...*