

# Redistributive Taxation and Social Insurance

**Instructor:** Hakkı Yazıcı  
**Email:** [yazicihakki@gmail.com](mailto:yazicihakki@gmail.com)

**Course Description:** This is a three-lecture course on optimal taxation. The emphasis will be on the design of tax systems that aim to deliver redistribution and social insurance at minimum efficiency cost. First two lectures will deal with optimal labor income taxation while in the last lecture we will build dynamic models and analyze optimal capital taxation and social insurance.

## Tentative Schedule:

### Lecture 1: Optimal (Static) Income Taxation

*Diamond, P. "Optimal Income Taxation: An Example with a U-Shaped Pattern of Optimal Marginal Tax Rates", American Economic Review, Vol. 88, 1998, 83-95.*

*Mirrlees, J. "An Exploration in the Theory of Optimal Income Taxation", Review of Economic Studies, Vol. 38, 1971, 175-208.*

*Saez, E. "Using Elasticities to Derive Optimal Income Tax Rates", Review of Economics Studies, Vol. 68, 2001, 205-229.*

*Sadka, E. "On Income Distribution, Incentives Effects and Optimal Income Taxation", Review of Economic Studies, Vol. 43, 1976, 261-268.*

*Seade, J. K. (1977): "On the Shape of Optimal Tax Schedules," Journal of Public Economics, 7(2), 203-235.*

*Stiglitz, J. "Self-selection and Pareto Efficient Taxation", Journal of Public Economics, Vol. 17, 1982, 213-240.*

### Lecture 2: Optimal Income Taxation – Extensions: Human capital accumulation, Complementarities, Occupational/Extensive margin choice, labor market imperfections

*Ales, L., M. Kurnaz, and C. Sleet, "Technical change, wage inequality and taxes", American Economic Review, 2015, 105 (10), 3061-3101.*

*Ales, L. and C. Sleet, "Taxing Top CEO Incomes", American Economic Review, Volume 106 No. 11, 2016, 3311-3366.*

*Bagger, J., Espen R. Moen and Rune M. Vejlin, Optimal Taxation with On-the-Job Search, Working paper, 2017.*

*Boone, J. and L. Bovenberg (2002), "Optimal labour taxation and search", Journal of Public Economics 85(1), 53–97.*

Bovenberg, L. A., and B. Jacobs, "Redistribution and education subsidies are Siamese twins," *Journal of Public Economics*, 2005, 89(11-12), 2005-2035.

Burdett, K. and D. T. Mortensen (1998), "Wage differentials, employer size, and Unemployment", *International Economic Review* 39(2), 257–273.

Golosov, M., P. Maziero, and G. Menzio (2013), "Taxation and redistribution of residual income inequality", *Journal of Political Economy* 121(6), 1160–1204.

Hungerbühler, M., E. Lehmann, A. Parmentier, and B. Van der Linden (2006), "Optimal redistributive taxation in a search equilibrium model", *The Review of Economic Studies* 73(3), 743–767.

Jacquet, L., E. Lehmann, and B. Van der Linden, "Optimal redistributive taxation with both extensive and intensive responses," *Journal of Economic Theory*, 2013, 148(5), 1770-1805.

Kapicka, M., R. Bohacek, "Optimal human capital policies," *Journal of Monetary Economics* 2008, 55(1): 1-16.

Lehmann, E., A. Parmentier, and B. Van der Linden (2011), "Optimal income taxation with endogenous participation and search unemployment", *Journal of Public Economics* 95(11), 1523-1537.

Piketty, Thomas and Emmanuel Saez, "Optimal Labor Income Taxation," *Handbook of Public Economics*, Volume 5, Amsterdam: Elsevier-North Holland, 2013.

Rothschild, Casey, and Florian Scheuer, "Redistributive Taxation in the Roy Model," *Quarterly Journal of Economics*, 2013, 128 (2): 623-68.

Sachs, D., Tysvinski, and Werquin, "Nonlinear tax incidence and optimal taxation in general equilibrium", 2016, NBER WP 22646.

Saez, E. "Optimal Income Transfer Programs: Intensive Versus Extensive Labor Supply Responses", *Quarterly Journal of Economics*, Vol. 117, 2002, 1039-1073.

Saez, E. "The Optimal Treatment of Tax Expenditures", *Journal of Public Economics*, Vol. 88, 2004, 2657-2684.

Sleet C. and Hakki Yazici, *Taxation, Redistribution and Frictional Labor Supply*, Working paper, 2017.

Stiglitz, J. "Self-selection and Pareto Efficient Taxation", *Journal of Public Economics*, Vol. 17, 1982, 213-240.

### **Lecture 3: Optimal Capital Income Taxation/New Dynamic Public Finance**

Albanesi, S., and C. Sleet (2006): "Dynamic Optimal Taxation with Private Information," *Review of Economic Studies*, 73(1), 1-30.

Ales, L., M. Kurnaz, and C. Sleet, "Technical change, wage inequality and taxes", *American Economic Review*, 2015, 105 (10), 3061-3101.

Chamley, C. (1986): "Optimal Taxation of Capital Income in General Equilibrium with Infinite Lives," *Econometrica*, 54(3), 607-622.

- Costinot, A. and Werning, I. (2018): "Robots, Trade, and Luddism: A Sufficient Statistic Approach to Optimal Technology Regulation," MIT working paper
- Diamond, P. A., and J. A. Mirrlees (1971): "Optimal Taxation and Public Production I: Production Efficiency," *American Economic Review*, 61(1), 8-27.
- Domeij, D., and J. Heathcote (2004): "On the Distributional Effects of Reducing Capital Taxes," *International Economic Review*, 45(2), 523-554.
- Farhi, Emmanuel, and Ivan Werning (2013), "Insurance and Taxation over the Life Cycle", *Review of Economic Studies*, 80(2): 596-635.
- Golosov, M., N. Kocherlakota, and A. Tsyvinski (2003), "Optimal Indirect and Capital Taxation," *Review of Economic Studies*, 70(3), 569-587.
- Golosov, M., M. Troshkin, and A. Tsyvinski (2016), "Redistribution and Social Insurance," *American Economic Review* 106(2), 359-386.
- Golosov, Mikhail, and Aleh Tsyvinski (2006), "Designing optimal disability insurance: A case for asset testing", *Journal of Political Economy*, 114(2): 257-279.
- Guerreiro, J., Sergio Rebelo, and Pedro Teles, "Should Robots Be Taxed?," NBER working paper # 23806.
- Hosseini, R. and Shourideh A. (2018): "Inequality, Redistribution, and Optimal Trade Policy: A Public Finance Approach," Carnegie Mellon University working paper
- Judd, K. L. (1985): "Redistributive Taxation in a Simple Perfect Foresight Model," *Journal of Public Economics*, 28(1), 59-83.
- Kocherlakota, N. R. (2005): "Zero Expected Wealth Taxes: A Mirrlees Approach to Dynamic Optimal Taxation," *Econometrica*, 73(5), 1587-1621.
- Slavik, C. and Hakki Yazici "Machines, Buildings, and Optimal Dynamic Taxes", *Journal of Monetary Economics*, 2014, 66 (September), 47-61.
- Thuemmel, U. (2018): "Optimal Taxation of Robots," University of Zurich working paper