



80<sup>th</sup> Annual Congress of the International Institute of Public Finance  
21-23 August 2024

Prague University of Economics and Business  
Prague, Czech Republic

Conference Agenda









Session Overview

Date: Tuesday, 20/Aug/2024








3:00pm - 5:30pm	<b>Board I: IIPF Board of Management meeting I</b> Location: <a href="#">Charles University, Malá aula (Ovocný trh 560/5, Praha 1, 116 36, CZ)</a>
5:00pm - 7:00pm	<b>Registration: Early Registration (20 Aug)</b> Location: <a href="#">Prague University of Economics and Business (Vysoká škola ekonomická, Italská budova, Prague 3)</a>
6:00pm - 9:00pm	<b>Board Dinner</b>









Date: Wednesday, 21/Aug/2024

8:00am - 9:00am	<b>Registration desk opens</b> Location: <a href="#">Prague University of Economics and Business (Vysoká škola ekonomická, Italská budova, Prague 3)</a>
9:00am - 9:30am	<b>Opening</b> Location: <a href="#">Vencovského Aula</a>
9:30am - 10:30am	<b>Plenary I: Annette Alstadsæter on "Navigating the Hidden Currents: The Evolution and Measurement of Offshore Wealth in the Age of Data Leaks"</b> Location: <a href="#">Vencovského Aula</a> Session Chair: <b>Ron Davies</b> , University College Dublin
10:30am - 11:00am	<b>Coffee Break I</b>
11:00am - 1:00pm	<b>A01: Corporate Tax Avoidance in Developing Countries</b> Location: <a href="#">Room RB 103 (Rajská building)</a>  <b>Do Master File and Local File (BEPS Action 13) Deter Profit Shifting? Experience of a Developing Economy</b> <b><u>Agus Hidayat</u></b> , Matthias Petutschnig WU Vienna University of Economics and Business, Austria We extend research on the impact of BEPS Action 13 on profit-shifting behavior to include the role of the master file and local file (MFLF). Our evidence from confidential tax return data from The Indonesia Tax Authority shows that firms obligated to submit the MFLF have lower taxable income than firms that do not submit the documents. Reflecting its impact on firms, it indicates that firms continue profit-shifting behavior. Furthermore, we provide evidence of channeling profit-shifting through intra-group transactions, such as sales and purchases, payment of debt and service remuneration via related-party transactions. The outcomes provide valuable insights into profit-shifting behavior vis-à-vis private disclosure within emerging countries, offering pertinent information for accounting researchers and tax authorities. <a href="#">📄 Hidayat-Do Master File and Local File-314.pdf</a>  <b>Small Firms and Presumptive Tax Regimes in Chile: Tax Avoidance and Equity</b> <b><u>Claudio A. Agostini</u></b> Universidad Adolfo Ibañez, Chile In general, special tax regimes create inefficiencies and might destroy horizontal equity, Additionally, they also create opportunities to hide income and avoid taxes. To study the magnitude of tax avoidance of special tax regimes in Chile and their effects on horizontal equity, I use administrative data from the Chilean IRS to simulate a tax reform that replaces them with a cash flow tax for small firms. The results show that a reform of this type would have positive effects, especially in terms of horizontal tax equity as 85.6% of the profits from firms under presumptive taxes and 77.6% of the profits from the small firms under special tax regimes, belong to taxpayers in the top income decile. <a href="#">📄 Agostini-Small Firms and Presumptive Tax Regimes in Chile-489.pdf</a>  <b>The Case of Taxing Multinational Corporations in Uganda - Do Multinational Corporations Face Lower Effective Tax Rates and is There Evidence for Profit Shifting?</b> <b><u>Caroline Schimanski</u></b> <sup>1</sup> , Aliisa Koivisto <sup>2</sup> , Nicholas Musoke <sup>3</sup> , Dorothy Nakyambadde <sup>3</sup> <sup>1</sup> Pontifical Catholic University Peru, Peru; <sup>2</sup> VATT Institute of Economic Research and University of Helsinki, Finland; <sup>3</sup> Ugandan Revenue Authority, Kampala, Uganda Using administrative tax data from the Uganda Revenue Authority, this study shows as one of the first in a developing country setting that multinational corporations (MNCs) lower their corporate tax burden through two channels: lower effective tax rates and profit-shifting. MNCs pay an approximately 20 percentage points lower effective tax rate on their reported profits than large domestic corporations because of tax treaties and other benefits. However, they are also more likely to report losses than domestic firms. This is likely due to profit-shifting, as the lower the tax rate in the country of the global ultimate owner, the lower the reported profit of the affiliate in Uganda. Estimating effective tax rates in three alternative ways in combination with a profit-shifting analysis provides new insights on the stage at which tax revenues are forgone and methodologically highlights the possibilities of using administrative tax data for evidence-based policy making. <a href="#">📄 Schimanski-The Case of Taxing Multinational Corporations in Uganda-654.pdf</a>  <b>Profit Shifting from the Global South: Role of Thin Capitalization Rules</b> <b><u>Mazhar Waseem</u></b> <sup>1</sup> , Muhammad Bashir <sup>2</sup> , Usama Jamal <sup>1</sup> , Kyle McNabb <sup>3</sup> <sup>1</sup> University of Manchester, United Kingdom; <sup>2</sup> Columbia University, New York, United States; <sup>3</sup> Overseas Development Institute, United Kingdom In this study, we examine the impact of Uganda's transition from Thin Capitalization Rules (TCR) to Earnings Stripping Rules (ESR) in 2018 on corporate profit shifting behaviour. Our preliminary findings suggest that the adoption of ESR led to a significant decrease in both the leverage and interest expenses of treated companies. Notably, this shift was associated with a decline in real economic activity with both sales and investment going down after the reform. Despite these reductions, the ESR regime enabled Uganda to generate higher revenue compared to the TCR system. Additionally, our analysis indicates that ESR specifically targets firms with high leverage relative to earnings, in contrast to TCR, which focuses on companies utilizing debt financing over equity financing. <a href="#">📄 Waseem-Profit Shifting from the Global South-290.pdf</a>
11:00am - 1:00pm	<b>A02: Taxation &amp; Trade</b> Location: <a href="#">Room RB 104 (Rajská building)</a>  <b>Cross-Border Shopping in Alcoholic Beverages – Evidence From a Natural Experiment</b> <b><u>Eivind Bjørkås</u></b> , Kyrre Rickertsen Norwegian University of Life Sciences, Norway Cross-border shopping of alcoholic beverages reduces domestic sales and tax revenue. We estimate the magnitude of Norwegian cross-border shopping of hard liquor and wine and its effects on tax revenue by using the travel restrictions during the COVID-19 pandemic as a natural experiment. The Norwegian alcohol retail market is controlled by a state monopoly (Vinmonopolet), and our data set includes the complete transaction data of Vinmonopolet. The effects are identified by using a difference-in-difference approach comparing changes in sales in stores with different driving time to the nearest foreign alcohol store. We find reduced sales in the stores of Vinmonopolet for driving times up to three hours. The reduced sales are about 9% for wine and 6% for hard liquor corresponding to almost one billion NOK in lost annual tax revenue. <a href="#">📄 Bjørkås-Cross-Border Shopping in Alcoholic Beverages – Evidence-216.pdf</a>  <b>The Cost of Curbing Externalities with Market Power: Alcohol Regulations and Tax Alternatives</b> <b><u>Nirupama Rao</u></b> <sup>1</sup> , Chris Conlon <sup>2</sup> <sup>1</sup> University of Michigan, United States of America; <sup>2</sup> NYU Stern School of Business Products with negative externalities are often subject to regulations that limit competition. The single-product case may suggest that it is irrelevant for aggregate welfare whether output is restricted via corrective taxes or limiting competition. However, when products are differentiated curbing consumption through market power is costly if purchase decisions of inframarginal consumers are distorted. We examine a regulation known as post-and-hold (PH) used by a dozen states for the sale of alcoholic beverages. Theoretically, PH eliminates competitive incentives among wholesalers. We assemble unique data on distilled spirits from Connecticut, including matched manufacturer and wholesaler prices, to evaluate the welfare consequences of PH. PH leads to substantially lower consumer welfare compared to excise, sales or Ramsey taxes by distorting consumption choices away from high-quality and towards low-quality brands. Replacing PH with taxes could reduce consumption by over 9% without reducing consumer surplus, and increase tax revenues by over 300%. <a href="#">📄 Rao-The Cost of Curbing Externalities with Market Power-564.pdf</a>  <b>Biased Tax Enforcement as A Trade Barrier: The Role of Mandated Transparency at Customs</b> <b><u>Jiancong Liu</u></b> Bocconi University, Italy This paper studies the repercussions of biased tax enforcement on firms' export performance. Mandated transparency at Customs enhances tax authorities' capabilities for scrutinizing exporting firms, potentially creating an









	<p>implicit barrier to global market participation. Leveraging an institutional reform in China that introduced exogenous variations in tax enforcement practices for two sets of comparable firms, I estimate the impact of such information-based tax enforcement for manufacturing firms. I find that this bias leads to underperformance in export market, primarily in the intensive margin. Further investigation suggests that effects come from the product portfolio choices: firms under such bias display a great tendency to be a single-product exporter and have a smaller product scope. Heterogeneous effects underscore the paramount significance of fixed costs regarding exporting.</p> <p> <a href="#">Liu-Biased Tax Enforcement as A Trade Barrier-286.pdf</a></p> <hr/>
	<p><b>You Can't Tax What You Can't See: Using Fixed Cargo Scanners to Combat Tax Evasion</b> <b>Ron Davies<sup>1</sup>, Kyle McNabb<sup>2</sup>, Miroslav Palansky<sup>3,4</sup></b> <sup>1</sup>University College Dublin, Ireland; <sup>2</sup>ODI Center for Tax Analysis in Developing Countries; <sup>3</sup>Charles University, Prague; <sup>4</sup>Tax Justice Network</p> <p>Taxes and tariffs on imports are a major source of government revenue for many developing countries. This means that tax evasion at the border through understating the amount and value of imports as well as mis-classifying them as lower-taxed goods represents a potentially significant loss to much-needed public funds. In the recent years, many countries implemented non-intrusive fixed cargo scanners at entry points as one way to mitigate such misreporting, providing a quasi-experimental treatment setting. Using transaction-level customs data for Uganda, we estimate the impact of scanners on trade and taxes collected at the border. Our estimates suggest that while these scanners reduced evasion, they also raised trade costs. The net impact of these two effects was to lower tariff revenues at the affected entry points by 0.898 percent and VAT receipts by 0.66 percent. t.</p> <p> <a href="#">Davies-You Cant Tax What You Cant See-535.pdf</a></p> <hr/>
11:00am - 1:00pm	<p><b>A03: Inheritance Tax &amp; Firms</b> Location: <a href="#">Room RB 209 (Rajská building)</a></p> <p><b>Inheritance Taxes and Family Firms in Germany</b> <b>Charlotte Bartels<sup>1</sup>, Theresa Bührlé<sup>2</sup>, Kerstin Holzheu<sup>3</sup>, Gedeão Locks<sup>4</sup></b> <sup>1</sup>DIW Berlin, Germany; <sup>2</sup>DIW Berlin, Germany; <sup>3</sup>Sciences Po Paris, France; <sup>4</sup>DIW Berlin, Germany</p> <p>While tax avoidance has been identified as the primary behavioral response to inheritance and gift taxation, relatively few is known about the potentially negative externalities of inheritance and gift tax avoidance on production, employment and output of firms being transferred from one generation to the next. In this paper, we study the effect of business gift tax avoidance on firm growth and employment in Germany. Since 2009, the German inheritance and gift tax law creates an incentive to downsize before a firm transfer. We estimate excess separations before ownership transfer of family firms to quantify the efficiency cost of inheritance and gift tax avoidance in Germany, where family firms represent the backbone of the economy. We find that affected firms cut 5 to 20% of firm size before firm transfer.</p> <p> <a href="#">Bartels-Inheritance Taxes and Family Firms in Germany-453.pdf</a></p> <hr/>
	<p><b>Better Early than Never – The Effects of Anticipated Gift Tax Changes on Business Transfers</b> <b>Richard Winter, Jan Zental</b> University of Mannheim, Germany</p> <p>Wealth transfer taxes are important instruments to counter increasing wealth inequality. Yet, inter-generational business transfers, whose distribution is particularly concentrated at the top, are inherently difficult to tax. This is due to preferential tax treatments in many countries and sophisticated tax avoidance strategies by business owners. We analyze how business transfers react to anticipated changes in such preferential tax treatment using German administrative gift tax return data. We find strong timing responses of business transfers to expected tax changes, particularly for large transfers of business wealth. We further estimate that the amount of foregone gift tax revenue due to timing responses is up to 2.8 times the size of actual annual inheritance and gift tax revenue.</p> <p> <a href="#">Winter-Better Early than Never – The Effects of Anticipated Gift Tax Changes-474.pdf</a></p> <hr/>
	<p><b>Tax Avoidance Through Business Assets: Evidence from the Spanish Inheritance Tax</b> <b>Isabel Micó-Millán</b> Bank of Spain, Spain</p> <p>This paper studies tax-minimizing behavior of wealthy individuals. Drawing on the universe of inheritance tax returns filed in Catalonia, I study tax-minimizing strategies to an increase in effective tax rates faced by heirs at the top 5% of the inheritance distribution. To identify causal effects, I use a difference-in-difference design comparing wealthy descendants to spouse inheritors who were barely affected by the policy change. After the tax reform, wealthy descendants inherit a higher fraction of tax-favored assets and report lower taxable inheritances. This shift in the asset composition of inheritances is explained by a sharp increase in the proportion of wealthy descendants inheriting equity shares in family business. Wealthy testators seem to create family business to relabel financial and real estate wealth into business assets. The change in the asset composition of inheritances accounts for 52% of the forgone tax revenue associated to the behavioral responses elicited by the reform</p> <p> <a href="#">Micó-Millán-Tax Avoidance Through Business Assets-183.pdf</a></p> <hr/>
	<p><b>Boss Babies: Privately Owned Firms Among Underage Children and Income Inequality</b> <b>Tuuli Paukkeri<sup>1,3</sup>, Terhi Ravaska<sup>2,1,3</sup></b> <sup>1</sup>VATT Institute for Economic Research; <sup>2</sup>Tampere University; <sup>3</sup>Finnish Centre of Excellence in Tax Systems Research (FIT)</p> <p>Empirical research has established that privately held firms are used to respond to various tax margins. A separate strand has shown that income given or passed on to children responds to gift and inheritance taxation. This paper shows new evidence that privately held firms are additionally used to provide income to underage children, creating considerable inequalities among children. We show that individuals who own firms and are located in the top 0.1% of the income distribution, are seven times more likely to have underage children as co-owners in their firm, compared to the bottom 90%. The mean age of these children is 12 years, and ownership occurs at all ages between 0-17. Underage children who own firms earn such high incomes that would allow them to accumulate wealth to place them near the median wealth of middle-aged single adults.</p> <p> <a href="#">Paukkeri-Boss Babies-557.pdf</a></p> <hr/>
11:00am - 1:00pm	<p><b>A04: Perceptions of Fairness</b> Location: <a href="#">Room RB 105 (Rajská building)</a></p> <p><b>Fairness Beliefs Affect Perceived Economic Inequality</b> <b>Morten Nyborg Støstad</b> FAIR Institute, Norwegian School of Economics (NHH)</p> <p>This paper establishes a causal link from fairness beliefs to perceived economic inequality. I conduct an experiment where participants are asked to estimate various income inequality measures of hypothetical societies. While the true income distributions of the societies remain identical and simple, the description of the societies varies to indicate ``fair'' and ``unfair'' inequality across respondents. Describing the society as unfair increases the incentivized estimated top 10% income share as much as the actual difference between Denmark and the United States. Other inequality metrics are similarly affected. The findings imply that ideological beliefs fundamentally alter how people perceive economic inequality.</p> <p> <a href="#">Støstad-Fairness Beliefs Affect Perceived Economic Inequality-113.pdf</a></p> <hr/>
	<p><b>Trade-offs in Policy Making: Economists' vs. Peoples' Beliefs</b> <b>Sebastian Blesse<sup>1</sup>, Mathias Dolls<sup>1</sup>, Sarah Necker<sup>2</sup>, Andreas Peichi<sup>3</sup>, Lisa Windsteiger<sup>4</sup></b> <sup>1</sup>ifo Institute; <sup>2</sup>ifo Institute and FAU Erlangen-Nuremberg; <sup>3</sup>ifo Institute and LMU Munich; <sup>4</sup>University of Salzburg and ifo Institute</p> <p>Many economic systems aim to combine economic efficiency, equity, and ecological sustainability. A fundamental question is how important the different dimensions are for the success of a country and to what extent there are trade-offs between them. We survey economists around the world and a representative sample of German citizens regarding their perceptions on the importance of the dimensions and trade-offs. We find that while economists rank efficiency as most important, sustainability and equity are deemed almost as important for the success of a country. In contrast, laypeople most often assign equal weight to all three dimensions. While we find substantial disagreement among economists regarding trade-offs, among the population we find a central tendency bias. This bias seems to be partially driven by educational differences. The differences we find between economists and laypeople may be responsible for the populations' skepticism towards many solutions proposed by economists.</p> <p> <a href="#">Blesse-Trade-offs in Policy Making-308.pdf</a></p> <hr/>
	<p><b>Inverse Fair Taxation: what do we compensate for in Europe?</b> <b>Erwin Ooghe<sup>2</sup>, Andreas Peichi<sup>1</sup>, Jelena Todorovic Bojovic<sup>1</sup></b></p>











	<div><sup>1</sup>Ludwig Maximilian University, Germany; <sup>2</sup>KU Leuven</div> <div>We bring together the inverse optimal taxation and the fairness literature. We invert a fair tax formula and apply it to tax-benefit schemes in Europe to estimate the implicit degree of compensation for each factor that determines individual well-being. We provide a new way to formalize the intuition that, in a fair society, people should be allowed to benefit more from their efforts than from exogenous characteristics. Our empirical results confirm this intuition. We provide the first estimates of implicit tax rates for different characteristics in 31 European countries using EU-SILC data for the years 2007 - 2018. We find a robust tendency in all countries to compensate more for uncontrollable characteristics compared to the partially controllable ones. We then attempt to calculate which countries currently have fair tax systems. Only the Continental countries France and Luxembourg pass the fairness test, whereas the Baltic and Anglo-Saxon countries perform worst.</div> <div> <a href="#">Ooghe-Inverse Fair Taxation-262.pdf</a></div>
11:00am - 1:00pm	<div><b>A05: Tax Burden of Multinational Firms</b> Location: <b>Room RB 106 (Rajská building)</b></div> <div><b>Declining Effective Tax Rates on Multinationals: The Hidden Role of Tax Base Reforms</b> <b><u>Sarah Godar</u></b><sup>1,3</sup>, <b><u>Jules Ducept</u></b><sup>1,2</sup> <sup>1</sup>EU Tax Observatory, France; <sup>2</sup>Center for Economics at Paris-Saclay, France; <sup>3</sup>DIW Berlin, Germany</div> <div>While the statutory corporate income tax rate in the EU fell by 9% between 2014 and 2022, the effective tax rate of affiliates of multinational enterprises dropped by 14%. We argue that corporate tax policy making has shifted away from the 'cut rate - broaden base' approach. Building a novel database of tax reforms in the EU, we document the growing trend of adopting tax base narrowing measures. We find indication that tax-base narrowing reforms had a negative impact on ETRs of affiliates of MNEs which was only to a small extend compensated by base-broadening reforms. Taken together, tax base reforms account for 36% of the reduction in ETRs, compared to 9% attributable to changes in statutory rates. Finally, we explore the political determinants of adopting tax reforms and find no significant differences between right-wing, center, and left-wing governments. This suggests that common trends shape corporate tax policies in the EU.</div> <div> <a href="#">Godar-Declining Effective Tax Rates on Multinationals-424.pdf</a></div>
	<div><b>Corporate Taxation in Open Economies</b> <b><u>Radek Sauer</u></b> Central Bank of Ireland, Ireland</div> <div>This paper analyzes the macroeconomic impact of corporate taxation. The analysis is conducted in a quantitative two-country model. In the first step, the paper describes the long-run effects of corporate taxation. A reduction in the corporate-income tax rate increases GDP, wages, consumption, investment, and business density. The trade balance is at the same time negatively affected. Firms headquartered in a country which lowers its corporate tax become internationally less active and instead focus more on their domestic market. In the second step, the paper presents adjustment dynamics that are induced by a corporate-tax reform. The dynamic response of the economy can substantially differ when comparing shorter and longer time horizons. The third step of the paper investigates the effects of international profit shifting in high-tax and low-tax jurisdictions.</div> <div> <a href="#">Sauer-Corporate Taxation in Open Economies-126.pdf</a></div>
	<div><b>Effective Tax Rates of MNEs: New Evidence on Global Low-Taxed Profit</b> <b><u>Felix Hugger</u></b>, <b><u>Ana Cinta Gonzalez Cabral</u></b>, <b><u>Pierce O'Reilly</u></b> Centre for Tax Policy and Administration, OECD, France</div> <div>The effective taxation of corporate profits is at the centre of an active public and academic debate. This debate often focuses on the extent of low-taxed profit of multinational enterprises (MNE) in jurisdictions with low statutory tax rates or average effective tax rates (ETRs). However, some affiliates in high tax jurisdictions may also be subject to low ETRs, due to tax incentives or other provisions. To date, a global accounting of the ETRs paid by MNEs that incorporates within-country heterogeneity has been missing. Using a new dataset on the global activities of large MNEs, this paper provides new estimates of the distribution of ETRs of large MNEs across and within jurisdictions. Our results show that low tax profit is common, and that more than half of low-taxed profit sit in high tax jurisdictions.</div> <div> <a href="#">Hugger-Effective Tax Rates of MNEs-465.pdf</a></div>
	<div><b>Do as I Say, Not as I Do, Unlawful Preferential Tax Treatment to Multinational Firms in the EU: Evidence from Spain</b> <b><u>Celine Azemar</u></b> Rennes School of Business, France</div> <div>This paper explores the role played by preferential tax treatments as a channel explaining why MNEs have a lower effective tax rate than their domestic counterparts. Using a quasi-experimental design and panel data from 2011 to 2018, I estimate how a temporary decision by the EU General Court to annul the European Commission's decision of unlawful state aid of the Spanish scheme of amortisation of financial goodwill, affected effective tax rates of firms in Spain. This tax scheme allows companies taxable in Spain to deduct from their taxable income the financial goodwill deriving from the acquisition of a foreign company. I find a decline in the tax burden of MNEs when this specific Spanish scheme is allowed to be re-implemented. Domestic firms do not appear to benefit from this policy change suggesting that this measure is selective in nature and confer a preferential tax treatment to MNEs.</div> <div> <a href="#">Azemar-Do as I Say, Not as I Do, Unlawful Preferential Tax Treatment-593.pdf</a></div>
11:00am - 1:00pm	<div><b>A06: Advances in Environmental &amp; Energy Pricing</b> Location: <b>Room RB 107 (Rajská building)</b></div> <div><b>Times Are Changing: How Political Attitudes Change with Energy Prices</b> <b><u>Théo Konc</u></b><sup>1</sup>, <b><u>Jan Steckel</u></b><sup>2</sup>, <b><u>Jens Ewald</u></b><sup>3</sup>, <b><u>Thomas Sterner</u></b><sup>3</sup> <sup>1</sup>Wageningen University and Research, TU Berlin, Netherlands, The; <sup>2</sup>Mercator Research Institute on Global Commons and Climate Change, Germany; <sup>3</sup>University of Gothenburg, Sweden</div> <div>We study the impact of the 2022-2023 energy crisis in Germany. We collect 3 waves of panel data to measure how political attitudes change with increasing energy prices for households. Our difference-in-differences estimation exploits unique features of the German energy sector, which allows for a quasi-experimental design. We show that increases in electricity payments lead to a decline in support for democratic institutions, with effects intensifying over time. The study focuses on how economic shocks affect political attitudes. It has implications that range from climate policy to the rise of populism.</div> <div> <a href="#">Konc-Times Are Changing-349.pdf</a></div>
	<div><b>Prices vs. Quantities From a Citizen's Perspective</b> <b><u>Franziska Funke</u></b><sup>1,2</sup>, <b><u>Konc Théo</u></b><sup>1,2,3</sup>, <b><u>Mattauch Linus</u></b><sup>1,2</sup>, <b><u>Pahle Michael</u></b><sup>2</sup>, <b><u>Schwarz Antonia</u></b><sup>2</sup>, <b><u>Sommer Stephan</u></b><sup>4,5</sup> <sup>1</sup>Technical University Berlin, Germany; <sup>2</sup>Potsdam Institute for Climate Impact Research, Germany; <sup>3</sup>Wageningen University, Netherlands; <sup>4</sup>Hochschule Bochum, Germany; <sup>5</sup>RWI - Leibniz Institute for Economic Research, Germany</div> <div>We study the relative merit of regulation by “prices vs. quantities” by assessing the instrument choice between carbon taxes and emissions trading systems from the perspective of public perceptions. In a stated-choice experiment across 15,000 respondents from seven European countries, we elicit how citizens perceive the (non-)economic properties of carbon taxation and emissions trading, and study how they are linked to public support. Our analysis is guided by value-based, reason-based and motivated reasoning approaches to public choice. While there is considerable cross-country variation in the appraisal of both instruments, treatments effects of instrument framing are sizeable: carbon taxes are consistently more often perceived as increasing the state budget, harming the economy, and increasing costs of living and production, and emissions trading is more often perceived as easy to evade. Our results suggests that public opinion on carbon pricing is primarily driven by perceptions around taxes being a 'tougher' measure.</div> <div> <a href="#">Funke-Prices vs Quantities From a Citizens Perspective-516.pdf</a></div>
	<div><b>Optimal Climate Policy with Incomplete Markets</b> <b><u>Thomas Douenne</u></b><sup>1</sup>, <b><u>Sebastian Dyrda</u></b><sup>2</sup>, <b><u>Albert Jan Hummel</u></b><sup>1</sup>, <b><u>Marcelo Pedroni</u></b><sup>1</sup> <sup>1</sup>University of Amsterdam; <sup>2</sup>University of Toronto</div> <div>We study the optimal taxation of carbon in a fiscal climate-economy model with incomplete markets. Our objective is twofold. First, we want to understand how the presence of inequality and uninsurable idiosyncratic income risk affects the optimal trajectory of climate policy, i.e. both its level and timing. Second, we want to understand how climate policy in turn affects the economy, i.e. the level of aggregate variables, redistribution, insurance provision, and welfare. To investigate these issues, we consider a Ramsey problem where the planner maximizes welfare by choosing the path of proportional taxes on capital and labor, transfers, and debt, as well as taxes on carbon emissions and energy production. We quantitatively study this Ramsey problem under various constraints over the</div>

	<p>choice of instruments, and highlight the trade-offs faced by a government seeking to jointly address inequality, imperfect insurance, and climate change.</p> <p> <a href="#">Douenne-Optimal Climate Policy with Incomplete Markets-448.pdf</a></p> <hr/> <p><b>Screening Green Innovation Through Carbon Pricing</b></p> <p><b>Lassi Ahlvik<sup>1</sup>, Inge Maria van den Bijgaart<sup>2</sup></b></p> <p><sup>1</sup>Helsinki University, Finland; <sup>2</sup>Utrecht University, The Netherlands</p> <p>Effective climate change mitigation requires green innovation, but not all projects have equal social value. We examine the role of innovation heterogeneity in a model where the policy maker cannot observe innovation quality and directly subsidize the socially most valuable green innovations. We find that carbon pricing works as an innovation screening device; this creates a premium on the optimal carbon price, raising it above the Pigouvian level. We identify conditions for perfect screening and generalize results to screening policies under alternative intellectual property regimes and complementary policies. A calibration reveals that screening can justify a carbon price that is up to three times the Pigouvian price.</p> <p> <a href="#">Ahlvik-Screening Green Innovation Through Carbon Pricing-467.pdf</a></p> <hr/>
11:00am - 1:00pm	<p><b>A07: Inequality in Labor Markets</b> Location: <b>Room RB 109 (Rajská building)</b></p> <p><b>Can the Labor Demand Curve Explain Job Polarization?</b></p> <p><b>Martin Popp<sup>2</sup>, Andreas Peichi<sup>1</sup></b></p> <p><sup>1</sup>University of Munich &amp; ifo, Germany; <sup>2</sup>IAB</p> <p>In recent decades, many industrialized economies have witnessed a pattern of job polarization. While shifts in labor demand, namely routinization or offshoring, constitute conventional explanations for job polarization, there is little research on whether shifts in labor supply along the labor demand curve may equally result in job polarization. In this study, we assess the impact of labor supply shifts on job polarization. To this end, we determine unconditional wage elasticities of labor demand from a unique estimation of a profit-maximization model on linked employer-employee data from Germany. Unlike standard practice, we explicitly allow for variations in output and find that negative scale effects matter. Both for a skill- and a novel task-based division of the workforce, our elasticity estimates show that supply shifts from immigration and a decline in collective bargaining successfully explain occupational employment patterns during the 1990s.</p> <p> <a href="#">Popp-Can the Labor Demand Curve Explain Job Polarization-398.pdf</a></p> <hr/> <p><b>Wage Mobility And Job Reallocation In a Collective Bargaining Scheme</b></p> <p><b>Pablo Blanchard, Paula Carrasco, Rodrigo Ceni, Cecilia Parada</b> Universidad de la Republica, Uruguay</p> <p>This study investigates the effects of sector-specific wage floors established through collective bargaining on job reallocation and wage mobility in Uruguay, using data from three bargaining rounds in 2005, 2008, and 2014. By analyzing sectors categorized based on the percentage of workers earning below these wage floors, we provide a nuanced examination of how wage policy impacts employment distribution across hundreds of sectors and the mobility of low-wage workers. Our findings reveal significant job reallocation, particularly for low-wage workers who are more likely to move to better-paying positions due to the policy, a trend that persists across all examined rounds but diminishes in magnitude over time.</p> <p> <a href="#">Blanchard-Wage Mobility And Job Reallocation In a Collective Bargaining Scheme-545.pdf</a></p> <hr/> <p><b>The Effect of Personal Income Taxes on Rent-Sharing: Evidence from Executives</b></p> <p><b>Laura Arnemann</b> University of Mannheim, Germany</p> <p>This paper contributes to the ongoing discourse on the taxation of top-income earners by empirically investigating the impact of tax policy changes on pay without performance. Using data on executive compensation in the United States I find that the effect of taxes on pay without performance depends on the type of taxes levied. Specifically, state tax hikes increase the sensitivity of executive compensation to performance shocks exogenous to executive effort. Conversely, changes in federal tax rates do not lead to changes in pay without performance. Pay without performance changes most in response to changes in state tax rates for executives who are more mobile. Based on a theoretical model I outline that these heterogeneous findings can be explained by the importance of outside options for the pass-through of performance-shocks to executive earnings.</p> <p> <a href="#">Arnemann-The Effect of Personal Income Taxes on Rent-Sharing-272.pdf</a></p> <hr/> <p><b>Sources of Inequality and Business Cycles: Evidence from the US and Japan\</b></p> <p><b>Masaru Inaba<sup>1,2</sup>, Kengo Nutahara<sup>1,2</sup>, Daichi Shirai<sup>2,3</sup></b></p> <p><sup>1</sup>Senshu University, Japan; <sup>2</sup>Canon Institute for Global Studies, Japan; <sup>3</sup>Tohoku Gakuin University, Japan</p> <p>We investigate (i) sources of inequality and business cycle fluctuations in the US and Japan and (ii) the effects of reducing inequality on business cycles. Developing a heterogeneous-agent business cycle model with unconstrained and hand-to-mouth households and various wedges to represent economic distortions, we estimate the model by the Bayesian methods. We find that, in the US, the labor market distortion specific to unconstrained households is the common factor that significantly impacts business cycles and consumption inequality, whereas there are no common factors in Japan. In both countries, the primary source of business cycles is distortions in aggregate productivity, and that of consumption inequality is household-specific labor market distortions. We assess labor market reforms and redistribution policy as means to reduce consumption inequality. Our findings imply that the effects of lowering inequality on business cycle volatility depend on the country and how it is done.</p> <p> <a href="#">Inaba-Sources of Inequality and Business Cycles-210.pdf</a></p> <hr/>
11:00am - 1:00pm	<p><b>A08: Social Insurance &amp; Education</b> Location: <b>Room RB 112 (Rajská building)</b></p> <p><b>Measuring the Value of Disability Insurance from Take-Up Decisions</b></p> <p><b>Andreas Haller<sup>1</sup>, Stefan Staubli<sup>2</sup></b></p> <p><sup>1</sup>Norwegian School of Economics, Norway; <sup>2</sup>University of Calgary</p> <p>This paper develops a novel sufficient statistics approach to identify the insurance value of disability insurance (DI) benefits. Our approach estimates the insurance value from the relative DI take-up responses to more generous DI benefits and the take-up responses to wage reductions. Empirically, we find that increasing Canadian DI benefits by \$1 creates a societal benefit of \$1.9 (insurance value). At the same time, we estimate that a \$1 increase in DI benefits costs society \$1.5. We thus find that the improved insurance outweighs the additional costs of higher benefits in the Canadian context.</p> <p> <a href="#">Haller-Measuring the Value of Disability Insurance from Take-Up Decisions-376.pdf</a></p> <hr/> <p><b>Welfare Effects of Increasing Transfers to Young Adults: Theory and Evidence.</b></p> <p><b>Marion Brouard</b> CREST, ENSAE - Ecole Polytechnique, France</p> <p>Despite young adults facing disproportionate poverty, barriers to implementing targeted transfer programs persist due to policymakers' concerns. This paper introduces a framework comparing the welfare effects of increasing government transfers to young versus older individuals. It accounts for age-dependent behavioral responses, including educational and labor decisions, and interactions with parental transfers. Leveraging bank data, I find the social marginal utility of transfers to young adults is 2 to 4 times larger than to older individuals. Accounting for fiscal costs, increasing transfers to young adults yields welfare gains 6 times higher for students from low-income families and 2 times higher for young workers compared to older individuals. These findings suggest redistributing resources from older to younger individuals would be highly welfare-enhancing.</p> <p> <a href="#">Brouard-Welfare Effects of Increasing Transfers to Young Adults-309.pdf</a></p> <hr/> <p><b>Do Higher Benefits for Labour Market Training Enhance Re-employment?</b></p> <p><b>Tomi Kyyrä, Jouko Verho</b> VATT Institute for Economic Research, Finland</p> <p>Since 2005 unemployed workers in Finland with sufficient work history have had an option to enrol in a specific program aimed at encouraging labour market training participation and improving matches between the training programs and unemployed job seekers. The program participants meet a caseworker at the beginning of their unemployment spell and draft an individual-specific employment plan. In return, they are entitled to higher unemployment benefits for four weeks and to higher compensation whenever they participate in the labour market training programs specified in the employment plan. We evaluate the impact of this program on unemployment duration by comparing eligible and ineligible worker groups before and after the reform, using a difference-in-</p>



	<p>differences approach. We find a small reduction in the average unemployment duration for the program participants. The program increased labour market training participation in some groups, but did not improve their effectiveness.</p> <p> <a href="#">Kyrrä-Do Higher Benefits for Labour Market Training Enhance Re-employment-300.pdf</a></p> <hr/> <p><b>Emigration, Fiscal Spillovers, and Public Education Spending on Rural Schools in China</b> <b>Gang Xie<sup>2</sup>, Xiaoshu Xu<sup>3</sup>, Lei Zhang<sup>1</sup></b> <sup>1</sup>Zhejiang University, China, People's Republic of; <sup>2</sup>Peking University, China, People's Republic of; <sup>3</sup>Shanghai University, China, People's Republic of</p> <p>This paper investigates how emigration of rural laborers affects public spending on rural schools in the origin regions in China. We build a theoretical model of local government decision-making on education spending facing both traditional and fiscal externalities. The model predicts that per student spending on public schools in origin regions decreases with emigration rate, which is stronger when more children are left-behind. We confirm these hypotheses using both OLS and IV estimators. Results are robust to alternative measures of emigration rate and education spending and different sample restrictions. We rule out alternative hypotheses likely consistent with the empirical findings.</p> <p> <a href="#">Xie-Emigration, Fiscal Spillovers, and Public Education Spending-176.pdf</a></p> <hr/>
11:00am - 1:00pm	<p><b>A09: VAT Fraud</b> Location: <a href="#">Room RB 204 (Rajská building)</a></p> <p><b>The Effects of the Reverse Charge Mechanism on the VAT Gap</b> <b>Albrecht Böhne<sup>1</sup>, James R. Hines Jr.<sup>2</sup>, Antonios Marios Koumpias<sup>3</sup>, Annalisa Tassi<sup>4</sup></b> <sup>1</sup>ZEW–Leibniz Centre for European Economic Research; <sup>2</sup>University of Michigan; <sup>3</sup>University of Michigan-Dearborn; <sup>4</sup>University of Erlangen-Nuremberg</p> <p>This study assesses the impact of the reverse-charge mechanism (RCM) on VAT compliance proxied by the VAT gap, defined as the difference between expected and realized VAT revenues. Using annual information in 2000-2020 across 27 EU member states, we first exploit the staggered adoption of RCM by member states to compare VAT gap changes before and after RCM implementation and, additionally, consider variation in the size of economic activity targeted by RCM-adopting member states in the pre-implementation year. Our estimates indicate that RCM adoption does not lead to EU-wide VAT gap reductions and illustrate the mixed effectiveness of the RCM across goods and industries, suggesting its application on durable goods can be effective but not universally. These findings do not provide support for policy changes that cast the net of the RCM wider, although bilateral coordination in RCM adoption with top trading partners may assist in curbing VAT fraud relocation.</p> <p> <a href="#">Bohne-The Effects of the Reverse Charge Mechanism on the VAT Gap-291.pdf</a></p> <hr/> <p><b>Inverting the Chain? VAT Collection Regimes and Tax Compliance</b> <b>Davide Cipullo<sup>1</sup>, Duccio Gamannossi degl'Innocenti<sup>2</sup>, Marco Le Moglie<sup>1</sup>, Filippo Passerini<sup>3</sup></b> <sup>1</sup>Università Cattolica del Sacro Cuore, Italy; <sup>2</sup>University of Padova, Italy; <sup>3</sup>University of Bologna, Italy</p> <p>The Value-Added Tax (VAT) is widely recognized as being inherently self-enforcing because it features third-party reporting and spread withholding along the production chain. However, a growing literature documents significant VAT tax gaps, sparking interest in possible improvements to VAT design. Reverse Charge (RC) is among the main examples: recently adopted by multiple countries to a variety of industries, RC shifts the entire tax payment on retailers, which, however, remain subject to third-party reporting. Leveraging administrative firm-level data from Italy and a quasi-experimental variation, we show that RC leads to an increase of reported value added (+20 percent). The effect of RC is present across the distribution of firm size although it is stronger among small firms and companies that used to bunch around the zero-liability tax kink.</p> <p> <a href="#">Cipullo-Inverting the Chain VAT Collection Regimes and Tax Compliance-452.pdf</a></p> <hr/> <p><b>Estimating the Value-Added Tax Gap in Tanzania: An Empirical Analysis</b> <b>Amina Ebrahim<sup>1</sup>, Sebastian Castillo<sup>2</sup>, Vincent Leyaro<sup>3</sup>, Ezekiel Swema<sup>4</sup>, Oswald Haule<sup>4</sup></b> <sup>1</sup>UNU-WIDER, Finland; <sup>2</sup>University of Helsinki; <sup>3</sup>University of Dar es Salaam; <sup>4</sup>Tanzania Revenue Authority</p> <p>The Value-Added Tax (VAT) collection plays a role in achieving positive domestic revenue objectives through improved and reformed taxation, but VAT gap estimation is infrequently conducted in developing countries. This study uses novel tax declaration and audit data to estimate the VAT gap in Tanzania and its heterogeneity. We perform a machine learning approach to predict evasion assessment on unaudited firms and periods. We document evidence about the firm's strategic behavior to avoid forceful auditing and increased evasion. Those firms show the largest VAT gap in the data. By the machine learning approach, we estimate a VAT gap equal to 62%, and the Agricultural sector shows the largest VAT gap. Finally, we provide a cost-benefit ratio to indicate that it is cost-effective to redistribute resources to audit more intensive sectors with larger evasion and smaller audit probability.</p> <p> <a href="#">Ebrahim-Estimating the Value-Added Tax Gap in Tanzania-186.pdf</a></p> <hr/> <p><b>Estimating Audit based Tax Gaps in Zambia</b> <b>Kwabena Adu-Ababio<sup>1</sup>, Aliisa Koivisto<sup>2</sup></b> <sup>1</sup>University of Helsinki, Finland; <sup>2</sup>VATT</p> <p>Assessing tax gaps—the difference between the potential and actual taxes raised—plays a vital role in achieving positive domestic revenue objectives through improved and reformed taxation. This is particularly pertinent for growth outcomes in developing countries. This study uses a bottom-up approach based on micro-level audit information to estimate the extent of tax misreporting in Zambia. Our methods predict the extent of tax evasion using regression and a machine learning algorithm with a sample of audited firms, after which we estimate tax gaps using a standard approach. We estimate total tax gaps as 55% and 47% for the two approaches. This represents potential revenue with the least assumed tax evasion. These gaps are mainly driven by Corporate Income Taxes (CIT). Applying our gap to key industries shows that the extractives sector in Zambia records the highest gaps in terms of CIT and one of the lowest in terms of VAT.</p> <p> <a href="#">Adu-Ababio-Estimating Audit based Tax Gaps in Zambia-129.pdf</a></p> <hr/>
11:00am - 1:00pm	<p><b>A10: Political Economic Theory: Electoral Representation</b> Location: <a href="#">Room RB 113 (Rajská building)</a></p> <p><b>Social Norms and the Rise of Fringe Candidates</b> <b>R. Emre Aytimur<sup>1</sup>, Daiki Kishishita<sup>2</sup></b> <sup>1</sup>University of Leicester; <sup>2</sup>Tokyo University of Science</p> <p>Some fringe candidates, previously dismissed, have seen unexpected surges in popularity. We explore this issue by focusing on the dynamic interplay between social norms and elections. We develop a two-period electoral competition model with a mainstream candidate and a fringe candidate. Because the fringe candidate claims an extreme view that contravenes social norms, voting for her is stigmatized. We show that a sufficient vote share of the fringe candidate in the first period signals wider acceptance of the extreme view, eroding established norms even if the fringe candidate loses in the election. This triggers the rise of the fringe candidate in the second period. To induce the erosion of the norm, the fringe candidate tries to differentiate from the mainstream candidate on standard issues, whereas the mainstream candidate imitates the fringe candidate. Furthermore, heightened social norms in the initial election might enhance the future success of the fringe candidate.</p> <p> <a href="#">Aytimur-Social Norms and the Rise of Fringe Candidates-142.pdf</a></p> <hr/> <p><b>Electable and Stable Insiders' Coalition Governments</b> <b>Tryphon Kollintzas, Lambros Pechlivanos</b> ATHENS UNIVERSITY OF ECONOMICS AND BUSINESS, Greece</p> <p>In this paper, we formulate a general equilibrium theory that explains the existence and stability of democratically elected governments that support certain groups of individuals in society (insiders) to the detriment of everybody else (outsiders), even if the latter constitute a majority. The vehicle is a dynamic general equilibrium model, where insiders get monopoly rents and outsiders get less than what they would have gotten under a common good regime. We construct such political economy equilibria and we identify the conditions under which such political regimes (coalitions of insiders): (a) can safeguard against opportunistic behavior (i.e., do not fall from within) and (b) may come to power in the first place (i.e., manage to get elected). To that end, we highlight the role of ideology or self-serving bias as a gluing device to garner an electable coalition.</p> <p> <a href="#">Kollintzas-Electable and Stable Insiders' Coalition Governments-361.pdf</a></p> <hr/> <p><b>Redistricting and Representation: The Paradox of Minority Power</b> <b>Thomas Groll<sup>1</sup>, Sharyn O'Halloran<sup>1,2</sup></b> <sup>1</sup>Columbia University, United States of America; <sup>2</sup>Trinity College Dublin, Ireland</p>

	<p>We present a model that integrates electoral competition of majority-minority redistricting with legislative redistribution to optimize minority representation. Analyzing voter allocation's impact, we find that minorities with limited political power benefit from concentrated districts, while stronger minorities prefer dispersed voter distributions. Majority voters voting for minorities has two effects: it helps minorities gain offices, but it may increase majority voters' influence and policy benefits. Paradoxically, adding minorities to a district is non-monotonic and can result in representatives less favored by minorities. The interplay between redistricting, electoral competition, and policy distribution offers novel insights into equitable minority representation and public policy.</p> <p> <a href="#">Groll-Redistricting and Representation-573.pdf</a></p> <hr/> <p><b>A Comprehensive Model of Local Policy Determination</b> <b>David R. Agrawal<sup>1</sup>, William H. H<sup>1</sup>, John Douglas Wilson<sup>2</sup></b> <sup>1</sup>University of Kentucky, United States of America; <sup>2</sup>Michigan State University, United States of America</p> <p>We construct a unifying model of optimal decentralized policymaking that includes multiple tax and spending policies with mobile workers, mobile residents, and mobile capital. Local governments are linked by commuting patterns, the cost of which is endogenously determined by congestion. Both industrial capital and residential property taxes cause fiscal externalities on other jurisdictions, but these externalities arise because of the movement of workers and households, not through the movement of capital. The city-suburb commuting relationships give rise to asymmetric policy choices of each jurisdiction. Employment-based taxes are valuable when jurisdictions are net recipients of commuters, while jurisdictions that are net providers of commuters will choose to rely on the use of residential-based taxes. Cities will rely on commercial capital taxes and employment income taxes, while suburbs will rely on residential property taxes and residential head taxes.</p> <p> <a href="#">Agrawal-A Comprehensive Model of Local Policy Determination-641.pdf</a></p> <hr/>
11:00am - 1:00pm	<p><b>A11: Taxes and Migration</b> Location: <a href="#">Room RB 212 (Rajská building)</a></p> <p><b>Can Tax Incentives Bring Brains Back? Returnees Tax Schemes and High-Skilled Migration in Italy</b> <b>Jacopo Bassetto<sup>1</sup>, Giuseppe Ippedico<sup>2</sup></b> <sup>1</sup>University of Bologna and IAB; <sup>2</sup>University of Nottingham and IZA</p> <p>Brain drain is a key policy concern for many countries. In this paper we study whether tax incentives are an effective policy to attract high-skilled expatriates back to their home country, exploiting a generous income tax break for Italian returnees. Using administrative data and a Triple Differences design, we find that eligible individuals are 27\% more likely to return to Italy. Additionally, we uncover significant effects throughout the wage distribution, revealing that tax-induced migration is a broad phenomenon beyond top earners. A cost-benefit analysis shows that the tax scheme can pay for itself by targeting young high-skilled individuals.</p> <p> <a href="#">Bassetto-Can Tax Incentives Bring Brains Back Returnees Tax Schemes and High-Skilled-370.pdf</a></p> <hr/> <p><b>Top Flight: How Responsive Are Top Earners to Tax Rates?</b> <b>Arun Advani<sup>1</sup>, César Poux<sup>2</sup>, Andy Summers<sup>2</sup></b> <sup>1</sup>University of Warwick, United Kingdom; <sup>2</sup>LSE, United Kingdom</p> <p>Top earners contribute to a large share of economic output and fiscal revenue. While there is evidence of migration responses to top tax rates, two important questions remain. First, what the extent of the phenomenon is outside of specific groups and second, how much of a constraint it poses for policy making. We use UK administrative data and leverage two major top tax rate reforms in France and the UK to evaluate how much top earners respond to general tax reforms by migrating. We observe a significant response, but it is concentrated among those who were the most likely to leave in the first place. We turn structural estimation to estimate the long term impact of tax changes on the stock of migrants among UK top earners and find that even modest responses can lead to significant stock changes in the long run.</p> <p> <a href="#">Advani-Top Flight-367.pdf</a></p> <hr/> <p><b>Moving Innovation: The Spillover Effects of Tax-induced Reallocation</b> <b>Theresa Bührle<sup>1,2</sup>, Laura Arneemann<sup>3,2</sup></b> <sup>1</sup>DIW Berlin, Germany; <sup>2</sup>ZEW Mannheim, Germany; <sup>3</sup>University of Mannheim, Germany</p> <p>This study investigates the impact of tax-induced reallocation of innovative activity on local economies. Leveraging US state-level R&amp;D tax credit changes over time, we analyze the reallocation of patents and inventors within firm networks as proxies for shifts in innovative activities. We find a 0.8 percent decrease in successful patent applications at one firm location in response to a 1 percentage point increase in the average R&amp;D tax credit rate establishments within the same firm network experience in other states. The decline in innovative activity also generates spillover effects on surrounding firms. Our results suggest a 0.8 percent decrease in patenting activity of local businesses without a nexus in other states if multi-state firms in their commuting zone are affected by changes in out-of-state R&amp;D tax credits. Our findings highlight the broader implications of tax competition for innovation and overall welfare, offering insights for optimal tax policy design.</p> <p> <a href="#">Bührle-Moving Innovation-460.pdf</a></p> <hr/> <p><b>Behavioral Responses to Special Tax Regimes for the Super-Rich: Evidence from Switzerland</b> <b>Enea Baselgia, Isabel Z. Martínez</b> KOF Swiss Economic Institute ETH Zürich, Switzerland</p> <p>We use a novel rich-list data set to estimate the sensitivity of the location choice of super-rich foreigners to a special tax regime, under which wealthy foreigners are taxed on their living expenses, rather than their true income and wealth. We are the first to evaluate this controversial Swiss policy, and show that when some Swiss cantons abolished this practice, their stock of super-rich foreigners dropped by 43% as a consequence. We find no response for the Swiss super-rich, who were unaffected by the policy change.</p> <p> <a href="#">Baselgia-Behavioral Responses to Special Tax Regimes for the Super-Rich-275.pdf</a></p> <hr/>
11:00am - 1:00pm	<p><b>A12: Public Procurement</b> Location: <a href="#">Room RB 114 (Rajská building)</a></p> <p><b>Easing Renegotiation Rules in Public Procurement: Evidence from a Policy Reform</b> <b>Kris De Jaegher<sup>1</sup>, Michal Šoltés<sup>2</sup>, Vita Titi<sup>1,2</sup></b> <sup>1</sup>Utrecht University; <sup>2</sup>Faculty of Law, Charles Universtiy</p> <p>Public procurement contracts are necessarily incomplete and require frequent ex-post renegotiation. In this paper, we first develop a stylized theoretical model of the effects of renegotiation policies on firms' bidding strategies and, consequently, on the winning bids and final prices of contracts. To empirically test the model's predictions, we then use a policy reform in the Czech Republic that implemented an EU Directive into Czech law, which eased the rules for renegotiation. Our findings show that (i) eased renegotiation rules lead to a decrease in the average winning bids; however, (ii) average final prices of contracts remain at the pre-reform level because the extra renegotiated price compensates for the drop in winning bids. While we do not find convincing evidence of a decrease in the productivity of the winning firms, we do provide suggestive evidence of a change in contract allocation towards firms with higher bargaining power.</p> <p> <a href="#">De Jaegher-Easing Renegotiation Rules in Public Procurement-133.pdf</a></p> <hr/> <p><b>Manager Incentives, the Ratchet Effect, and Government Performance Targets: Attaining Affirmative Action Goals in Federal Procurement</b> <b>Justin Grant Marion</b> University of California, Santa Cruz, United States of America</p> <p>This paper studies how the ratchet effect and managerial accountability affects the attainment non-binding performance targets within government. The U.S. federal government sets agency-specific goals for contract awards to small businesses. I find evidence of a ratchet effect, where small business utilization one year results in a higher goal the next. Under uncertainty, agencies may be conservative early in the year to avoid to unexpectedly high awards by year's end, and I find evidence consistent with these within-year dynamics. Next, exploiting a 2013 increase in accountability for agency leaders in meeting small business goals, I examine how managerial incentives affect goal attainment. After this change, agencies accelerated small business awards when lagging behind their small business target. This acceleration is associated with a greater likelihood of adverse contract outcomes. Finally, I use an excess bunching design around sole-sourcing thresholds to demonstrate that the above patterns are intentional.</p> <p> <a href="#">Marion-Manager Incentives, the Ratchet Effect, and Government Performance Targets-598.pdf</a></p> <hr/> <p><b>Pay-to-Play: Campaign Contributions and Kickbacks in Public Procurement</b></p>



	<div><div><div><div><div><div><span></span></div><div><b>Saad Gulzar<sup>1</sup>, Juan Felipe Ladino<sup>2</sup>, Juan Felipe Riaño<sup>3</sup></b></div></div></div><div><div><div><span></span></div><div><sup>1</sup>Princeton Univeristy; <sup>2</sup>Stockholm University; <sup>3</sup>Georgetown University</div></div></div></div></div><div>We explore the relationship between political donations and the allocation of public procurement contracts across multiple local elections in Colombia. By linking the universe of public contractors and the mandatory report of political donations by individuals and firms, our reduced form results demonstrate a long-term distortion in the contract allocation process attributable to political donations: Contractors who donate to political campaigns are more likely to be awarded contracts, often of greater value, exceeding budgetary limits. Donor contractors also tend to be less experienced individuals and riskier firms. Returns to donations remain even after losing direct political connections, suggesting that donations grant contractors extended access beyond immediate reciprocation. We conduct a Randomized Control Trial to study how new mayors respond to deterrence messages about contract scrutiny for their donors. Using this intervention, we estimate a structural model to rationalize the reduced form results and evaluate counterfactual policies.</div><div><div><div><span></span></div><div><a href="#">Gulzar-Pay-to-Play-617.pdf</a></div></div></div></div>
	<div><div><div><div><div><div><span></span></div><div><b>The Aggregate Cost of Inefficient Public Spending</b></div></div></div><div><div><div><span></span></div><div><b>Lavinia Piemontese<sup>1</sup>, Andrea Tulli<sup>2</sup></b></div></div></div><div><div><div><span></span></div><div><sup>1</sup>Bocconi University; <sup>2</sup>University of Tübingen</div></div></div></div></div><div>This project scrutinizes the impact of public spending efficiency on aggregate firm productivity, with a specific focus on public procurement within the construction sector. We explore the different effects on a firm's productivity arising from two commonly employed awarding procedures: First Price Auction (FPA) and Average Bid Auction (ABA). While the FPA allocates the contract to the lowest bid, the ABA's method resembles a lottery in selecting the winner. FPA yields a threefold increase in turnover compared to ABA, with a particularly pronounced effect observed among smaller firms. Additionally, the study quantifies the aggregate loss in productivity within the Italian construction sector attributable to the introduction of ABA.</div><div><div><div><span></span></div><div><a href="#">Piemontese-The Aggregate Cost of Inefficient Public Spending-315.pdf</a></div></div></div></div>
11:00am - 1:00pm	<div><div><div><div><div><div><span></span></div><div><b>A13: Taxable Income Responses of Individuals</b></div></div></div><div><div><div><span></span></div><div>Location: <b>Room RB 210 (Rajská building)</b></div></div></div></div></div><div><div><div><div><div><div><span></span></div><div><b>Taxing High-Income Earners In The Emerging World - Fiscal And Economic Effects Under The Microscope</b></div></div></div><div><div><div><span></span></div><div><b>Antonia Hohmann<sup>1</sup>, Jukka Pirttilä<sup>2</sup>, Roxanne Raabe<sup>1</sup>, Nadine Riedel<sup>1</sup>, Christopher Axelson<sup>3</sup></b></div></div></div><div><div><div><span></span></div><div><sup>1</sup>University of Muenster, Germany; <sup>2</sup>University of Helsinki and VATT Institute for Economic Research, Helsinki, Finland; <sup>3</sup>National Treasury, Pretoria, South Africa</div></div></div></div></div><div>Rising income inequality and tight government budgets have spurred discussions in many developing nations regarding the taxation of high-income earners. We study taxpayer responses to an increase in the top marginal tax rate in South Africa drawing on exceptionally rich tax administrative data and a transparent empirical identification design. We establish that treated taxpayers strongly reduce their reported taxable income in response to the tax reform. Our preferred estimates suggest an elasticity of taxable income of around 1.2. Responses are driven by both reductions in broad income and increases in tax deductions. While regular, third-party reported earnings remain unaffected, we find significant decreases in fringe benefits, allowances, annual incentive and bonus payments. Consistent with the latter response reflecting less effort provision by leading workers in South African firms, we find that businesses which employ workers treated by the tax increase experience a significant decline in business output after the reform.</div><div><div><div><span></span></div><div><a href="#">Hohmann-Taxing High-Income Earners In The Emerging World-319.pdf</a></div></div></div></div></div> <div><div><div><div><div><div><span></span></div><div><b>Estimation of the Elasticity of Taxable Income Using Japanese Tax Return Data</b></div></div></div><div><div><div><span></span></div><div><b>Takeshi Miyazaki<sup>1</sup>, Hiroaki Kurita<sup>2</sup>, Shigeki Kunieda<sup>3</sup>, Taro Ohno<sup>4,6</sup>, Shingo Okamoto<sup>5</sup>, Yasutaka Yoneta<sup>5,6</sup></b></div></div></div><div><div><div><span></span></div><div><sup>1</sup>School of Economics, Kyushu University; <sup>2</sup>Faculty of Economics, Management, and Information Science, Onomichi City University; <sup>3</sup>Faculty of Law, Chuo University; <sup>4</sup>Faculty of Economics and Law, Shinshu University; <sup>5</sup>National Tax College; <sup>6</sup>Policy Research Institute, Ministry of Finance</div></div></div></div></div><div>This study estimates the elasticity of income with regard to the net of tax rate using panel data from Japanese tax returns from 2014 to 2020. The following conclusions were drawn: First, in Japan, the elasticity of income with respect to the net of tax rate ranges from 0.25 to 0.52. These estimates are greater than or close to the ETIs for most OECD countries but are much greater than those provided by previous research for Japan. Second, income elasticities for business-income earners are larger than those for salary income earners. Third, the ETI estimates are much higher than the income elasticity estimates. This result probably reflects the fact that there was no large-scale reform in income tax rates during the sample period, thus making it difficult to precisely identify taxpayers' behavioral responses to tax rates.</div><div><div><div><span></span></div><div><a href="#">Miyazaki-Estimation of the Elasticity of Taxable Income Using Japanese Tax Return-185.pdf</a></div></div></div></div>

**Estimating the Elasticity of Broad Income for High-Income Taxpayers**









**Laura Kawano<sup>1</sup>, Caroline Weber<sup>2</sup>, Andrew Whitten<sup>3</sup>**

<sup>1</sup>Office of Tax Policy Research, University of Michigan; <sup>2</sup>University of Kentucky, United States of America; <sup>3</sup>Office of Tax Analysis, U.S. Department of Treasury

This paper estimates the elasticity of broad income (EBI) with respect to the marginal net-of-tax rate for high-income taxpayers. We study the introduction of a new top US income tax bracket in 2013 using a large panel of high-income taxpayers drawn from US administrative tax records. Taxpayers in the top tax bracket experience tremendous income volatility – more than one in four have year-on-year changes in broad income of more than 30 percent. This volatility shifts some across time and drives potential bias in all possible estimators. We propose a method for estimating this expected bias and use this information to select our estimator and bound any remaining bias. Our results have important policy implications for the optimal top marginal tax rate in the US.








[Kawano-Estimating the Elasticity of Broad Income for High-Income Taxpayers-252.pdf](#)











	<p>Corporate tax filings typically include a declaration of taxable earnings and auxiliary data. Tax compliance theory acknowledges using both inputs to improve tax enforcement policies. However, firms can misreport auxiliary data to benefit from weaker enforcement policies and increase evasion. To comprehend how this bias should be taken into account, we extend tax compliance theory to strategic data reporting. Our main finding is that, although the primary goal of an audit is to ensure truthful profit reporting, this objective cannot be achieved without also monitoring the submitted data. Otherwise, audit probabilities based on firm-reported data are misspecified, which allows firms to evade taxes by manipulating their data input. We describe examples where this can lead to a higher tax gap than disregarding data. The characterized optimal tax enforcement policy for strategic data involves a distortion at the top and non-constant penalties.</p> <p> <a href="#">Castillo Ramos-Audit with Strategic Data-230.pdf</a></p>
	<p><b>Optimal Mixed Taxation with Misperceptions of Prices</b></p> <p><b>Xiaoyong Cui<sup>1</sup>, Xiaoxiao Wang<sup>2</sup>, Cheng Yuan<sup>1</sup></b></p> <p><sup>1</sup>School of Economics, Peking University, China; <sup>2</sup>Zhongnan University of Economics and Law, China</p> <p>This paper investigates how price misperceptions, which are pervasive and mainly ascribed to a complex system of mixed tax schedule, affect the design of optimal tax rules. Our theoretical results show that in the presence of price misperceptions indirect taxation exerts both a corrective role and a redistributive role even with the preference structure of Atkinson and Stiglitz (1976). This makes the linear commodity taxation no longer superfluous. In particular, the optimal income tax schedule can be more progressive if perceived marginal income tax rates are influenced by commodity prices. Moreover, taking income tax credit for electric vehicles as an example we simulate the optimal subsidy rate and income tax schedule when price misperceptions are considered in the design of optimal mixed taxation. Compared with conventional optimal taxation, optimal taxation in our model results in a rise in welfare by 8.79% to 36.34\% under plausible values of labor supply elasticity.</p> <p> <a href="#">Cui-Optimal Mixed Taxation with Misperceptions of Prices-264.pdf</a></p>
11:00am - 1:00pm	<p><b>A15: Incentives &amp; Investment</b> Location: <a href="#">Room RB 213 (Rajská building)</a></p> <p><b>Assessing the Impacts of Robot Taxation: Investment and Employment in South Korean Firms</b></p> <p><b>Anna-Sophie Braun<sup>1</sup>, Jae Cho<sup>2</sup>, Svea Holtmann<sup>3</sup>, Reinald Koch<sup>1</sup>, Dominika Langenmayr<sup>1,4,5</sup></b></p> <p><sup>1</sup>Catholic University Eichstätt-Ingolstadt, Germany; <sup>2</sup>Ludwig Maximilian University of Munich; <sup>3</sup>University of Mannheim; <sup>4</sup>CESifo; <sup>5</sup>WU Vienna</p> <p>In 2018, South Korea reduced a long-standing tax credit for automation investments. This tax credit reduction increases tax costs, is a negative tax incentive on robot installations and resembles the introduction of an indirect robot tax. We analyze the impact of this reform on corporate investment behavior and employment of South Korean firms. We use company-level data on South Korean firms and apply a difference-in-differences setting, exploiting both variation with regard to treatment and variation in robot densities across industries. We find consistent negative effects of the reform on investment and employment and positive effects on investment quality. Our results show first empirical implications of a robot tax for companies.</p> <p> <a href="#">Braun-Assessing the Impacts of Robot Taxation-492.pdf</a></p>
	<p><b>How Does Capital Investment Affect Workers? Evidence from Bonus Depreciation and Matched Employer-Employee Data</b></p> <p><b>Mark Curtis<sup>2</sup>, Daniel Garrett<sup>4</sup>, Eric Ohrn<sup>3</sup>, Kevin Andrew Roberts<sup>1</sup>, Juan Carlos Suárez Serrato<sup>1</sup></b></p> <p><sup>1</sup>Stanford GSB, United States of America; <sup>2</sup>Wake Forest University, United States of America; <sup>3</sup>Grinnell College, United States of America; <sup>4</sup>The Wharton School, University of Pennsylvania, United States of America</p> <p>We use matched employer-employee data to study how tax policies that lower the cost of capital impact workers during periods of sectoral decline. The policy we study, bonus depreciation, was implemented by the United States government in 2001, coinciding with significant employment declines in manufacturing. Using difference-in-differences event study methodologies, we estimate the effects of firm and market-level exposure to the policy on long-run worker earnings and employment. We then explore how sectoral transformation mediates the effects of bonus depreciation on worker outcomes by exploring heterogeneity across worker occupation, demographics, and exposure to salient drivers of manufacturing decline.</p> <p> <a href="#">Curtis-How Does Capital Investment Affect Workers Evidence-621.pdf</a></p>
	<p><b>Claiming Tax Incentives: Heterogeneous Impacts on Investment, Productivity, and Employment</b></p> <p><b>Masanori Orihara<sup>1</sup>, Takafumi Suzuki<sup>2</sup></b></p> <p><sup>1</sup>University of Tsukuba, Japan; <sup>2</sup>Aichi Shukutoku University, Japan</p> <p>We investigate firms' decisions to claim investment tax incentives following the 2014 tax reform in Japan and their impacts on economic outcomes. Our novel instrumental variable, the ratio of tax-eligible capital input costs to total costs at the industry level, explained the variation in firms' tax claims. Financially constrained firms and those with tax loss carryforwards claimed the tax incentives less often than their counterparts. Tax claimants increased capital expenditures compared to pre-claim levels, with this effect being pronounced among financially constrained firms. However, tax claiming did not improve overall productivity. While we observe a rise in labor productivity, this result was due to a reduction in employment, not an increase in value added. Our findings suggest that when a relatively small proportion of firms—less than 20% in our analysis—claims tax incentives, focusing on actual claimants shows larger effects of tax incentives compared to the intent-to-treat approach.</p> <p> <a href="#">Orihara-Claiming Tax Incentives-403.pdf</a></p>
	<p><b>Beyond Additionality: The Impact Of EU Cohesion Policy On Investments By The Member States</b></p> <p><b>Carlo Birkholz<sup>1,2</sup>, Zareh Asatryan<sup>1</sup></b></p> <p><sup>1</sup>ZEW Mannheim, Germany; <sup>2</sup>University of Mannheim</p> <p>In this paper we examine crowding-in and crowding-out of public and private sector investments in response to quasi-experimental variation in vertical transfers received by European Union regions. Leveraging a threshold in the allocation rule of EU Cohesion Policy funds, one of the largest regional policies globally, we conduct a Regression Discontinuity Design. Our findings indicate a crowding-out effect on public investments, ranging from 17 to 45 cents per Euro spent, primarily driven by a shift towards current expenditures. However, this effect is outweighed by substantial crowding-in of private sector investments, notably in construction, services, and the finance sector. Complementary Difference-in-Differences estimation provides some evidence for intertemporal substitution. Our results speak to the significance of complementarities between public and private investments in shaping fiscal multipliers, which holds important implication for the efficient design of the policy.</p> <p> <a href="#">Birkholz-Beyond Additionality-393.pdf</a></p>
11:00am - 1:00pm	<p><b>A16: Government Budgets</b> Location: <a href="#">Room RB 116 (Rajská building)</a></p> <p><b>Prudent Projections: An Analysis of German States' Budget Forecasts</b></p> <p><b>Thiess Büttner<sup>1,2</sup>, Vincent Herdegen<sup>1</sup></b></p> <p><sup>1</sup>Friedrich-Alexander Universität Erlangen-Nürnberg, Germany; <sup>2</sup>CESifo, Germany</p> <p>This paper explores the performance of governments' budget forecasts. We argue that budget forecasts tend to be pessimistic if negative fiscal shocks are perceived to be more costly than positive fiscal shocks. Based on an asymmetric loss function, we show that the observed bias in budget forecasts is related to budget risks. We test these predictions with an empirical analysis of the German states' forecasts of the budget-balance over a period of forty years. The results confirm the existence of a robust downward bias for the short-term horizon, which disappears over medium forecast horizons. While we find that the bias is significantly associated with a measure of budget risks, the strong pessimism in short-term forecasts is attributed to larger adjustment cost in case of adverse fiscal shocks.</p> <p> <a href="#">Büttner-Prudent Projections-372.pdf</a></p>
	<p><b>Subnational Counter-cyclical Fiscal Policy</b></p> <p><b>Timothy Goodspeed</b></p> <p>Hunter College and Graduate Center CUNY, United States of America</p> <p>The classic assignment of functions of government entrusts the central government with the stabilization function. Nevertheless, subnational governments are intimately involved in stabilization policies of their own, often restricted by various rules or balanced budget constraints. This paper reviews this literature and follows and expands on a recent macroeconomic strand which estimates “regional multipliers.” I estimate separately regional multipliers for grants, rainy day funds, and a state's deficit as well as spillover effects from these revenue sources.</p> <p> <a href="#">Goodspeed-Subnational Counter-cyclical Fiscal Policy-203.pdf</a></p>

	<p><b>Revenue Effects of Tax Changes: How Accurate are Static Estimates?</b></p> <p><b>Thiess Buettner, <u>William Dean</u></b> FAU, Germany</p> <p>The paper evaluates the forecasting performance of official estimates of the revenue effects of tax legislation, in the absence of dynamic scoring. The analysis is based on a detailed account of 246 German tax reforms, which result in 800 overall changes to individual taxes, at federal level over forty years covering the time period from 1982 until 2022. The preliminary results show that the revenue effects of tax reforms are systematically overestimated. If an increase (decrease) in revenues of 1% is predicted, actual revenues only increase (decreases) by around 0.73%. The overestimation is particularly evident in the case of income taxes, whereas changes in general sales taxes are estimated much more reliably - here the actual revenues vary proportionally with the revenue estimates.</p> <p> <a href="#">Buettner-Revenue Effects of Tax Changes-388.pdf</a></p>
11:00am - 1:00pm	<p><b>A17: Education, Information &amp; Take-Up</b> Location: <b>Room RB 203 (Rajská building)</b></p> <p><b>To Work or to Loan? Studying Loan Taking Behavior of Students in Response to Financial Incentives</b></p> <p><b><u>Tuomas Kosonen</u><sup>1</sup>, Tiina Kuuppelomäki<sup>2</sup></b> <sup>1</sup>VATT Institute for Economic Research, Finland; <sup>2</sup>Labour Institute for Economic Research LABORE</p> <p>This paper studies loan taking behavior of students. A major motivation for having publicly subsidized loans for students is that it would allow higher education students to focus on their studies. However, despite having access to publicly subsidized loans, they are under-utilized and instead students work while studying. We leverage a major reform that introduced a subsidies for student loans including a loan relief scheme for higher education students to study to what extent the loan taking of students respond to financial incentives. We utilize a quasi-experimental design by comparing loan taking behavior of students with that of non-student young individuals. We find a large impact of increased loan taking by students due to the reform. Despite this, the student loans remain under-utilized by students. In progress: working while studying, graduation times and grades.</p> <p> <a href="#">Kosonen-To Work or to Loan Studying Loan Taking Behavior-521.pdf</a></p> <hr/> <p><b>Identifying The Information Gap: Measuring The Role of Misperceptions in Student Aid Non-Take-Up</b></p> <p><b><u>Sascha Strobl</u><sup>1,2</sup>, Sebastian Riedmiller<sup>3,4</sup></b> <sup>1</sup>Fraunhofer FIT, Germany; <sup>2</sup>University of Freiburg; <sup>3</sup>Max Planck Institute for Research on Collective Goods; <sup>4</sup>University of Cologne</p> <p>This paper investigates the determinants of non-take-up for the means-tested federal student aid/ loan combination in Germany using a dataset of 22,000 students collected by the authors in 2023. Using the self-reported parents' income, we simulated the student aid amounts. A Probit regression on non-take-up shows significant results for age, migratory background, living with parents, and acquaintances receiving BAföG which had the same effect directions but were not all significant in prior studies. Beyond these causes, we show other student grants and debt aversion as significant. For the first time, the central role played by misperceptions of entitlement and aid conditions on non-take-up becomes clear as a majority of non-take-up students do not believe that they are eligible. The main non-take-up reasons reported by this group are application effort and debt aversion, whereby this is possibly driven by their misperception of the repayment.</p> <p> <a href="#">Strobl-Identifying The Information Gap-597.pdf</a></p> <hr/> <p><b>The Take-up of In-work Benefits: Evidence from a French Program</b></p> <p><b><u>Claire Lea Leroy</u></b> CREST - Ecole Polytechnique, France</p> <p>Welfare programs serve as crucial policy instruments for economic redistribution and poverty alleviation. However, evidence indicates that many eligible families often do not benefit from such programs. In this paper, I investigate take-up behaviors and their implications by leveraging exhaustive social administrative records related to a large French welfare program ("prime d'activité") and using a recent major reform as quasi-experimental variation. The reform caused a substantial take-up behavioral response, leading half a million of families to start take-up. Using a diff-in-diffs strategy, I estimate a small elasticity of the take-up rate with respect to the benefit amount of about 0.1. I provide evidence that the reform indirectly raised awareness about the program which can explain the bulk of the take-up response. Building on these results, I develop a theoretical framework to derive insights into optimal welfare program design in the presence of endogenous labor supply and take-up decisions.</p> <p> <a href="#">Leroy-The Take-up of In-work Benefits-600.pdf</a></p>
11:00am - 1:00pm	<p><b>A18: Special Session: Using Leaked Data in Academic Research</b> Location: <b>Room RB 211 (Rajská building)</b> Session Chair: <b>Hector Enoc Ulloa Chinchila</b>, Skatteforsk - Centre for Tax Research Discussant 1: <b>Andreas Økland</b>, Norwegian University of Life Sciences Discussant 2: <b>Matthew Edward Collin</b>, EU Tax Observatory Discussant 3: <b>Jeanne Bomare</b>, Paris School of Economics Discussant 4: <b>Juliana Londoño-Vélez</b>, UCLA Session Chair: <b>Annette Alstadsæter</b>, Norwegian University of Life Sciences Organized by <b>Skatteforsk</b></p> <p>During the past decade, publications in the field of economics have increasingly used leaked data to better describe and explain the phenomena around us. Just in the past eight years, at least twenty-two economics papers have been published using leaked financial data, with the majority of them having been published in the last three years. Even though it is clear that financial leaks have become increasingly available to academic researchers over the past years, it is also apparent that academia has lagged behind in its ability to apply appropriate ethical and data-protection standards to such data. As a result, a number of academic institutions such as the American Economic Association have started to issue policies about the academic use of illegally obtained data, in an attempt to minimize the risks associated with its use. Following Annette Alstadsæter's keynote lecture at this year's congress, this special session will dive deeper into the ethical and practical considerations that researchers face today when using leaked data in their work. By hearing the first-hand experiences of researchers that have previously worked with leaked data, the participants will have the opportunity to better understand and discuss in an open panel format: I) what are the different sources of leaked data; II) the utilization of large-scale leaks and how to construct relevant datasets from these; III) assessing the validity and legitimacy of acquired data; and, IV) the challenges and opportunities in GDPR compliance, and V) how to ensure data integrity and security of the team members.</p>
1:00pm - 2:00pm	<b>Lunch I</b>
2:00pm - 4:00pm	<p><b>B01: Politics, Policymakers, Policy</b> Location: <b>Room RB 103 (Rajská building)</b></p> <p><b>Fiscal Similarity And Discrepancies In Local Authorities: An Application To Italian Municipalities</b></p> <p><b><u>Costanza Marconi</u><sup>1</sup>, Piera Bello<sup>1</sup>, Sergio Galletta<sup>2</sup></b> <sup>1</sup>University of Bergamo, Italy; <sup>2</sup>ETH Zurich, Switzerland</p> <p>What makes policymaking similar or different across local governments? In this paper, we explore the determinants of similarity in local policymaking and quantify the deviation of local budgets from expected norms based on local characteristics. Public budgets are considered the standard proxy for government policy, yet standard public economic research usually focuses on a few of the main budget accounting features. AI tools allow us to examine the full budget structure. We find that similarity is mostly associated with the size and demographic composition, rather than political characteristics. Next, we generate a Municipal Fiscal Divergence Index (MFDI), which quantifies the deviation of local budgets from expected norms based on local characteristics. We show that MFDI is associated with political incentives, i.e., it is lower in the year preceding an election, complementing the existing evidence on political budget cycle.</p> <p> <a href="#">Marconi-Fiscal Similarity And Discrepancies In Local Authorities-601.pdf</a></p> <hr/> <p><b>Who Cares About Childcare? Covid-19 and Substantive Gender Representation</b></p> <p><b><u>Alda Marchese</u><sup>1</sup>, Paola Profeta<sup>2</sup>, Giulia Savio<sup>3</sup></b> <sup>1</sup>Università della Svizzera italiana, Switzerland; <sup>2</sup>Bocconi University, Italy; <sup>3</sup>University of Turin, Italy</p> <p>Using the Covid-19 pandemic as a natural experiment, we examine gender differences in public funds allocation to childcare in Italy, one of the first countries severely hit by the crisis. We analyze close mixed-gender races in Italian local elections in small municipalities without gender quotas from 2016 to 2023. Our findings show that pre-Covid-19 female mayors spent more on childcare than male mayors, in line with the substantive representation hypothesis. However, during the pandemic, the gender gap closed, as male politicians increased spending, a trend that continued post-pandemic. Results reflect a change in voters' preferences, as they are driven by male politicians facing re-election incentives and municipalities with more telework during the pandemic.</p> <p> <a href="#">Marchese-Who Cares About Childcare Covid-19 and Substantive Gender Representation-139.pdf</a></p> <hr/> <p><b>Managing Migration: Female Mayors and the Intake of Asylum Seekers</b></p>



	<div><div><b>Sebastian Schirner</b> Ruhr-University Bochum, Germany</div><div>This paper studies the impact of female leaders during a migration crisis. In particular, I examine female mayors in the German state of North Rhine-Westphalia during the intake of Ukrainian refugees in 2022/23. I use granular data on compliance with the municipal refugee allocation quota and data on the municipal election of 2020. The identification strategy is a local difference-in-differences approach based on close mixed-gender races for the mayorship. Female mayors comply less with the allocation quota than male mayors in response to the crisis. The effect is not driven by other mayor characteristics or the fiscal capacity of municipalities. Also, there is no difference in the frequency of refugee topics in council meetings. Instead, I argue that strong electoral competition is a plausible mechanism inducing lower compliance of female mayors.</div><div> <a href="#">Schirner-Managing Migration-347.pdf</a></div></div>
	<div><div><b>Jurisdictional Fragmentation and Sprawl</b></div><div><b>Oskari Harjunen<sup>1</sup>, Eetu Kauria<sup>2</sup>, Tuukka Saarimaa<sup>1</sup>, Janne Tukiainen<sup>2</sup></b> <sup>1</sup>Aalto University, Finland; <sup>2</sup>University of Turku, Finland</div><div>This paper explores the connection between jurisdictional fragmentation and sprawl. We utilize Finnish municipal mergers as a quasi-experiment which induces exogenous variation in the number of local jurisdictions in a given area. We are able to draw on rich register data providing granular location information for the full population of Finnish residents. We compare the location of new buildings (and their residents) in the actual mergers to the location of new buildings in a control group of hypothetical mergers simulated from the pre-merger municipality map in a difference-in-differences framework. When using our full sample, we do not find statistically significant effects on the location of newly constructed residential buildings. However, in smaller municipalities new single-family and row houses were built about 10% or 2 km closer to the new center. These effects materialize after two full council terms or roughly ten years and are driven by spatially compact and populous mergers.</div><div> <a href="#">Harjunen-Jurisdictional Fragmentation and Sprawl-500.pdf</a></div></div>
2:00pm - 4:00pm	<div><div><b>B02: Firms &amp; Tax Evasion</b> Location: <b>Room RB 109 (Rajská building)</b></div><div><b>The Threat Is Not Enough: Effects of a Tax Audit Campaign on Firms' Tax Evasion</b> <b><u>Ida Ilona Anniina Kankaanranta</u></b> Tampere University, Finland</div><div>Tax authorities implement various strategies to combat tax evasion, tax audits being one of the most important enforcement tools. Previous literature has separately studied the effects of an increase in audit probability, and the impacts of becoming audited, on income and cost reporting behavior of firms and individuals, but their joint effects have obtained less attention. I utilize a natural experiment setting in a highly developed country and study the effects of a tax audit campaign, implemented by the Finnish Tax Administration, on self-reported income and cost items using firm-level quarterly VAT records.</div><div>The results suggest that an audit campaign does not necessarily increase voluntary compliance in general, even though finding and taxing hidden income may result in additional revenue for the state. Possible explanations include low prevalence of tax evasion, poor salience of the public announcement about the campaign, and insufficient incentives for firms to increase their compliance.</div><div> <a href="#">Kankaanranta-The Threat Is Not Enough-165.pdf</a></div></div> <div><div><b>Risk-Based Tax Audits and Firm Performance</b></div><div><b><u>Annika Nivala</u><sup>1,3</sup>, Jarkko Harju<sup>2,3</sup>, Kaisa Kotakorpi<sup>2,3</sup>, Tuomas Matikka<sup>1,3</sup></b> <sup>1</sup>VATT Institute for Economic Research, Finland; <sup>2</sup>Tampere University; <sup>3</sup>Finnish Centre of Tax Systems Research (FIT)</div><div>We analyze firm responses to risk-based tax audits – a central tool in regular tax enforcement – using full-population data on tax audits and tax returns in Finland. We find an immediate and persistent increase in reported profits by the audited firms after being audited compared to matched non-audited firms with a similar development in key outcomes before the audit. This is an indication of significant non-compliance in the baseline. We also examine the anatomy of non-compliance and find that both revenue and labor costs increase after audits, suggesting that some firms may follow a strategy of under-reporting their overall scale of operation. We use novel data on bankruptcy petitions and court decisions to investigate whether stricter tax enforcement has implications for real economic activity. We find a large increase in the likelihood of bankruptcy after audits among non-compliant firms, but no increase in bankruptcies for compliant firms.</div><div> <a href="#">Nivala-Risk-Based Tax Audits and Firm Performance-469.pdf</a></div></div> <div><div><b>Simplified Tax Regimes: A Doorway to Tax Evasion</b></div><div><b><u>Andrea Lopez-Luzuriaga</u><sup>1</sup>, Monica Calijuri<sup>2</sup>, Carola Pessino<sup>2</sup>, Juan A. Russey<sup>1</sup></b> <sup>1</sup>Universidad del Rosario, Colombia; <sup>2</sup>Inter-American Development Bank</div><div>Simplified tax regimes are designed to encourage businesses to formalize, yet their effect on tax evasion is not well-documented. These regimes allow firms to report less information to tax authorities, lowering the cost of concealing their income. The study utilizes data from electronic billing systems to calculate a proxy for operational expenses. Additionally, it examines the distribution of firms' income to assess the inconvenience, or "hassle," cost associated with adhering to the conventional tax regime instead of the simplified approach. By integrating operational and hassle cost estimates, we construct a proxy for total cost. When comparing firms with similar cost structures, those operating under the standard tax system report significantly less revenue—between 35% and 50% less—than those under the simplified regime, highlighting the simplified tax regime's potential to reduce tax evasion and alter revenue declaration behaviors.</div><div> <a href="#">Lopez-Luzuriaga-Simplified Tax Regimes-637.pdf</a></div></div> <div><div><b>Payments Under the Table: Employer-Employee Collusion in Brazil</b></div><div><b><u>Javier Feinmann</u>, Roberto Hsu Rocha, Maximiliano Lauletta</b> University of California, Berkeley, United States of America</div><div>In this paper, we study formal workers receiving part of their off-the-books, which we refer to as "payments under the table" (PUT). We conducted the first extensive survey among Brazilian formal workers, finding that PUTs are sizeable and proportionally larger for higher-income workers, despite the widespread belief that third-party reported income exhibits low evasion. Back-of-the-envelope calculations suggest that the government loses 6.8% of income tax revenues due to PUT. We open the black box of how this evasion works in practice.</div><div>We combine unique data on labor lawsuits, matched employer-employee, and ownership registries with quasi-experimental variation to shed light on the underlying incentives to engage in collusive tax evasion. We find that employees respond by reducing PUT when benefits for reporting increase. Moreover, employers reduce PUT when perceived risks of being sued are higher.</div><div> <a href="#">Feinmann-Payments Under the Table-169.pdf</a></div></div>
2:00pm - 4:00pm	<div><div><b>B03: Behavioral Effects of Capital Taxation</b> Location: <b>Room RB 210 (Rajská building)</b></div><div><b>Taxing Firm Capital: Effects on Workers and Firms</b> <b><u>David Gstrein</u><sup>1,2</sup></b> <sup>1</sup>ifo Institute, Germany; <sup>2</sup>LMU Munich, Germany</div><div>Using administrative plant-level data I study how the taxation of the capital stock affects firms and workers. Before a reform in 1998, the German local business tax was levied on two bases: profits and the capital stock. I exploit this unique setting to identify the effects of capital stock taxation. Businesses that experienced a larger tax cut increased investment and wages. However, aggregate employment was not affected in the long run. More exposed firms also earned higher profits. Comparing the estimates to the literature on corporate income taxation, I find slightly larger investment effects and similar effects on wages. In line with theoretical predictions, the tax cut also triggered increased firm entry, in particular by lower productivity firms. This resulted in lower average productivity. In contrast, I find that lower profit taxes are associated with higher productivity. This highlights the differences between taxing profits and capital.</div><div> <a href="#">Gstrein-Taxing Firm Capital-334.pdf</a></div></div> <div><div><b>The Real Effects Of Job Protection Legislation On Firm Performance – Evidence From The German Inheritance And Gift Tax Law</b></div><div><b>Richard Winter, <u>Jan Zental</u></b> University of Mannheim, Germany</div><div>We exploit the unique German setting of tying preferential tax treatment of gratuitous business transfers to employment requirements to analyze the effects</div></div>



	<p>of employment protection measures on affected firms. To this end, we combine three data sources. First, we employ a large company database to identify ownership transfers in German firms between 2007 and 2022. Second, we link these firms to death events drawn from multiple publicly available data sources to build a panel of firms experiencing inheritance-related ownership successions. Third, we obtain detailed employee outcomes for these firms from administrative establishment data. Preliminary results suggest that tying tax benefits to employment requirements affects employee outcomes both in the short run and long run.</p> <p> <a href="#">Winter-The Real Effects Of Job Protection Legislation On Firm Performance – Evidence-627.pdf</a></p> <hr/> <p><b>Behavioral Responses to Estate Taxation: Evidence from Taiwan</b> <b><u>Linda Wu</u><sup>1</sup>, Tzu-Ting Yang<sup>2</sup></b> <sup>1</sup>University College London, United Kingdom; <sup>2</sup>Academia Sinica, Taiwan</p> <p>We quantify behavioral responses to estate taxation by leveraging a tax cut and raise in Taiwan. Using a difference-in-difference design combined with administrative data, we show that net estates respond quickly and persistently. We estimate elasticities of net estates w.r.t. net-of-tax-rate is 1.7 (se 0.2) from the tax cut and 2.8 (se 0.4) from the tax raise. We find a discrepancy between the behaviors of those whose taxes are repealed and those whose tax rates are decreased but not removed, with the former having a substantially higher elasticity. A breakdown of net estates reveals taxpayers adjust assets or deductions that have greater flexibility for adjustments. Finally, we develop a model to explain our findings and derive sufficient statistics to assess the welfare effect. It is shown that the tax rates are too low and exemption thresholds are too high in both the old and new regimes.</p> <p> <a href="#">Wu-Behavioral Responses to Estate Taxation-386.pdf</a></p> <hr/> <p><b>Behavioral Responses to Wealth Taxation: Evidence from a Norwegian Reform</b> <b><u>Roberto lacono</u><sup>1</sup>, Bård Smedsvik<sup>2</sup></b> <sup>1</sup>NTNU, USN, LSE III; <sup>2</sup>NTNU</p> <p>We analyze behavioral responses to wealth taxation, exploiting variation from a reform reducing the marginal tax rate in the northern Norwegian municipality of Bø from 0.85% to 0.35%, since 2021. Mimicking the behaviour of a tax haven, Bø represents the first municipality unilaterally reducing the tax rate since the establishment of wealth taxation in Norway in 1892. We document a 66.6% increase in taxable wealth in response to a 1 percentage point drop in the tax rate. Internal mobility appears as the major behavioral response, accounting for a large portion of the post-treatment total net wealth in the treated municipality.</p> <p> <a href="#">lacono-Behavioral Responses to Wealth Taxation-102.pdf</a></p> <hr/>
2:00pm - 4:00pm	<p><b>B04: Pro-Social Behavior &amp; Public Good Provision</b> Location: <a href="#">Room RB 104 (Rajská building)</a></p> <p><b>Being Right Or Fair; A Portfolio Approach To Research Funding</b> <b><u>Erik Canton</u></b> European Commission, Belgium</p> <p>This study argues that portfolio theory can provide a powerful tool to make research funding decisions. The proposed methodology allows for an informed management decision process, also in the presence of project interdependencies and multiple policy objectives. Despite its potential to improve funding decisions, the portfolio model is not widely applied in practice. The most common approach is merit-based funding where the evaluators' scores of the individual proposals guide funding decisions. A possible explanation is that conventions play a role in the selection process. Survey data show that policy practitioners working in the field of research and innovation policy have a relatively strong preference for the merit-based funding model, suggesting the presence of a “club-effect”.</p> <p> <a href="#">Canton-Being Right Or Fair A Portfolio Approach To Research Funding-107.pdf</a></p> <hr/> <p><b>The Effects Of Monetary Compensation On Paid Volunteers: Evidence From Germany</b> <b><u>Annalisa Tassi</u><sup>1</sup>, Lieke Voorintholt<sup>2</sup></b> <sup>1</sup>FAU Erlangen-Nuremberg, Germany; <sup>2</sup>University of Groningen</p> <p>We investigate the effects of monetary compensation on the duration of voluntary work, on donations, and on market labor income of paid volunteers using data from German income tax returns. In recent decades, volunteering has expanded from completely unpaid work to the possibility of receiving small (tax-free) monetary compensations for the activities performed. However, the effects of monetary incentives in the context of prosocial behavior are likely to differ from effects on paid work in the labor market. Our empirical analysis leverages a German policy change from 2013 that increased the tax-free threshold for volunteer compensations. We combine difference-in-differences and matching strategies with a duration analysis model to investigate the effects of changes in volunteer compensation on volunteers working as instructors or educators. This allows us to identify the dominant mechanism behind paid volunteers' optimal choices for volunteering, market labor, and donations.</p> <p> <a href="#">Tassi-The Effects Of Monetary Compensation On Paid Volunteers-445.pdf</a></p> <hr/> <p><b>Voluntary Participation In A Negotiation On Providing Public Goods And Renegotiation Opportunities</b> <b><u>Ryusuke Shinohara</u>, Toshiyuki Hirai</b> Hosei University, Japan</p> <p>We examine the problem of voluntary participation in negotiations regarding the provision of public goods. In contrast to earlier studies, in our model, a negotiation is followed by renegotiations. First, players decide whether to participate in a negotiation, and the participants produce a public good. The participants then renegotiate the level of the public good with nonparticipants in the preceding negotiations. We show that with these renegotiation opportunities, many players may participate in providing the public good in the preceding negotiation. In some cases, all players participate in the preceding negotiation and the public good is produced efficiently. Our findings indicate that more players participate in the provision of public goods if they have strong bargaining power in the renegotiations. Hence, this problem may not be as severe as reported by previous studies. Our results may be consistent with the recent developments in voluntary projects for international river management.</p> <p> <a href="#">Shinohara-Voluntary Participation In A Negotiation On Providing Public Goods And Renegotiation-160.pdf</a></p> <hr/>
2:00pm - 4:00pm	<p><b>B05: Gender &amp; the Labor Market</b> Location: <a href="#">Room RB 209 (Rajská building)</a></p> <p><b>Preferences for Gender Diversity in High-Profile Jobs</b> <b><u>Johannes Rincke</u>, Lea Mayer, Celina Högn, Erwin Winkler</b> University of Erlangen-Nuremberg, Germany</p> <p>We examine preferences for gender diversity in high-profile jobs, using stated-choice experiments with more than 9,000 highly educated individuals in Germany. Across three distinct samples covering university students, Ph.D. students, and university professors, we uncover a substantial willingness-to-pay for gender diversity at the workplace of up to 5% of earnings on average. Women have a much higher willingness-to-pay for gender diversity compared to men across all samples. Our findings carry insights for why organizations with a high share of men in top positions may find it difficult to attract and retain top-talent women.</p> <p> <a href="#">Rincke-Preferences for Gender Diversity in High-Profile Jobs-430.pdf</a></p> <hr/> <p><b>The Long Way to Gender Equality: Gender Pay Differences in Germany, 1871-2021</b> <b><u>Theresa Neef</u></b> DIW Berlin, EU Tax Observatory, Germany</p> <p>This paper provides the first time series of the gender pay ratio for full-time employees in Germany since the 1870s and compares Germany's path with the Swedish and U.S. cases. The industrialization period yielded slow advances due to women's delayed inclusion in industrial work. The first half of the 20th century exhibited a marked leap. In Germany, the gender pay ratio increased from 47% in 1913 to 58% in 1937. Similar increases are visible in Sweden and the United States. In all three countries, the interplay between increased women's education and increased returns to education due to the expanding white-collar sector fueled pay convergence. Yet in Germany, women's educational catch-up was slowed due to the dominance of on-the-job vocational training. German women's migration from low-paid to higher-paid jobs was predominantly increasing the pay ratio. The postwar period brought diverging developments due to different economic conditions and policy action.</p> <p> <a href="#">Neef-The Long Way to Gender Equality-360.pdf</a></p> <hr/>

## Reasons For Believing In The Gender Pay Gap: Perceptions Of Gendered Pay Or Gendered Perceptions?

**Julia Baarck<sup>1</sup>, Kathrin Auspurg<sup>2</sup>, Paul Hufe<sup>3</sup>, Andreas Peichl<sup>1,2</sup>, Laila Schmitt<sup>2</sup>**

<sup>1</sup>ifo Institute, Germany; <sup>2</sup>LMU Munich; <sup>3</sup>University of Bristol

Against the backdrop of persisting wage inequality between men and women in Western societies, we investigate what people believe about wages. Using a factorial vignette design, we explore two aspects: "What are people's beliefs about the gender wage gap?" i.e., perceptions of gendered pay, and "Do women and men have different beliefs about wages," i.e., gendered perceptions of pay.

Preliminary results on HR managers reveal interesting patterns. First, HR managers expect a gender wage gap of around 7%, aligning with Germany's adjusted gender gap. Furthermore, respondents believe that female workers have lower returns to high work performance than men, as well as lower returns to certain occupations.

Second, we show that female and male respondents have different beliefs about wages. Female HR managers expect lower wages overall, and gender differences emerge in expected returns on professional decisions, like part-time work or self-employment.

 Baarck-Reasons For Believing In The Gender Pay Gap-647.pdf

## Explaining the Gender Gap in Earnings Shocks: Decomposing the Role Played by Marriage, Children and Occupation

**A. Abigail Payne, Maxim Ananyev**

University of Melbourne, Australia

Young women in the workforce are more likely to experience a loss of earnings than young men, and this is often attributed to their decision to have children and take care of them. To better understand this gender gap, we analyse longitudinal tax data from Australia. Contrary to popular belief, having children explains at most 40 percent of the gap. Many women who experience a loss in earnings have not given birth to a new child. Instead, economic factors such as earnings level contribute to more than 50 percent of the gender gap. Moreover, low-earning women are especially vulnerable to earnings shocks. In a simulation exercise, we found that if men had the same impact of having children as women do, they would experience earnings loss twice as often.

Payne-Explaining the Gender Gap in Earnings Shocks-660.pdf

**2:00pm - 4:00pm**

## B06: Infrastructure

Location: **Room RB 105 (Rajská building)**

## Regional Effects of Belt and Road Initiative Transport Infrastructure

**Alexander Bareis<sup>1</sup>, Thushyanthan Baskaran<sup>2</sup>, Patrick Hufschmidt<sup>3</sup>, Kim Leonie Kellermann<sup>2</sup>**

<sup>1</sup>University of Siegen; <sup>2</sup>Ruhr University Bochum; <sup>3</sup>Technical University of Dortmund

This paper addresses the gap in the literature concerning the impact of the Belt and Road Initiative (BRI) infrastructure projects at a regional level. Utilizing a staggered difference-in-differences approach, we analyze the effects of BRI transport infrastructure, including railways, roads, and logistic hubs, on local development. To achieve this, we develop a geographic dataset detailing the timelines of project implementation and completion, and combine it with night light output and population data at the pixel level. Our results indicate a modest increase in population development following project completion, but no significant long-term regional economic growth as measured by nightlight output. Logistic hubs demonstrate greater developmental impacts compared to railways and roads. Overall, this paper contributes to our understanding of the potential effects of transport infrastructure on regional economies.

 Bareis-Regional Effects of Belt and Road Initiative Transport Infrastructure-548.pdf

## The Effects of Highway Access on Firm Agglomeration and Networks

**Mark Schelker, Yannick Schmutz**

University of Fribourg, Switzerland

We analyze how the construction of highways in Switzerland affected the stock, births, deaths, and movements of firms as well as the firm structure at the Swiss municipal level. To do so, we constructed a novel geo-referenced dataset containing all limited companies including information on all members of their board of directors between 1943 and 2003. We exploit the variation in the timing of the access and use a staggered difference-in-differences approach. We find positive and sizable effects on the number of firms in the treated municipalities. Then, we document heterogeneous effects depending on two measures of firm sizes. We also show heterogeneity between municipalities receiving an access to the highways earlier than those receiving it later. Based on the director's data, we can extend our study to include an analysis of firm networks (through common directors) and how these might have been affected by highway construction.

 Schelker-The Effects of Highway Access on Firm Agglomeration and Networks-656.pdf

## Almost Fare Free: Impact Of A Public-Transport Climate Ticket On Mobility And Infrastructure Quality

**Jakob Losert<sup>1</sup>, Mario Liebensteiner<sup>2</sup>, Joerg Paetzold<sup>1,5</sup>, Sarah Necker<sup>2,3</sup>, Florian Neumeier<sup>4</sup>, Sebastian Wichert<sup>4</sup>**

<sup>1</sup>University of Salzburg, Mönchsberg 2A, 5020 Salzburg, Austria; <sup>2</sup>University of Erlangen-Nuremberg, Lange Gasse 20, 90403 Nuremberg, Germany; <sup>3</sup>ifo Institute, Gartenstr. 6, 90762 Fürth, Germany; <sup>4</sup>ifo Institute, Poschingerstraße 5, 81679 Munich, Germany; <sup>5</sup>Liechtenstein Institute, St. Luziweg 2, 9487 Bendern, Liechtenstein

In 2022, Germany introduced a temporary 9-euro monthly ticket for unlimited local and regional public transport. We investigate its impact on mobility patterns, including increased public transport usage, reduced car traffic, and rail network congestion. Using difference-in-difference and event-study analyses with GPS-based mobility, traffic volume, and rail traffic data, we find limited substitution between transportation modes, a strong increase in leisure train journeys, and notable adverse effects on rail infrastructure quality. These effects dissipate after the ticket's expiration. Our study suggests caution regarding the expected environmental benefits of nearly fare-free 'go-anywhere' public transport tickets, which are discussed in several countries.

Losert-Almost Fare Free-218.pdf

## The 'Daylit City': Bright Houses on Blind Streets

Kristof Dascher<sup>1</sup>, Alexander Haupt<sup>2</sup>

<sup>1</sup>University of Regensburg, Germany; <sup>2</sup>University of Plymouth, United Kingdom

Le Corbusier's vision for the modern city was that of bright houses set into green open spaces. Today real estate developers around the world pursue the Corbusian vision of light and air for all. This paper provides both an economic rationale for, and a welfare assessment of, the resulting daylight city. When acquiring an entire city block and then building up on only a fraction of it, modern developers build bright homes. These developers internalize the positive externality of daylighting neighboring houses. Yet opening up blocks (to let daylight in) also perforates streetfronts. These developers fail to internalize another positive neighborhood externality: Now there are fewer 'eyes on the street', and this reduces neighborhood safety and urbanity. From a welfare perspective, streetfronts become too coarse and city blocks become built up too sparsely. This inefficiency calls for a system of suitable property taxes.

 Dascher-The 'Daylit City'-363.pdf

**2:00pm - 4:00pm**

## B07: Cross-Country Analysis of Tax & Transfer Systems

Location: Room RB 106 (Raiská building)

## Beyond The Budget: A Global Perspective On Social Spending Through Tax Expenditures

Agustin Redonda, Flurim Aliu

Council on Economic Policies, Switzerland





This paper investigates the interplay between tax expenditures (TEs) and social policy. Leveraging the Global Tax Expenditures Database, we carry out the first data-driven cross-country assessment of direct spending and TEs for social welfare to shed light on this often-overlooked aspect of fiscal policy. Our research reveals prevalent TE usage for social purposes and substantial costs in terms of revenue forgone, averaging over 1 percent of GDP and 6 percent of tax revenue. Our analysis showcases varying strategies employed by countries, emphasizing the reliance of high-income economies on TEs granted through personal income taxes, and low/middle-income countries predominantly using value-added tax-related TEs for social objectives. Some functions contribute significantly to social spending through TEs, e.g. housing shows a tax expenditure/direct spending ratio reaching roughly 365 percent in the US and 203 percent in France.

 Redonda-Beyond The Budget-502.pdf

## Tax and Income Inequality in Africa

**Kefa Maunda Simiyu<sup>1,2</sup>, Beatrice Mbinya Muthini<sup>1,3</sup>, Victoria Hauwa Ibrahim<sup>4</sup>**



	<div><div><sup>1</sup>Economics Scholar, Kenya; <sup>2</sup>University of Johannesburg, South Africa; <sup>3</sup>University of Nairobi, Kenya; <sup>4</sup>Nasarawa State University, Keffi, Nigeria</div><div>We link taxation to income inequality by focusing on twelve (12) African countries from 2005 to 2021. Analysis is based on two datasets drawn from the World Income Inequality Database, and the African Tax Administration Forum. We employ the random between-within effects model, and cluster at the level of a country's income group—low, lower-middle, or upper-middle income country. We document that within-country income inequality declines as shares [in gross domestic product] of income taxes, international trade taxes, resource taxes, and taxes on capital gains increase. As income taxes rose, individuals from poorer countries gained more pre-tax incomes compared to their counterparts from richer countries. As resource or capital gains taxes rose, individuals from poorer countries gained more pre-tax incomes compared to their counterparts from richer countries. We conclude that income taxes as well as taxes on natural resources extraction, international trade, and capital gains, significantly reduce income inequality.</div><div> <a href="#">Simiyu-Tax and Income Inequality in Africa-505.pdf</a></div></div>
	<div><div><b>Social Welfare and Government Size</b></div><div><b>Rafael Doménech<sup>1</sup>, Javier Andres<sup>2</sup>, Eduardo Bandres<sup>3</sup>, Maria Dolores Gadea<sup>3</sup></b></div><div><sup>1</sup>BBVA Research; <sup>2</sup>Universidad de Valencia; <sup>3</sup>Universidad de Zaragoza</div><div>We analyze the effect of government size on social welfare and GDP per capita growth for the sample of 36 OECD countries in the last six decades. These effects are negative but smaller in absolute terms for welfare than for GDP per capita. This result is robust to changes in the estimation method, the use of smoothed variables, the inclusion of dummy variables that control for expansions and recessions, and additional control variables, such as the composition of expenditures and taxes, and public debt. More importantly, we find that the effect of government size follows an inverted U-shape: positive and greater on social welfare than for GDP per capita growth when government size is below 35% to 40%, and negative beyond that threshold. Interestingly, the range of values for which government size positively affects growth and welfare expands significantly with government quality, productive spending, and low levels of debt.</div><div> <a href="#">Doménech-Social Welfare and Government Size-193.pdf</a></div></div>
	<div><div><b>Does redistribution hurt growth? An Empirical Assessment of the Redistribution-Growth Relationship in the European Union</b></div><div><b>Monika Köppl-Turyna, Michael Christl, Silvia De Poli</b></div><div>EcoAustria, Austria</div><div>This paper analyzes the relation between economic growth, inequality and redistribution. In a cross-country setting for 25 EU countries over the period between 2007 and 2019, we show that market-income inequality is related to higher growth in the short term. To estimate the impact of redistribution to low-income earners, we introduce a new measure, the so called net benefit share (NBS). Contrary to other findings, we show that this (targeted) redistribution to low-income earners (Q1 NBS) fosters growth in the short term, driven by the consumption and private investment channel. On the other hand, untargeted redistribution towards higher-income earners reduces growth.</div><div> <a href="#">Köppl-Turyna-Does redistribution hurt growth An Empirical Assessment-254.pdf</a></div></div>
2:00pm - 4:00pm	<div><div><b>B08: Pension Reforms</b></div><div>Location: <b>Room RB 107 (Rajská building)</b></div><div><b>Extensive and Intensive Margins of Informal Workers' Public Pension Demand: Evidence from a Mongolian Pension Reform</b></div><div><b>Tomoaki Tanaka<sup>1,2,3</sup></b></div><div><sup>1</sup>Queen Mary University of London; <sup>2</sup>The University of Tokyo; <sup>3</sup>Japan International Cooperation Agency</div><div>Many developing countries have expanded their pension systems in the last two decades. However, the low coverage of informal workers remains a serious issue. I analyze the impact of a Mongolian large-scale policy that redeemed missing contributions, leading to a relaxation of the contribution requirements. I estimate the price elasticity of public pension demand with respect to money's worth by a regression kink design approach with administrative data. I find small benefits for young individuals effectively promote participation, and large benefits crowd out additional contributions for certain existing participants. I also find gender-heterogeneous impacts possibly driven by different retirement ages.</div><div> <a href="#">Tanaka-Extensive and Intensive Margins of Informal Workers Public Pension Demand-322.pdf</a></div></div> <div><div><b>Labor Market Effects of an Increase in the Pension Claiming Age in a Flexible Pension System</b></div><div><b>Johannes Hagen<sup>1</sup>, Oystein Hernas<sup>2</sup>, Alireza Khoshghadam<sup>1</sup>, Stefanie Konig<sup>3</sup></b></div><div><sup>1</sup>Jonkoping University, Sweden; <sup>2</sup>Frisch Center, Norway; <sup>3</sup>Inspektionen för socialförsäkringen (ISF), Sweden</div><div>We evaluate the impact of a policy reform in Sweden in 2020 that raised the early pension claiming age from 61 to 62. Employing administrative data from Sweden and a difference-indifferences approach, we analyze public pension claiming and labor market outcomes among age groups differentially impacted by the reform. We find that the reform led to an extension of working life until age 62, short-term reductions in disposable income for low-income earners, and slight increases in the uptake of sickness and unemployment benefits.</div><div> <a href="#">Hagen-Labor Market Effects of an Increase in the Pension Claiming Age-455.pdf</a></div></div> <div><div><b>Female Labor Supply and Rural Pension Eligibility in Brazil</b></div><div><b>Gaurav Khanna<sup>2</sup>, Margaret Lay<sup>1</sup>, Stephanie Lee<sup>3</sup>, Benjamin Thompson<sup>4</sup></b></div><div><sup>1</sup>Mount Holyoke College, United States of America; <sup>2</sup>University of California-San Diego; <sup>3</sup>University of Washington; <sup>4</sup>Arena Technologies</div><div>Brazil expanded its rural old-age pension to cover millions of previously uncovered women, conditional on work requirements, through a 1991 reform. We use an extended difference-in-differences approach to show that this expansion increased women's employment by nine percentage points, or 26 percent. This increase in labor force participation occurred among women who were immediately age-eligible, and among younger cohorts that would be eligible in the future. These results illuminate the capacity of workers to respond to financial incentives for labor participation in old age, and the extent to which younger workers might be forward-looking as they respond to retirement incentives.</div><div> <a href="#">Khanna-Female Labor Supply and Rural Pension Eligibility-518.pdf</a></div></div> <div><div><b>The Social Multiplier of Pension Reform</b></div><div><b>Emre Oral<sup>1</sup>, Simon Rabaté<sup>2</sup>, Arthur Seibold<sup>1</sup></b></div><div><sup>1</sup>University of Mannheim, Germany; <sup>2</sup>Centraal Planbureau</div><div>We study the influence of family members, neighbors and coworkers on individual retirement decisions. To estimate causal retirement spillovers between individuals, we exploit a pension reform in the Netherlands that creates exogenous variation in peers' retirement behavior, and we use administrative data on the full Dutch population. We begin by documenting large retirement spillovers between spouses, primarily due to women reacting to their husband's retirement choices. Consistent with homophily in social interactions, we find a modest influence of the average sibling, neighbor and coworker, but there are substantial spillover effects between similar individuals in these groups. Additional evidence suggests that retirement spillovers are driven both by leisure complementarities and social norms. Our findings imply that pension reforms can have a large social multiplier, amplifying their overall impact on retirement behavior.</div><div> <a href="#">Oral-The Social Multiplier of Pension Reform-530.pdf</a></div></div>
2:00pm - 4:00pm	<div><div><b>B09: Understanding &amp; Regulating Tax Havens</b></div><div>Location: <b>Room RB 211 (Rajská building)</b></div><div>Session Chair: <b>Jakob Miethe</b>, University of Munich</div><div><b>Avoiding Evasion: Effects of the Automatic Exchange of Information</b></div><div><b>Eva Davoine<sup>1</sup>, Wouter Leenders<sup>1</sup>, Ségal Le Guern Herry<sup>2</sup></b></div><div><sup>1</sup>UC Berkeley, United States of America; <sup>2</sup>Sciences Po, Paris</div><div>This paper investigates the impact of the Automatic Exchange of Information (AEOI) on tax compliance using French tax records and foreign financial asset data. It first provides an overview of offshore asset ownership among French households, highlighting a concentration of wealth in foreign accounts among the top earners. The study then evaluates a 2019 intervention by the French tax authority, where taxpayers listed in foreign reports were reminded of their reporting obligations, leading to increased compliance across various income groups, except the top 0.01%. The paper also studies the causal effects of AEOI on tax compliance, exploiting the staggered implementation of AEOI across countries to compare taxpayers in early adopter countries with those in late adopter countries.</div><div> <a href="#">Davoine-Avoiding Evasion-335.pdf</a></div></div>



## Verifying Trust(s). International Wealth Management And Tax Compliance.

**Amelie Grosenick, Jakob Miethe**

LMU Munich, Germany

We document the increasing role of the offshore trusts in international wealth.

management. Looking at investment in British real estate, one of the most popular international investment assets, we document a number of descriptive facts. First, the role of direct investment from domestic trusts has been increasing at lower rates in recent years. Second, the offshore trust is starting to become more important in the market, outperforming domestic trusts. Third, this investment exhibits patterns across prices and geography that are more in line with the investment patterns of tax haven shell companies than those of traditional trusts. The offshore trust is highly opaque and not subject to the transparency initiatives that aim at establishing the ultimate ownership of corporate structures. Our results cast doubt on the favourable tax treatment of trusts and the efficiency of international financial regulation which by and large ignores the offshore trust in its reporting requirements.

 Grosenick-Verifying Trust(s) International Wealth Management And Tax Compliance-512.pdf

## The Geography of Capital Allocation in the Euro Area

**Roland Beck<sup>1</sup>, Antonio Coppola<sup>2</sup>, Angus Lewis<sup>2</sup>, Matteo Maggiori<sup>2</sup>, Martin Schmitz<sup>1</sup>, Jesse Schreger<sup>3</sup>**

<sup>1</sup>European Central Bank, Germany; <sup>2</sup>Stanford University Graduate School of Business, USA; <sup>3</sup>Columbia Business School, USA

We assess Euro Area financial integration correcting for the role of “onshore offshore financial centers” (OOFs) within the Euro Area. The OOFs of Luxembourg, Ireland, and the Netherlands serve dual roles as both hubs of investment fund intermediation and centers of securities issuance by foreign firms. We provide new estimates of Euro Area countries’ bilateral portfolio investments which look through both roles, attributing the wealth held via investment funds to the underlying holders and linking securities issuance to the ultimate parent firms. Our new estimates show that the Euro Area is less financially integrated than it appears, both within the currency union and vis-à-vis the rest of the world.

Beck-The Geography of Capital Allocation in the Euro Area-648.pdf

## Does The Global Minimum Tax Target The Aggressive Tax Planners?

**Camille Semelet<sup>1,3,4</sup>, Sarah Clifford<sup>2</sup>, Jakob Miethe<sup>3</sup>**

<sup>1</sup>ifo institute; <sup>2</sup>University of Oxford; <sup>3</sup>University of Munich (LMU); <sup>4</sup>World Bank

This paper characterizes profit shifting behavior across the distribution of multinational groups and thereby provides three sets of results relevant for the recently introduced Global Minimum Tax (GMT). First, we establish the group-size cutoff at which MNEs change their production function to include the ability to engage in aggressive profit shifting. Second, we show how this cutoff coincides with an increase of internal debt within the group. Third, we show that this is connected with a decrease in effective tax rates of the MNE. Finally, we establish an indicator that correlates with our indicators of internal debt and lending to tax haven subsidiaries to allow researchers without access to detailed internal lending data to identify aggressive profit shifters.

 Semelet-Does The Global Minimum Tax Target The Aggressive Tax Planners-417.pdf

**2:00pm - 4:00pm**

## B10: Local Political Economy

Location: **Room RB 112 (Rajská building)**

## Distance Matters: The Impact of Geographical and Political Proximity on Fiscal Rules Enforcement

**Désirée Christofzik, Oliver März**

German University of Administrative Sciences Speyer, Germany

A reform in the German state of Hesse selectively shifted the responsibility for overseeing and enforcing a balanced budget rule at the municipal level. This involved transferring the responsibility from a politically affiliated county administrator to a non-political and potentially more impartial fiscal supervisor at a higher administrative layer. We empirically examine if this change reveals biases that existed before this centralization of oversight. Our findings indicate that municipalities closer to the political supervisors reduced their cash loans more significantly and displayed lower deficits under the subsequent neutral supervisor. This suggests that geographically closer municipalities were treated preferentially by the politically affiliated supervisor. We find no systematic impact on the enforcement of the fiscal rule based on the political alignment between the supervisor and the mayor or the party ideology of the supervisor.

Christofzik-Distance Matters-380.pdf

## Making the Cut: Close Elections and Local Welfare Policy

Nikolaj Broberg<sup>2</sup>, Tuuli Tähtinen<sup>1</sup>, Thomas Walsh<sup>3</sup>

<sup>1</sup>ifo Institute, Germany; <sup>2</sup>OECD; <sup>3</sup>University of Glasgow

This paper investigates how political alignment affects the implementation of punitive welfare measures in the UK. In particular, we examine whether a legislator's party affiliation affects the rate of sanctions to unemployment benefits in the MP's constituency. We use a regression discontinuity design based on close elections to compare the sanction rates across constituencies that are marginally aligned or unaligned with the central government. We find that implementation of the sanction regime is significantly more lenient in constituencies won by the government parties. The RD estimate indicates a drop of .8 percentage points at the cut-off, implying on average 18 % lower sanction rates in Coalition controlled constituencies. Our findings suggest that legislators are able to influence national, rule-based policies, even within a highly centralized system. Such pork barrel politics that can undermine institutions that should be neutral to local partisan considerations.

 Broberg-Making the Cut-410.pdf

## The Effect of Political Competition and Political Alignment on Local Policy Initiatives

Jiyoung Kim<sup>1</sup>, Sun Go<sup>2</sup>

<sup>1</sup>Incheon National University, Korea, Republic of (South Korea); <sup>2</sup>Chung-Ang University, Korea, Republic of (South Korea)

We study how political competition and political alignment affect local policy initiatives using the case of the Korean local childbirth grant program, a one-time cash grant that a local government autonomously provides to a newborn's family financed by its discretionary budget. Both political competition within the locality and political alignment between the central and local governments are expected to cause an earlier adoption of the grant because it is favored both by local voters and the central government. Results from a survival analysis provide supporting evidence for this view.

 Kim-The Effect of Political Competition and Political Alignment-397.pdf

## Determinants and Consequences of Regulatory Activity

**Simon Luechinger<sup>1</sup>, Mark Schelker<sup>2</sup>**

<sup>1</sup>University of Lucerne, Switzerland; <sup>2</sup>University of Fribourg, Switzerland

We investigate how institutions granting voters veto power over legislation or requiring durable legislative coalitions affect regulatory activity. In a difference-in-differences design with unique panel data from the Swiss cantons in 1908-2020, we estimate the impact of mandatory legislative referendums and second reading requirements on the number of changes to statutory enactments. Both institutions substantially reduce regulatory activity. In particular, the abolishment of mandatory legislative referendums increases regulatory activity by around 50 percent. Our results suggest that regulation tend to benefit narrow interests rather than voters at large.

 Luechinger-Determinants and Consequences of Regulatory Activity-127.pdf

**2:00pm - 4:00pm**

## B11: Social Comparisons & Altruism

















Location: Room RB 113 (Raiská building)

## Finding the Right Pond: Field Experimental Evidence On The Choice of Income Reference Group Information And Its Consequences







**Satu Metsälampi**<sup>1,3</sup>, Xu Xiaogeng<sup>4</sup>, Michael Kirchler<sup>7</sup>, Kaisa Kotakorpi<sup>2,3</sup>, Peter Hans Matthews<sup>5,6</sup>, Topi Miettinen<sup>6</sup>

<sup>1</sup>University of Turku; <sup>2</sup>Tampere University; <sup>3</sup>Finnish Centre of Excellence in Tax Systems Research (FIT); <sup>4</sup>Hanken School of Economics and Helsinki GSE; <sup>5</sup>Aalto University and Helsinki GSE; <sup>6</sup>Middlebury College; <sup>7</sup>University of Innsbruck









Status or income rank matters to most of us. Rank is not a fixed characteristic, however: we could be doing well relative to neighbors, for example, but much less so relative to others in our occupation. We might be big fish in some ponds, but smaller fish in others, which makes the choice of a pond a decision with important welfare consequences. In this paper, we report on the results of a large-scale field experiment that first elicited the beliefs of a representative sample of mid-career Finns about their income ranks in various reference distributions and, in one


	<p>condition, allowed them to choose which rank would be revealed to them, after which we collected a range of welfare and preference measures. We characterize the choice of reference population and its implications for individual well-being. Last, we compare the effects to cases where the reference population is assigned at random.</p> <p> <a href="#">Metsälampi-Finding the Right Pond-371.pdf</a></p> <hr/> <p><b>Meritocratic Labor Income Taxation</b></p> <p><b>Kristoffer Berg<sup>1</sup>, Morten Håvarstein<sup>2</sup>, Magnus Stubhaug<sup>3</sup></b></p> <p><sup>1</sup>University of Oxford, United Kingdom; <sup>2</sup>University of Oslo; <sup>3</sup>Nordic Institute for Studies of Innovation, Research and Education</p> <p>Surveys and experiments suggest that people hold workers more responsible for wage gains stemming from factors indicative of merit, such as education, than other factors. This paper shows how to design redistributive income taxes that account for workers' merits. First, we introduce meritocratic social welfare functions that accommodate individual preferences and hold workers responsible for the part of their wage stemming from merit. Second, we show how to map primitives of these social welfare functions into empirically measurable statistics and exploit long-run comprehensive Norwegian income and family relations data to examine the relationship between merit and wages. Third, we simulate linear and non-linear optimal income tax implications of the meritocratic social welfare functions, given our measurement of the role of merits. The result shows that accounting for merit leads to lower optimal marginal income tax rates than the utilitarian criterion recommends.</p> <p> <a href="#">Berg-Meritocratic Labor Income Taxation-229.pdf</a></p> <hr/> <p><b>Optimal Taxation and Other-Regarding Preferences</b></p> <p><b>Thomas Aronsson<sup>1</sup>, Olof Johansson-Stenman<sup>2</sup></b></p> <p><sup>1</sup>Umeå University, Sweden; <sup>2</sup>University of Gothenburg, Sweden</p> <p>The present paper analyzes optimal redistributive income taxation in a Mirrleesian framework extended with other-regarding preferences at the individual level. We start by developing a general model where the other-regarding preference component of the utility functions is formulated to encompass almost any form of preferences for other people's disposable income, and then continue with four prominent special cases. Two of these reflect self-centered inequality aversion, based on Fehr and Schmidt (1999) and Bolton and Ockenfels (2000), whereas the other two reflect non-self-centered inequality aversion, where people have preferences for a low Gini coefficient and a high minimum income level in society, respectively. We find that other-regarding preferences may substantially increase the marginal tax rates, including the top rates, and that different types of other-regarding preferences have very different implications for optimal taxation.</p> <p> <a href="#">Aronsson-Optimal Taxation and Other-Regarding Preferences-282.pdf</a></p> <hr/> <p><b>Charitable Giving and Public Goods Provision: an Optimal Tax Perspective</b></p> <p><b>Eddy Zanoutene</b></p> <p>Cergy Paris University, France</p> <p>This paper studies the consequences of charitable giving for both the optimal tax system and the optimal provision of public goods. In a setting where heterogeneous individuals can give to a variety of charitable causes, I first characterize the optimal grants that the government should allocate to different charities. I show that the desirability of such grants depends on the relative strength of warm glow compared to the cost of fundraising. Generally, preferences for public goods are not relevant for determining the necessity of grants. However, I provide a new Samuelson rule describing how warm glow, fundraising costs, and public good preferences collectively affect the optimal level of public goods. Second I derive new optimal nonlinear tax formulas for both income and donation that are robust to a wide set of microfoundations for both labor supply, public good preferences and donation behavior.</p> <p> <a href="#">Zanoutene-Charitable Giving and Public Goods Provision-235.pdf</a></p> <hr/> <tr><td>2:00pm - 4:00pm</td><td><p><b>B12: Value-Added Taxes: Differentiation &amp; Pass-Through</b></p><p>Location: <b>Room RB 114 (Rajská building)</b></p><p><b>VAT pass-through in B2B transactions</b></p><p><b>Kosuke Shiraishi, Tetsuro Okazaki</b></p><p>Takushoku University, Japan</p><p>Few studies about value added tax (VAT) have examined business-to-business (B2B) transactions, and policymakers implicitly assume that VAT will be full-shifted. This paper investigates theoretically and empirically whether this is true. A system of input tax credit seems to allow firms to avoid the VAT burden. However, the determination of the transaction prices is left to the market, and taxation affects intermediate goods markets. We examine VAT pass-through in B2B transactions using the producer price indices in Japan. The October 2019 VAT increase in Japan covered almost all private goods and services, and prices in B2B transactions were subject to tax increases. We show that, despite the input tax credit, the tax is not fully shifted in B2B transactions. The degree of pass-through is more likely upstream of the transaction stage, whereas the pass-through is more difficult downstream closer to the taxpayer, the consumer.</p><p> <a href="#">Shiraishi-VAT pass-through in B2B transactions-293.pdf</a></p><hr/><p><b>Can VAT Cuts Dampen the Effects of Food Price Inflation?</b></p><p><b>Dario Tortarolo</b></p><p>World Bank, United States of America</p><p>We estimate the effect of a temporary and large (21 pp) VAT cut along with anti-profiteering measures on food necessities during a period of high inflation in Argentina. Using barcode-level data in over 3,000 supermarkets, we find that (1) absent the anti-profiteering measures, prices responded less to the VAT cut than its repeal resulting in prices that were higher than their pre-VAT cut levels; (2) imposing anti-profiteering measures resulted in symmetric pass-through rates. Using a household welfare model, we show that the VAT cut resulted in progressive welfare effects and that the anti-profiteering measures were successful at dampening the regressive welfare effects of the asymmetric pass-through. However, we show that these policies benefitted high-income households more because pass-through rates are more asymmetric in independent supermarkets, which is precisely where low-income households tend to shop the most.</p><p> <a href="#">Tortarolo-Can VAT Cuts Dampen the Effects of Food Price Inflation-375.pdf</a></p><hr/><p><b>Luxurious Tax Cuts: Equity vs Efficiency of Indirect Taxation in India</b></p><p><b>Davi Bhering<sup>1</sup>, Pierre Bachas<sup>2</sup>, Pulak Ghosh<sup>3</sup></b></p><p><sup>1</sup>Paris School of Economics, France; <sup>2</sup>Essesc Business School; <sup>3</sup>India Institute of Management Bangalore</p><p>We study the equity-efficiency trade-off of differentiated commodity taxation. When first introduced in 2017, India's General Sales Tax (GST) applied the highest tax rate of 28\% to many normal and luxury goods which were later reclassified to the 18\% tax bracket. We combine the sharp cuts in tax rates with administrative data at the firm-goods-month level, to estimate behavioral responses in a difference in difference design across goods. The 10p.p. tax cut led to a 5p.p. rise in sales and was mostly passed-through to consumers via lower prices. The sales of substitute goods hardly changed, even for multi-product firms selling both a treated good and a close substitute, suggesting a low re-labelling elasticity. These results challenge the common view that indirect commodity taxation is of limited use for redistribution: in countries where direct taxation is constrained, taxing luxury goods at higher rates might be desirable to achieve distributional goals while generating limited distortions.</p><p> <a href="#">Bhering-Luxurious Tax Cuts-498.pdf</a></p><hr/><p><b>The Pass-Through of Indirect Taxes and Unjust Enrichment of a Taxpayer</b></p><p><b>Arkadiusz Bernal</b></p><p>Poznań University of Economics and Business, Poland</p><p>The problem of tax incidence is of great importance for both the theory of taxation and the practice of shaping the relationship between taxpayers and the tax administration. Determining the extent of tax pass-through is important, for example, in the case of overstated or overpaid tax. In some countries, a prerequisite for refunding overpaid tax is to establish that the taxpayer has suffered a loss or damage from the undue tax and has not shifted the tax burden to its customers. The prevention of unjust enrichment of taxpayers follows directly from laws i.a. in Austria, France and the UK. The purpose of the article is to discuss how to understand tax pass-through and a loss or damage resulted from the payment of an undue tax and to determine how to calculate them so that the refund of overpaid tax to the taxpayer does not lead to unjust enrichment.</p><p> <a href="#">Bernal-The Pass-Through of Indirect Taxes and Unjust Enrichment-592.pdf</a></p><hr/></td></tr> <tr><td>2:00pm - 4:00pm</td><td><p><b>B13: Taxes, Trade, &amp; Macroeconomics</b></p><p>Location: <b>Room RB 115 (Rajská building)</b></p><p><b>Corporate Taxes And Export Competition</b></p><p><b>Roxanne Raabe, Nadine Riedel, Antonia Hohmann, Böhm Tobias</b></p><p>University of Muenster, Germany</p></td></tr>	2:00pm - 4:00pm	<p><b>B12: Value-Added Taxes: Differentiation &amp; Pass-Through</b></p> <p>Location: <b>Room RB 114 (Rajská building)</b></p> <p><b>VAT pass-through in B2B transactions</b></p> <p><b>Kosuke Shiraishi, Tetsuro Okazaki</b></p> <p>Takushoku University, Japan</p> <p>Few studies about value added tax (VAT) have examined business-to-business (B2B) transactions, and policymakers implicitly assume that VAT will be full-shifted. 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In some countries, a prerequisite for refunding overpaid tax is to establish that the taxpayer has suffered a loss or damage from the undue tax and has not shifted the tax burden to its customers. The prevention of unjust enrichment of taxpayers follows directly from laws i.a. in Austria, France and the UK. The purpose of the article is to discuss how to understand tax pass-through and a loss or damage resulted from the payment of an undue tax and to determine how to calculate them so that the refund of overpaid tax to the taxpayer does not lead to unjust enrichment.</p> <p> <a href="#">Bernal-The Pass-Through of Indirect Taxes and Unjust Enrichment-592.pdf</a></p> <hr/>	2:00pm - 4:00pm	<p><b>B13: Taxes, Trade, &amp; Macroeconomics</b></p> <p>Location: <b>Room RB 115 (Rajská building)</b></p> <p><b>Corporate Taxes And Export Competition</b></p> <p><b>Roxanne Raabe, Nadine Riedel, Antonia Hohmann, Böhm Tobias</b></p> <p>University of Muenster, Germany</p>
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In some countries, a prerequisite for refunding overpaid tax is to establish that the taxpayer has suffered a loss or damage from the undue tax and has not shifted the tax burden to its customers. The prevention of unjust enrichment of taxpayers follows directly from laws i.a. in Austria, France and the UK. The purpose of the article is to discuss how to understand tax pass-through and a loss or damage resulted from the payment of an undue tax and to determine how to calculate them so that the refund of overpaid tax to the taxpayer does not lead to unjust enrichment.</p> <p> <a href="#">Bernal-The Pass-Through of Indirect Taxes and Unjust Enrichment-592.pdf</a></p> <hr/>				
2:00pm - 4:00pm	<p><b>B13: Taxes, Trade, &amp; Macroeconomics</b></p> <p>Location: <b>Room RB 115 (Rajská building)</b></p> <p><b>Corporate Taxes And Export Competition</b></p> <p><b>Roxanne Raabe, Nadine Riedel, Antonia Hohmann, Böhm Tobias</b></p> <p>University of Muenster, Germany</p>				







	<p>While quantifying the impact of corporate taxes on firms' investment, location decisions and tax avoidance has attracted considerable interest over recent years, other corporate adjustment margins are less well studied. In this paper, we use rich customs and tax return information for South Africa to establish that corporate taxes impact firms' competitiveness in international product markets. Drawing on a difference-in-differences strategy that allows us to non-parametrically absorb confounders at the level trading partner countries and 6-digit product categories, we show that exports by South African firms decline significantly when host country-corporate taxes of foreign competitors decrease. The effect emerges across a broad set of industries and is concentrated among large, regular exporters. Affected firms' real activity and profits in South Africa drop significantly when foreign competitors' corporate tax costs decline.</p> <p> <a href="#">Raabe-Corporate Taxes And Export Competition-501.pdf</a></p> <hr/> <p><b>Government Reputation, FDI, and Profit-shifting</b> <b><u>Yeonggyu Yun</u></b> University of Wisconsin-Madison, United States of America</p> <p>Credible corporate tax announcement allows the government to exploit its reputation and impose a high tax rate by attracting investment, but amplifies tax distortion on investment as firms become more responsive to the announced tax rate. While the latter effect is outweighed by the first effect in a general model of corporate taxation with government reputation, introducing firms' profit-shifting makes the latter effect dominant. Reputation is modeled as the probability of government committing to the announced tax rate, and the optimal tax rate decreases in reputation when firms can shift profits across countries. This induces higher investment and less profit-shifting under higher levels of reputation. The model predictions are consistent with empirical facts on how government reputation is related to statutory corporate tax rate, foreign direct investment inflows, and multinational firms' profit-shifting.</p> <p> <a href="#">Yun-Government Reputation, FDI, and Profit-shifting-124.pdf</a></p> <hr/> <p><b>Falling Tariffs: Implications Of Globalization-induced Tariff Reductions On Firms, Workers, And Tax Revenue Implications</b> <b><u>Nora Margot Strecker</u></b><sup>1</sup>, <b><u>Georg Ulrich Thunecke</u></b><sup>2</sup>, <b><u>Benedikt Zoller-Rydzek</u></b><sup>3</sup> <sup>1</sup>University College Dublin, Ireland; CEPR; Geary Institute for Public Policy; Dublin European Institute; <sup>2</sup>Max Planck Institute for Tax Law and Public Finance, Germany; <sup>3</sup>ZHAW School of Management and Law, Switzerland</p> <p>Rising globalization has exerted a downward pressure on global tariffs, thereby eroding tariff revenues in developing nations. We analyze how gains from lowering import tariffs are distributed within the firm and the corresponding tax (base) implications. First, we study the effect of tariff changes on imports. Second, we estimate the firm-level semi-elasticities of profits, sales, capital, and wages with respect to import tariffs. Using linked employer-employee data and firm-product-level import data for South Africa we find that lowering tariffs, leads to higher imports and lower import prices, raises within firm wage inequality and favors capital owners, while overall government revenues decline. The latter is attributable to the insufficient expansion of alternative tax bases (profits, sales, and wages) after a tariff cut. This limits the government's capacity to mitigate the adverse distributive effects arising from tariff reductions.</p> <p> <a href="#">Strecker-Falling Tariffs-173.pdf</a></p> <hr/> <p><b>The Impact of Income Status Upgrades on Tax Revenue in Africa</b> <b><u>Elina Berghäll</u></b> VATT Institute for Economic Research, Finland</p> <p>Developing country growth is expected to reduce aid dependence and mobilize domestic revenues (DRM) to finance public expenditure. Income status upgrades by the World Bank represent milestones in this transition and may anticipate a decline in aid precipitating an increase in tax collection to complement the shortfall in government revenue. Applying the synthetic control method (SCM) and synthetic difference-in-differences (SDID) to countries with sufficient data in the UNU-WIDER GRD tax database and the WDI, I investigate whether the income status upgrades raise government revenue in sub-Saharan African (SSA) countries. Robustness checks confirm findings of little impact, except for SSA countries ineligible to International Development Association (IDA) lending relative to other SSA countries, suggesting economic growth may not translate into DRM before the IDA eligibility threshold has been crossed.</p> <p> <a href="#">Berghäll-The Impact of Income Status Upgrades on Tax Revenue-475.pdf</a></p> <hr/>
<b>2:00pm - 4:00pm</b>	<p><b>B14: Development, Informal Labor, &amp; Compliance</b> Location: <b>Room RB 116 (Rajská building)</b></p> <p><b>Minimum Wage, Business Dynamism, and the Life Cycle of Firms</b> <b><u>Andre Victor Doherty Luduvic</u></b><sup>1</sup>, <b><u>Tomas R. Martinez</u></b><sup>2</sup>, <b><u>Alexandre B. Sollaci</u></b><sup>3</sup> <sup>1</sup>Federal Reserve Bank of Cleveland; <sup>2</sup>Inspir; <sup>3</sup>International Monetary Fund</p> <p>This paper studies the effects of the minimum wage on the life cycle of firms. We first build a tractable model where heterogeneous firms have labor market power, invest in innovation, and choose formal or informal sectors. The model predicts that a minimum wage hike not only shrinks young firms but also lowers incentives to innovate, resulting in lower life cycle growth. We then test the model's predictions using Brazilian administrative data leveraging the variation in exposure across establishments and municipalities to the large increase in the minimum wage between 1999 and 2010. At the establishment level, an increase in the minimum wage: (i) decreases the growth rates of small and young establishments and (ii) increases the growth rates of old and large establishments. When analyzing exposed municipalities, we observe an increase in the earnings of workers in both the formal and informal sectors, as well as informal employment.</p> <p> <a href="#">Doherty Luduvic-Minimum Wage, Business Dynamism, and the Life Cycle-383.pdf</a></p> <hr/> <p><b>Cash Wages, Informality, and Tax Evasion: Evidence from Uruguay</b> <b><u>Maximiliano Lauletta</u></b><sup>1</sup>, <b><u>Marcelo Bergolo</u></b><sup>2</sup>, <b><u>Javier Feinmann</u></b><sup>3</sup> <sup>1</sup>Federal Reserve Board, United States of America; <sup>2</sup>IECON - Universidad de la República; <sup>3</sup>UC Berkeley</p> <p>This paper studies the effect of prohibiting the use of cash for wage disbursements on labor markets in developing countries. We study a reform in Uruguay that mandated wage payments to be disbursed using only electronic methods. Using a difference-in-differences approach based on sector-level cash intensity prior to the reform, our results indicate that firms in high cash intensity sectors are significantly more likely to discontinue formal activities post-reform. Active firms show a slight reduction in the number of employees and an increase in reported wages. These results are driven by low productivity firms. Complementary results using survey data indicate an increase in informal employment and a decrease in collusive underreporting of earnings partially explain these results. Overall, results suggest that, while eliminating cash for wage payments enhances tax compliance among formal workers, it may also shift some economic activity into full informality.</p> <p> <a href="#">Lauletta-Cash Wages, Informality, and Tax Evasion-243.pdf</a></p> <hr/> <p><b>Leveraging Religious Leaders To Increase Voluntary Tax Compliance - Experimental Evidence From Tanzania</b> <b><u>Jasmin Vietz</u></b><sup>1</sup>, <b><u>Ingrid Hoem Sjursen</u></b><sup>2</sup> <sup>1</sup>University of Hohenheim, Germany; <sup>2</sup>Chr. Michelsen Institute, Norway</p> <p>Mobilizing domestic revenues is crucial for governments. However, in settings with low enforcement, this can be a challenging task. Fostering voluntary tax compliance among citizens is a promising approach for countries with limited state capacity. In this study, we examine public goods messages as a means to increase citizens' voluntary tax compliance. Specifically, we focus on the role of the message sender, comparing public goods messages transmitted by the tax authority to those transmitted by a religious leader. In a lab experiment conducted among market traders in Tanzania, we find that public goods messages conveyed by a religious leader are more effective than those conveyed by the tax authority. Nevertheless, governments must exercise caution when utilizing public goods messages, as in certain contexts, these messages can backfire, resulting in lower tax compliance. This effect is particularly pronounced when the sender of the message is a religious leader.</p> <p> <a href="#">Vietz-Leveraging Religious Leaders To Increase Voluntary Tax Compliance-461.pdf</a></p> <hr/> <p><b>Payments Under the Table in Latin America</b> <b><u>Javier Feinmann</u></b>, <b><u>Ana Franco</u></b>, <b><u>Pablo Garriga</u></b>, <b><u>Nathalie Gonzalez-Prieto</u></b>, <b><u>Roberto Hsu Rocha</u></b>, <b><u>Maximiliano Lauletta</u></b> World Bank, United States of America</p> <p>This paper investigates a neglected aspect of informality in Latin America—Payments Under the Table (PUT), where registered firms make off-the-books salary payments. We conduct the first multi-country large-scale survey on this topic, covering Brazil, Argentina, Mexico, Colombia, and Chile, being representative of over two-thirds of Latin America's population. Out of the more than 5,000 formal workers surveyed, our results indicate that 16% of them receive some part of their compensation under the table. Among PUT receivers, on average 24% of their labor earnings are paid off the books. We then provide insights into the mechanics and motivations behind PUT, exploring its impact on talent misallocation. The research highlights PUT as a potential driver for growth in developing</p>











	<p>countries, enabling less productive firms to retain skilled workers. By shedding light on this overlooked dimension, the study contributes to a more comprehensive understanding of informality's role in Latin American economic development.</p> <p> <a href="#">Feinmann-Payments Under the Table in Latin America-204.pdf</a></p>
2:00pm - 4:00pm	<p><b>B15: Mobile Workers &amp; Labor Markets</b> Location: <b>Room RB 203 (Rajská building)</b></p> <p><b>The Effects of Public Sector Wages: A Local Labor Market Approach</b> <b><u>Tsuyoshi Goto</u><sup>1</sup>, <u>Atsushi Yamagishi</u><sup>2</sup></b> <sup>1</sup>Chiba University, Japan; <sup>2</sup>Princeton University, the U.S. We study how institutional wage reforms in one sector spill over to other sectors by analyzing the public sector. We leverage the Japanese policy reform that cut public-sector wages only in certain municipalities and the institutional setting in which only young workers are eligible for public-sector jobs. We find that a 1% public-sector wage cut reduces the private-sector wages of young workers by 0.3%, with larger spillovers in municipalities with a larger share of public workers. It also reduces the young population by 0.4%, suggesting a welfare decline based on spatial equilibrium and a decrease in private-sector labor demand.</p> <p> <a href="#">Goto-The Effects of Public Sector Wages-106.pdf</a></p>
	<p><b>The Local Economic Impacts of US Troop Withdrawals in Germany</b> <b><u>Johannes Kochems</u><sup>1</sup>, <u>Jakob Schmidhäuser</u><sup>2</sup></b> <sup>1</sup>University Cologne; <sup>2</sup>University Mannheim &amp; ZEW Mannheim, Germany What are the local economic impacts of foreign troop deployments? To answer this question, we exploit variation from the historical large-scale U.S. troop withdrawal from Germany at the end of the Cold War for identification. Administrative data by the U.S. Department of Defense enables the precise quantification of the shock at the municipal level. We find negative effects on local labor markets, which transmit to municipal finances. Revenues go down, which municipalities counter by decreasing their expenditures while increasing property tax multipliers. Long time-series enable us to show in a dynamic DID setup that these negative effects persist until today and often even increase over time. Persistently higher intergovernmental transfers allocated to affected municipalities alleviate the negative economic impacts.</p> <p> <a href="#">Kochems-The Local Economic Impacts of US Troop Withdrawals-258.pdf</a></p>
	<p><b>Permanent Residency Policy and Skilled Immigration: Evidence from a Swedish Reform</b> <b><u>Erik Mattias Lundberg</u>, <u>Akib Khan</u></b> Uppsala University, Sweden Aging populations and labor shortages in skill-intensive sectors have led many countries to pursue targeted policies to attract international talent. We study a migration reform in Sweden that offered international doctoral students from outside the EU an easier path to permanent residency. Implemented in 2014, the reform shortened the required period of residence from eight to four years, allowed these students to obtain permanent residency immediately after graduation, and granted their spouses a work permit during their doctoral studies. Using the European students as a comparison group in a difference-in-differences design, we find that the treated international students are 13.5 pp (23%) more likely to stay in Sweden three years after graduation. Higher settlement prospects also increase their language investments and marriage rates during the PhD. In addition, the reform raises both employment and language investments among the partners of the treated international students.</p> <p> <a href="#">Lundberg-Permanent Residency Policy and Skilled Immigration-426.pdf</a></p>
	<p><b>Effects of Relaxing Residence Status for Foreign Workers on Native Residents</b> <b><u>Masatoshi Jinno</u><sup>1</sup>, <u>Masaya Yasuoka</u><sup>2</sup></b> <sup>1</sup>Nanzan University, Japan; <sup>2</sup>Kwansei Gakuin University, Japan This paper analyzes the effects of relaxing the residence status of foreign temporary workers to have some children and to live continuously in the host country when they are retired. It is argued that immigration may have indirect negative effects, for example, imposing the additional burden of educating foreign worker children who require additional support to master the culture, customs, and language in the host country. The findings indicates that the relaxing policy can improve the welfare of the natives. This is because relaxing residence rights imposes an additional educational burden on native residents and leads to a shift of native workers from the consumption sector to the education sector, resulting in a relatively higher capital-labor ratio in the consumption sector.</p> <p> <a href="#">Jinno-Effects of Relaxing Residence Status for Foreign Workers-135.pdf</a></p>
2:00pm - 4:00pm	<p><b>B16: Household Finance &amp; Taxation</b> Location: <b>Room RB 204 (Rajská building)</b></p> <p><b>Effectiveness of First-Time Homebuyer Subsidies: Evidence From Finland</b> <b><u>Erkka Olavi Silvennoinen</u></b> Tampere University, Finnish Centre of Excellence in Tax Systems Research This paper studies the effects of Finnish first-time homebuyer's transfer tax exemption on the propensity to become a first-time home buyer. Under certain conditions a first-time buyer may be exempted from a transfer tax rate of 2% or 4% depending on the dwelling type. Using administrative data on housing company shareholdings, property taxes, and Finnish population, I exploit a discontinuity in the eligibility rules at an age threshold. My RD estimates suggest that the tax exemption may increase first-time housing company dwelling purchases by 16\% or more at age 40.</p> <p> <a href="#">Silvennoinen-Effectiveness of First-Time Homebuyer Subsidies-389.pdf</a></p>
	<p><b>Household Balance Sheets and the Effects of Recurrent Property Taxes on Consumption</b> <b><u>Hun Jang</u><sup>1,2</sup>, <u>Atsuyoshi Morozumi</u><sup>1</sup></b> <sup>1</sup>University of Nottingham; <sup>2</sup>Bank of Korea Using household survey data for South Korea, we examine heterogeneous impacts of recurrent property taxes on consumer spending. To identify unexpected changes in these taxes, we exploit the unique feature of the South Korean recurrent tax system. Specifically, while the government re-assesses the value of individual houses annually, their assessed value, which constitutes the tax base, deviates from the market value non-systematically, so that every year there is an element of surprise to individual house owners in the amount of recurrent taxes payable. Our main results are threefold. First, an increase in recurrent taxes reduces consumption of households with low liquid asset balances relative to disposable income in particular. Second, higher taxes reduce those households' spending on durable goods more than non-durables. Third, higher taxes lower the probability of multi-house owners buying an additional house for investment, helping curb excessive house price growth.</p> <p> <a href="#">Jang-Household Balance Sheets and the Effects of Recurrent Property Taxes-513.pdf</a></p>
	<p><b>Limits On State And Local Tax Deductions And Charitable Donations</b> <b><u>Sara LaLumia</u></b> Williams College, United States of America Beginning in 2018, the amount of state and local tax (SALT) that can be claimed as an itemized deduction is capped at \$10,000. Previously, there was no cap on this deduction. The cap is expected to reduce the share of taxpayers who itemize deductions, and to raise the net-of-tax price of charitable giving. This effect is not uniform across geographic areas. In locations with initially low state and local taxes, the cap is not binding for many. This paper makes use of geographic variation to investigate whether the introduction of the SALT cap is associated with a reduction in gifts made to charitable organizations. Analysis of household-level data suggests that high-SALT households reduced their giving relative to low-SALT households. Analysis of organization-level data from IRS Form 990 suggests that charitable organizations located in counties with initially high SALT deductions experienced a relative decline in contributions after the tax change.</p> <p> <a href="#">LaLumia-Limits On State And Local Tax Deductions And Charitable Donations-364.pdf</a></p>
	<p><b>Mortgage Relief and Household Saving: Evidence from a natural experiment in Iceland using Administrative Data</b> <b><u>Sigurdur P. Olafsson</u><sup>1</sup>, <u>Arnaldur Stefansson</u><sup>2</sup>, <u>Gylfi Zoega</u><sup>2</sup></b> <sup>1</sup>Copenhagen Business School, Denmark; <sup>2</sup>University of Iceland, Iceland We take advantage of a unique experiment to study how saving responds to wealth shocks. Following the collapse of Iceland's banking system in 2008, authorities decided on a program of mortgage relief, financed by foreign creditors, that in effect lowered the principal of mortgages overnight in 2015, many years after the end of the economic crisis when household balance sheets had been repaired. Using administrative data on all taxpayers in the</p>









	<p>country, we measure the effect of the mortgage relief on the saving of every taxpayer in the country using households that were not eligible for debt relief as a control group. Although a negative effect of wealth on saving could have been expected, households amortized even more in response to the debt forgiveness. The increased amortization is not only due to lower interest costs, but also due to higher saving, mostly by highly leveraged and liquidity constrained households.</p> <p> <a href="#">Olafsson-Mortgage Relief and Household Saving-520.pdf</a></p>
<b>2:00pm - 4:00pm</b>	<p><b>B17: Special Session: Global Minimum Tax – An Imperfect Success Story?</b></p> <p>Location: <b>Room RB 213 (Rajská building)</b> Session Chair: <b>Petr Janský</b>, Charles University Discussant 1: <b>Mona Barake</b>, Norwegian University of Life Sciences (NMBU) Discussant 2: <b>Johannes Becker</b>, U Muenster Discussant 3: <b>Michael P Devereux</b>, Oxford University Discussant 4: <b>Ana Cinta Gonzalez Cabral</b>, OECD Session Chair: <b>Tibor Paul Hanappi</b>, IMF Organized by <b>DemoTrans</b></p> <p>The global minimum tax reform—agreed by more than 130 countries in 2021 and in effect in the European Union and other countries since January 2024—is the biggest change in taxing multinationals in decades if not a century. The reform comes in the wake of sizeable and increasing tax avoidance and a decade of not-so-successful attempts by governments to reduce it. Is the reform an imperfect success story and how will it end? The effects of the global minimum tax on firms and governments are far from clear due to the reform’s complexity, uncertainty about how they will respond to it, and unavailability of suitable timely data. Therefore, to explore the likely impact of the global minimum tax, this special session brings together experts with backgrounds in policy, theory, and empirics. What are the likely short-term impacts on revenue and beyond? What are the likely long-term impacts on behaviour of governments and companies? What does the reform imply for inequalities and how heterogenous are likely to be the impacts across developing and developed countries, and tax havens?</p>
<b>4:00pm - 4:30pm</b>	<b>Coffee Break II</b>
<b>4:30pm - 5:30pm</b>	<p><b>Plenary II: Juan Carlos Suarez Serrato on "Recent Advances in International Tax Research"</b></p> <p>Location: <b>Vencovského Aula</b> Session Chair: <b>Dominika Langenmayr</b>, KU Eichstätt-Ingolstadt</p>
<b>5:30pm - 6:30pm</b>	<p><b>General Assembly of Members</b></p> <p>Location: <b>Vencovského Aula</b></p>
<b>7:00pm - 9:00pm</b>	<p><b>Social Program I: Welcome Reception</b></p> <p>Location: <b>Czech National Bank / Česká národní banka</b></p>

Date: Thursday, 22/Aug/2024

8:00am - 9:00am	<b>Mentoring: Mentoring Session: Recent Evolution of the PhD Job Market</b> Location: <b>Room RB 212 (Rajská building)</b> Session Chair: <b>Dominika Langenmayr</b> , KU Eichstätt-Ingolstadt Discussant 1: <b>Pierre Bachas</b> , ESSEC and EU Tax Observatory Discussant 2: <b>Pierre Boyer</b> , Ecole polytechnique Discussant 3: <b>Juan Carlos Suarez Serrato</b> , Stanford University Discussant 4: <b>Valeria Zurla</b> , CSEF University of Naples Federico II
9:00am - 10:00am	<b>Plenary III: Massimo Morelli on "Populism and its Consequences for Economic Policy"</b> Location: <b>Vencovského Aula</b> Session Chair: <b>Wojciech Kopczuk</b> , Columbia University
10:00am - 10:30am	<b>Coffee Break III</b>
10:30am - 12:30pm	<b>C01: Tax Competition</b> Location: <b>Room RB 109 (Rajská building)</b>  <b>Better Safe than Sorry: Economic Integration and Transport Infrastructure under Fiscal Competition</b> <b>Shigeo Morita<sup>1</sup>, Hirofumi Okoshi<sup>2</sup></b> <sup>1</sup> Fukuoka University, Japan; <sup>2</sup> Okayama University, Japan As a multinational enterprise's (MNE's) location choice is based on not only fiscal incentives by host countries but also better quality of transport infrastructure such as ports, governments' policy designs on them seems tightly associated. This study investigates the impact of fiscal competition between equal-sized countries with different numbers of local firms to attract an MNE on public infrastructure. Our model divides transport costs into infrastructure-independent and infrastructure-dependent parts, and investments in infrastructure reduce the latter costs. We show that the MNE locates in a country without local firms irrespective of fiscal competition. Moreover, our result shows that fiscal competition increases countries' investments in infrastructure under low infrastructure-independent transport costs. As investments in infrastructure generate positive spillovers, fiscal competition improving transport infrastructure benefits the non-host country and improves global welfare. It is also shown that the host country benefits from fiscal competition although it pays a subsidy for the MNE.   <a href="#">Morita-Better Safe than Sorry-278.pdf</a>
	<b>International Tax Competition: A Network Approach</b> <b>Georg Thuncke<sup>1</sup>, Corinna Coupette<sup>1,2,3</sup></b> <sup>1</sup> Max Planck Institute for Tax Law and Public Finance; <sup>2</sup> KTH Royal Institute of Technology; <sup>3</sup> Max Planck Institute for Informatics This paper studies international tax competition and answers the questions: Which countries are in competition with one another, and what is the structure of this competition? How did the set of competitors and the strength of competition evolve over time? How would the introduction of a global minimum corporate tax rate affect tax rates around the world? To answer these questions we employ Adaptive Elastic-Net Generalized Method of Moments (AdaENet-GMM) estimators to endogenously infer the tax competition network from global tax regime data covering the period from 1980 to 2020.   <a href="#">Thuncke-International Tax Competition-549.pdf</a>
	<b>Tax Competition Effects of a Minimum Tax Rate: Empirical Evidence from German Municipalities</b> <b>Thiess Büttner<sup>1,2</sup>, Maximilian Pöhnlein<sup>1</sup></b> <sup>1</sup> Friedrich-Alexander-Universität Nürnberg-Erlangen, Germany; <sup>2</sup> CESifo This paper explores the effects of a federal law that obligates previously unregulated municipalities in Germany to set a minimum tax rate on firms' taxable profits. In particular, we examine the tax-policy response of municipalities that compete locally with "tax-haven municipalities", i.e. municipalities that originally have set lower and, in some cases, even zero tax rates. The analysis distinguishes treated and not-treated municipalities based on their distance to a tax-haven. Our results show that the majority of municipalities do not change their tax policy. Apart from the tax-havens, only high-tax municipalities show a response – they reduce the business tax rate without experiencing a decline in tax revenues.   <a href="#">Büttner-Tax Competition Effects of a Minimum Tax Rate-329.pdf</a>
	<b>A Club Buying up ETS Permits Via a Common Additive Tax on Luxury Goods Defuses Tax Competition with Non-participants Via Stackelberg Leadership and Interest Alignment</b> <b>Lennart Stern, Nikolaj Moretti</b> MCC Berlin, Germany In a symmetric n-country version of the Kanbur-Keen-model, we study a club obliging members to levy a common tax (additive to their own) on luxury goods, which is redistributed lump-sum to the members. By joining the club, a country engages in a form of flexible Stackelberg leadership raising the tax rates of all countries. In an alternative proposal, the club-tax revenue is used to fund reductions in carbon emissions. Non-participants are induced to raise their tax rates, as the resulting revenue leakage to club members causes emission reductions that benefit all. This effect grows in the club's size, motivating countries to join it. In an illustrative empirical calibration, there is a Subgame Perfect Equilibrium with full participation for tax rates up to 25%. If 7 or more countries are engaged in the tax competition, more tax revenue gets raised than what is achievable via the club rebating the revenue internally.   <a href="#">Stern-A Club Buying up ETS Permits Via a Common Additive Tax-295.pdf</a>
10:30am - 12:30pm	<b>C02: Tax &amp; Investment</b> Location: <b>Room RB 209 (Rajská building)</b>  <b>Corporate Taxation and Firm Productivity</b> <b>Svea Holtmann<sup>1</sup>, Dominika Langenmayr<sup>2,3,4</sup>, Valeria Merlo<sup>3,5</sup>, Georg Wamser<sup>3,5</sup></b> <sup>1</sup> University of Mannheim, Germany; <sup>2</sup> Catholic University of Eichstaett-Ingolstadt, Germany; <sup>3</sup> CESifo; <sup>4</sup> WU Vienna, Austria; <sup>5</sup> University of Tuebingen & RSIT, Germany This paper provides novel evidence on the relationship between corporate taxation and firm productivity measured by total factor productivity (TFP). Existing theoretical literature suggests several channels through which taxes can affect firm productivity. Nevertheless, empirical evidence is scarce. We investigate the relationship between corporate taxation and firm productivity - overall and across the distribution of firm productivity. We also analyze how different tax system characteristics affect the development of a firm's productivity over time. Our findings suggest that a higher tax burden may drive the least productive firms out of the market and may decrease the probability of a firm moving up the productivity distribution over time.   <a href="#">Holtmann-Corporate Taxation and Firm Productivity-499.pdf</a>
	<b>Dynamics of Financing Frictions for R&amp;D</b> <b>Irem Güçeri, Ahmed Tohamy</b> University of Oxford, United Kingdom We analyze the role of financing frictions for investment in R&D and innovation by building and estimating a structural investment model for privately-held, R&D-intensive companies -- a group for which reliable estimates of financing frictions have not been available in earlier papers. We use confidential administrative data from the UK to study the effect of a special policy that aims to address financing frictions and stimulate innovation. Profitable firms are offered tax super-deductions for R&D, while loss-makers are given a choice between taking a cash injection from the government immediately or when they become profitable in the future. We find that privately-held innovative firms face much higher costs of external finance than public firms and there are vast heterogeneities across different sub-groups of firms in their exposure and responses.   <a href="#">Güçeri-Dynamics of Financing Frictions for R&amp;D-609.pdf</a>
	<b>Corporate Tax Avoidance, Firm Size, and Capital Misallocation</b> <b>Brent Glover<sup>1</sup>, Oliver Levine<sup>2</sup></b> <sup>1</sup> Carnegie Mellon University, United States of America; <sup>2</sup> University of Wisconsin-Madison, United States of America We develop a general equilibrium model to study how corporate tax avoidance affects firm policies and aggregate outcomes. Tax avoidance and investment are complementary inputs, leading the largest firms to engage in the most avoidance and face the lowest effective tax rates, consistent with the data. We find that tax avoidance significantly increases both the average firm size and concentration, disproportionately benefiting large firms. Tax avoidance also generates capital misallocation, lowering productive efficiency and welfare. We estimate the model to quantify the costs and benefits of tax avoidance and evaluate the equilibrium effects of changes to the statutory tax rate and costs of avoidance.










	<div><div> <a href="#">Glover-Corporate Tax Avoidance, Firm Size, and Capital Misallocation-659.pdf</a></div></div>
	<div><div><div><div><b>The Global Effects of R&amp;D Tax Incentives</b></div><div><b>Roxanne Raabe<sup>1</sup>, Nadine Riedel<sup>1</sup>, Johannes Voget<sup>2</sup></b></div><div><sup>1</sup>University of Münster, Germany; <sup>2</sup>University of Mannheim, Germany</div><div><p>R&amp;D tax subsidy schemes are prevalent policy tools to foster private sector R&amp;D. Their key aim is to internalize positive knowledge externalities from private sector R&amp;D. In this paper, we use rich accounting and patent data to establish that R&amp;D tax incentives increase the private sector R&amp;D of treated firms and induce knowledge flows to other entities in the economy. A significant fraction of these knowledge externalities, pertaining to around 50% of the overall knowledge spillover, is found to accrue at foreign firms. We offer a conceptual framework, which illustrates that our estimates imply that R&amp;D tax subsidies decentrally set by national governments are inefficiently small from a global perspective, most likely by a significant margin. In additional analyses, we show that the identified positive cross-border knowledge externality outweighs negative cross-border effects related to the relocation of mobile R&amp;D.</p></div><div> <a href="#">Raabe-The Global Effects of R&amp;D Tax Incentives-607.pdf</a></div></div></div></div>
10:30am - 12:30pm	<div><div><div><div><b>C03: Wealth Taxes &amp; Financial Markets</b></div><div>Location: <b>Room RB 210 (Rajská building)</b></div></div><div><div><div><b>Should We Tax Capital Income Or Wealth?</b></div><div><b>Bas Jacobs</b></div><div>Vrije Universiteit Amsterdam, Netherlands, The</div><div><p>The answer is: we should tax capital income. This conclusion is derived by analyzing taxes on capital income and wealth in a standard two-period portfolio model with safe and risky assets with either idiosyncratic, individual risk or systematic, aggregate risk. Compensated tax reforms are analyzed where taxes on capital income are increased, while taxes on wealth are decreased. Such tax reforms are found to be welfare improving because taxes on capital income impose a non-distorting tax on the risk-premium, whereas taxes on wealth do not. Hence, for the same distortions, taxes on capital income generate more revenue than taxes on wealth. Optimal taxes on capital income and wealth are derived.</p></div><div> <a href="#">Jacobs-Should We Tax Capital Income Or Wealth-583.pdf</a></div></div></div><div><div><div><b>Wealth Taxation: The Key to Unlocking Capital Gains</b></div><div><b>Guttorm Schjeluderup, Floris Zoutman</b></div><div>NHH Norwegian School of Economics, Norway</div><div><p>We study how a wealth tax and a realization-based capital gains tax affect capital market efficiency. We develop a two-period model with investors that are heterogeneous in both the value of an initial investment, and the future return on the initial investment. We show that the realization-based capital gains tax reduces the required rate of return on existing investment below the required rate of return on new investments, resulting in lock-in. A comprehensive wealth tax can eliminate this lock-in effect. We then develop an optimal-tax model that trades of equity gains from the capital-gains and wealth tax to efficiency losses related to intertemporal choice, and lock-in. We derive a criterion for the desirability of a wealth tax based on elasticities that can be estimated empirically. In addition, we find an upper bound on the optimal wealth tax. Finally, we consider an extension where long-run capital gains partially escape taxation.</p></div><div> <a href="#">Schjeluderup-Wealth Taxation-259.pdf</a></div></div></div><div><div><div><b>Capital (Income) Tax Reform</b></div><div><b>Ed Westerhout</b></div><div>Tilburg University, Netherlands, The; CPB Netherlands Bureau for Economic Policy Analysis, Netherlands, The</div><div><p>For the coming years, the government in the Netherlands has announced a reform of the capital tax scheme: from the current scheme that taxes financial wealth towards a scheme that taxes capital income. This paper explores the economic and welfare effects of such a reform. I adopt different assumptions on the use of tax revenues, on household heterogeneity and on access to capital markets. In representative-agent versions of the model, the reform is found to be welfare-improving. In those versions that distinguish low wealth households from high wealth households, the reform continues to benefit the latter. Low wealth households, however, may be worse off on account of increased income volatility.</p></div><div> <a href="#">Westerhout-Capital (Income) Tax Reform-304.pdf</a></div></div></div><div><div><div><b>Rethinking Taxing Capital In A Segregated Economy Via Estate Taxation</b></div><div><b>James Feigenbaum, Scott Findley, Sepideh Raei</b></div><div>Utah State University, United States of America</div><div><p>This paper revisits the debate on the welfare impacts of capital taxation, particularly challenging the prevailing notion that such taxes are universally harmful. Our study concentrates on estate taxation and investigates its welfare effects in an overlapping-generations (OLG) model, which uniquely incorporates a bequest motive. We introduce an innovative segregated economy model, delineating households into two distinct categories: workers and capitalists. This distinction allows us to uncover that the implications of estate taxes vary significantly based on whether households primarily rely on labor income or on inherited wealth. Also, for both cases, the effects of age-dependent inheritance taxes are very sensitive to the substitutability of bequests to children and bequests to grandchildren. Our results indicate that the after-tax rate of return on capital is not solely determined by traditional discount rates but is also significantly influenced by estate tax rates and the nature of bequest motives.</p></div><div> <a href="#">Feigenbaum-Rethinking Taxing Capital In A Segregated Economy Via Estate Taxation-283.pdf</a></div></div></div></div></div>
10:30am - 12:30pm	<div><div><div><div><b>C04: Information, Identity, &amp; Policy Preferences</b></div><div>Location: <b>Room RB 103 (Rajská building)</b></div></div><div><div><div><b>When Scapegoating Backfires: The Pitfalls of Blaming Migrants for a Crisis</b></div><div><b>Willem Sas, Pierluigi Conzo, Michela Bolderini, Roberto Zotti</b></div><div>University of Stirling, United Kingdom</div><div><p>In times of hardship, politicians often leverage citizens' discontent and scapegoat minorities to obtain political support. This paper tests whether blaming migrants for a health crisis affects social, political, and economic attitudes and behaviors. Through an online nationally-representative survey experiment in Italy, we analyze the effects of such narratives using information-provision treatments. Results show that narratives associating immigration with health threats do not generate sizeable add-on effects compared to those based on immigration only. If anything, they increase disappointment towards co-nationals, reduce institutional trust, and undermine partisanship among extreme-right supporters. Results are consistent with a theoretical framework where party credibility and institutional trust are influenced by political discourse. Our experiment underpins the prediction that political campaigns based on extreme narratives can be ineffective or socially and politically counterproductive, providing an example of how populism can backfire.</p></div><div> <a href="#">Sas-When Scapegoating Backfires-352.pdf</a></div></div></div><div><div><div><b>Intergroup Contact and Exposure to Information about Immigrants: Experimental Evidence</b></div><div><b>Patrick Dylong<sup>1</sup>, Silke Uebelmesser<sup>1,2</sup></b></div><div><sup>1</sup>Friedrich Schiller University Jena, Germany; <sup>2</sup>CESifo Munich, Germany</div><div><p>We examine the relationship between beliefs about and attitudes towards immigrants and intergroup contact between natives and migrants in eastern Germany, a region characterized by anti-immigrant sentiment. Using probability-based survey data, we randomly vary respondents' access to a signal about the true size of the immigrant population in the region. Respondents who receive the signal show more supportive attitudes toward immigration, with effect sizes being more pronounced for attitudes toward high-skilled immigrants. Importantly, estimating conditional average treatment effects shows that respondents who have less contact with immigrants prior to our intervention respond more strongly to the treatment. Additional findings suggest that the level of intergroup contact and biased beliefs about immigrants are complementary targets for information campaigns on immigration.</p></div><div> <a href="#">Dylong-Intergroup Contact and Exposure to Information about Immigrants-158.pdf</a></div></div></div><div><div><div><b>Tax Decentralization, Preferences for Redistribution, and Regional Identities</b></div><div><b>Dirk Foremny</b></div><div>Universitat de Barcelona / IEB, Spain</div><div><p>This paper provides novel evidence on the impact of tax decentralization on citizens preferences for redistribution. In a large-scale survey experiment implemented in Spain, an information treatment explains respondents the normative power which regions exercise over personal income taxation. First stage results show that the treatment increases the salience of this feature by 40 percentage points. The treatment increases respondents aversion against inequality, but decreases their support for higher taxes on the rich. Both results are explained by respondents' identities. The effect on inequality is driven by individuals with a stronger regional than national identity, while the</p></div></div></div></div></div>









	<p>rejection of higher taxes on the rich is driven by participants which identify more with the nation than the region. Heterogeneous effects on the trust in the central or regional government confirm this pattern.</p> <p> <a href="#">Foremny-Tax Decentralization, Preferences for Redistribution, and Regional Identities-366.pdf</a></p> <hr/>
	<p><b>Gender Inequality Over the Life Cycle, Information Provision and Policy Preferences</b></p> <p><b>Alessandra Casarico<sup>1,2</sup>, Jana Schuetz<sup>3</sup>, Silke Uebelmesser<sup>2,3</sup></b></p> <p><sup>1</sup>Bocconi University; <sup>2</sup>CESifo; <sup>3</sup>Friedrich Schiller University Jena, Germany</p> <p>We conduct a survey experiment with four thousand German respondents and provide information on two measures of gender inequality, separately or jointly: the gender gap in earnings and the gender gap in pensions. We analyze the effect of providing information on views on the importance of reducing gender inequality and on agreement with the adoption of policies targeted at different stages of the life cycle and aimed at reducing inequality. We find that providing information on both gaps changes perceptions of the importance of reducing gender inequality and of adopting policy measures to this end. Information on only one gap tends to have insignificant effects on preferences for policy adoption. We provide insights into the importance of individual views on female disadvantages in the labor market, personal experiences of inequality, and social norms as correlates of preferences for reducing gender inequality and policy interventions.</p> <p> <a href="#">Casarico-Gender Inequality Over the Life Cycle, Information Provision and Policy-136.pdf</a></p> <hr/>
10:30am - 12:30pm	<p><b>C05: Education Policy</b> Location: <a href="#">Room RB 104 (Rajská building)</a></p> <p><b>Teacher Shortages In A Longrun Perspective</b></p> <p><b><u>Bjarne Strøm</u>, Torberg Falch</b> Norwegian University of Science and Technology, Norway</p> <p>This paper examines the historical relationship between teacher shortages, teacher demand, and the business cycle using Norwegian data covering a period of more than 160 years (1861-2023). We find a procyclical pattern in teacher shortages especially for the post-WW2 period. The post-WW2 results imply that doubling the unemployment rate reduces teacher shortage by 0.6-0.8 percentage points. The finding corroborates evidence from other countries that the public sector hires employees with higher skills during recessions than during booms. In addition, teacher demand increases teacher shortages, where the finding is similar in OLS-models, IV-models, and a panel data approach for the pre-WW2 period. The results indicate that a ten percentage points increase in teacher demand significantly raises teacher shortages by about two percentage points in the pre-WW2 period and three percentage points in the post-WW2 period.</p> <p> <a href="#">Strøm-Teacher Shortages In A Longrun Perspective-578.pdf</a></p> <hr/>
	<p><b>Long Term Effects of Access to Upper Secondary Academic Education.</b></p> <p><b><u>Karin Edmark</u></b> Stockholm University, Sweden</p> <p>This paper evaluates the long-term labour market effects of access to academic upper secondary education by leveraging centrally determined supply changes in Swedish school regions.</p> <p>Positive impacts on male adult (age 40) wages and earnings were found of increased supply of both Social Science/Humanities (SSH) and Natural Science/Engineering (NNE), but the mechanisms behind the effects differed. Expansion of SSH seems to be partly mediated by opening up access for male students to other programs, as more of the female students got access to SSH. For NNE, the positive impact was found only in cases where the initial supply was highly restricted, meaning that students who were admitted due to expansions were of relatively high academic ability.</p> <p>Taken together, the findings highlight the multidimensional impact of local educational supply: Expansion of one program affects not only access to that program, but also competition for other programs.</p> <p> <a href="#">Edmark-Long Term Effects of Access to Upper Secondary Academic Education-223.pdf</a></p> <hr/>
	<p><b>The Impact of Comprehensive Student Support on Crime: Evidence from the Pathways to Education Program</b></p> <p><b><u>Adam Michael Lavecchia</u><sup>1</sup>, Philip Oreopoulos<sup>2</sup>, Noah Spencer<sup>2</sup></b></p> <p><sup>1</sup>McMaster University, Canada; <sup>2</sup>University of Toronto</p> <p>This study finds substantial reductions to criminal activity from the introduction of a comprehensive high school support program for disadvantaged youth living in the largest public housing project in Toronto. The program, called Pathways to Education, bundles supports such as regular coaching, tutoring, group activities, free public transportation tickets and bursaries for postsecondary education. In this paper, we use a difference-in-differences approach that compares students living in public housing communities where the program was offered to those living in communities where the program was not offered over time. We find that eligibility for Pathways reduces the likelihood of being charged with a crime by 32 percent at its Regent Park location. This effect is driven by a reduction in charges for breaking and entering, theft, mischief, other traffic offenses and Youth Criminal Justice Act offenses.</p> <p> <a href="#">Lavecchia-The Impact of Comprehensive Student Support on Crime-626.pdf</a></p> <hr/>
	<p><b>Estimation of Welfare Effects in Hedonic Difference-in-Differences: The Case in School Redistricting</b></p> <p><b><u>William Harvey Hoyt</u><sup>1</sup>, Xiaozhou Ding<sup>2</sup>, Chris Bollinger<sup>3</sup>, Michael Clark<sup>3</sup></b></p> <p><sup>1</sup>University of Kentucky and Center for Economic Studies (CESifo), Munich; <sup>2</sup>Dickinson College, United States of America; <sup>3</sup>University of Kentucky</p> <p>The difference-in-differences (DID) approach that identifies the capitalization of amenities through changes in housing prices has been widely used in studies of hedonic estimation. Recently, concerns have been raised about how to interpret estimated capitalization effects as changes in welfare (Kuminoff &amp; Pope, 2010, Klaiber &amp; Smith, 2013) We demonstrate two reasons when this divergence between capitalization and welfare changes arises: 1) changes in preferences of the marginal individual, "Tiebout bias" (Goldstein &amp; Paul, 1981, Rubinfeld et al. 1987) and 2) when jurisdictions have a large share of the relevant market's population or "market power." (Hoyt (1991), Agrawal et al. (2022). Following Banzhaf (2021), we estimate the capitalization of school redistricting in a DID framework that incorporates general equilibrium effects. When comparing estimates from this DID model to the conventional DID model, we find significant differences in both the estimates of capitalization effects and welfare changes.</p> <p> <a href="#">Hoyt-Estimation of Welfare Effects in Hedonic Difference-in-Differences-562.pdf</a></p> <hr/>
10:30am - 12:30pm	<p><b>C06: War &amp; Sanctions</b> Location: <a href="#">Room RB 105 (Rajská building)</a></p> <p><b>The Value Of National Defense: Assessing Public Preferences For Defense Policy Options</b></p> <p><b>Salmi Qari, Tobias Börger, <u>Tim Lohse</u>, Jürgen Meyerhoff</b> Berlin School of Economics and Law, Germany</p> <p>Defense spending accounts for a large share of the budget in many countries, but the value of the resulting public good - national defense – has so far escaped assessment. Much of the literature has instead considered indirect benefits of defense spending. In this paper, we assess the direct welfare effects of defense policy, namely an increase in the security of citizens, by means of a survey-based discrete choice experiment. Drawing on a representative sample of the German population, results suggest substantial willingness to pay for an increase in troop numbers, the establishment of a European army and an improved air defense system. The reintroduction of compulsory military service does not enjoy public support. Results further indicate substantial preference heterogeneity across respondents and policy options which we explore. As such, these findings demonstrate how methods of survey-based, non-market valuation can help to refine research in this area of public policy.</p> <p> <a href="#">Qari-The Value Of National Defense-178.pdf</a></p> <hr/>
	<p><b>War Policies and Public Sentiments in Russia</b></p> <p><b><u>Oscar Erixson</u><sup>1</sup>, Mikael Elinder<sup>1</sup>, Olle Hammar<sup>2</sup></b></p> <p><sup>1</sup>Uppsala University; <sup>2</sup>Linnaeus University</p> <p>This paper investigates how the war in Ukraine has affected the opinions and values of the Russian population. Using data from the Gallup World Poll and the Levada Center, changes in political support for Putin, willingness to migrate, life satisfaction, future optimism, and attitudes towards the West are analyzed. The focus is on the effects of the full-scale invasion in February 2022 and the impact of the military mobilization of young men in September of the same year. We also use data on Russian war victims to examine potential regional differences in Russia.</p> <p> <a href="#">Erixson-War Policies and Public Sentiments in Russia-580.pdf</a></p> <hr/>
	<p><b>Bypassing Sanctions: Hide 'N Seek in Tax Havens?</b></p>












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	<div><div><div><div><div><div><span></span></div></div></div><div><div><div><span></span></div></div><div><div><span></span></div></div></div><div><div><div><span></span></div></div><div><div><span></span></div></div></div></div></div><div><b>Space Pirates, or, Subsidizing Industrial Sabotage in Outer Space</b> <b>Ron Davies<sup>1</sup>, Joseph Francois<sup>2</sup>, Rodrigo Polanco<sup>2</sup></b> <sup>1</sup>University College Dublin, Ireland; <sup>2</sup>World Trade Institute Much like the exploitation of global trade by the first multinationals, early space commerce has the potential to lead to significant conflict as privateers seek to use force to capture resources from others. Governments currently subsidize research increasing such disruptive capabilities despite the fact that international law makes governments -- not firms -- liable for damages. We show that this can be explained in a setting where the potential possibility of conflict affects the terms of an agreement outlawing them. In essence, by increasing the conflict capabilities of one's own firms, this enables a government to push for a more favorable treaty. We demonstrate that under plausible assumptions, this works to the benefit of technologically-advanced nations. Thus, subsidizing current space activities is likely to cement current international income inequality. <a href="#">Davies-Space Pirates, or, Subsidizing Industrial Sabotage-310.pdf</a></div></div>
10:30am - 12:30pm	<div><div><div><div><div><div><span></span></div></div></div><div><div><div><span></span></div></div><div><div><span></span></div></div></div><div><div><div><span></span></div></div><div><div><span></span></div></div></div></div></div><div><b>C07: Measuring Wealth Inequality</b> Location: <b>Room RB 211 (Rajská building)</b> <b>Top Wealth Is Distributed Weibull, Not Pareto</b> <b>Coen N. Teulings, Simon J. Toussaint</b> Utrecht University, Netherlands, The We study the shape of the global wealth distribution, using the Forbes List of Billionaires. We develop simple statistics based on ratios of log moments to test the default assumption of a Pareto distribution, which is strongly rejected. Hazard rates show that the log-transformed data instead follow a Gompertz distribution, which means that the data in levels follow a truncated-Weibull distribution. We further apply our model to the U.S. city size distribution and the U.S. firm size distribution. These distributions also show a rejection of Pareto in favor of (truncated-)Weibull. We discuss some theoretical and practical implications of our results. <a href="#">Teulings-Top Wealth Is Distributed Weibull, Not Pareto-228.pdf</a></div><div><div><div><div><div><div><span></span></div></div></div><div><div><div><span></span></div></div><div><div><span></span></div></div></div><div><div><div><span></span></div></div><div><div><span></span></div></div></div></div></div><div><b>Measuring Top Wealth Shares In The UK</b> <b>Arun Advani<sup>1</sup>, Andy Summers<sup>2</sup>, Hannah Tarrant<sup>2</sup></b> <sup>1</sup>University of Warwick, United Kingdom; <sup>2</sup>London School of Economics, United Kingdom This paper examines the choice of how aggregate wealth is measured, and how this affects our understanding of its distribution. Using two alternative data sources on the distribution of individual assets – income tax and survey data – we show that whether one targets a National Accounts measure of aggregate wealth, or survey-based aggregates, changes the share of wealth attributed to the top 1% by 1.4 percentage points in 2016-18. We argue that National Accounts – which have become the de facto data source for measuring aggregate wealth – are poorly aligned conceptually with the measure of personal wealth one would often like to target. <a href="#">Advani-Measuring Top Wealth Shares In The UK-483.pdf</a></div></div></div>
	<div><div><div><div><div><div><span></span></div></div></div><div><div><div><span></span></div></div><div><div><span></span></div></div></div><div><div><div><span></span></div></div><div><div><span></span></div></div></div></div></div><div><b>Intragenerational Wealth Mobility</b> <b>Charlotte Bartels<sup>1,4,5,6</sup>, Viola Hilbert<sup>1,2,3</sup>, Carsten Schröder<sup>1,2</sup></b> <sup>1</sup>DIW Berlin, Germany; <sup>2</sup>FU Berlin; <sup>3</sup>Berlin School of Economics; <sup>4</sup>CESifo; <sup>5</sup>CEPR; <sup>6</sup>IZA This paper studies intragenerational wealth mobility in Germany and Australia using longitudinal household survey data. Our results of rank-rank-correlations around 0.75 over a short period (4-5 years) indicate an elevated persistence of wealth in both countries. In Germany, the rank-rank correlation declines by ca. 7% (to 0.70) when extending the time horizon to 15 years, but there is no decline in the persistence of net wealth for individuals with positive initial wealth. In contrast, we observe a 20-25% decrease (to 0.55-0.60) in the persistence in net wealth in Australia, when the time span under consideration increases from 4 to 16/20 years. Investigating the reasons behind wealth rank changes using OLS regression reveals that income, education, inheritances, savings and portfolio composition are relevant factors for intragenerational wealth mobility. <a href="#">Bartels-Intragenerational Wealth Mobility-536.pdf</a></div></div>
	<div><div><div><div><div><div><span></span></div></div></div><div><div><div><span></span></div></div><div><div><span></span></div></div></div><div><div><div><span></span></div></div><div><div><span></span></div></div></div></div></div><div><b>Wealth and History: A Reappraisal</b> <b>Daniel Waldenström</b> Research Institute of Industrial Economics Stockholm, Sweden This study revisits the trends and drivers of wealth inequality and accumulation in the Western world since the onset of industrialization. The empirical analysis reveals that aggregate wealth–income ratios were substantially lower before World War I than previously suggested. It also shows that wealth concentration decreased over the past century, remaining historically low in Europe, while it has increased in the United States. These patterns are primarily driven by the accumulation of housing and pension savings among middle-class households, rather than by reductions in the wealth of the affluent. The findings challenge the notion that unregulated capitalism inevitably leads to extreme wealth accumulation and question the idea that sustained wealth equalization necessitates capital shocks from wars or progressive taxation. Instead, they highlight the importance of institutions that enable ordinary people to build personal wealth in understanding the long-term development of wealth in Western societies. <a href="#">Waldenström-Wealth and History-378.pdf</a></div></div>
10:30am - 12:30pm	<div><div><div><div><div><div><span></span></div></div></div><div><div><div><span></span></div></div><div><div><span></span></div></div></div><div><div><div><span></span></div></div><div><div><span></span></div></div></div></div></div><div><b>C08: Optimal Social Insurance Theory</b> Location: <b>Room RB 106 (Rajská building)</b> <b>Error-Proneness And Social Security</b> <b>Krzysztof Makarski<sup>2,3</sup>, Joanna Tyrowicz<sup>2,4,5</sup>, Piotr Zoch<sup>1,2</sup>, Lukasz Krzempek<sup>3,2</sup></b> <sup>1</sup>University of Warsaw; <sup>2</sup>FAME GRAPE; <sup>3</sup>SGH Warsaw School of Economics; <sup>4</sup>University of Regensburg; <sup>5</sup>IZA We provide a new rationalization of why social security may improve welfare. We consider a setting where the introduction of funded social security cannot improve welfare for a fully rational agent. We introduce error-prone individuals who make stochastic savings decisions according to the consistent-mistakes model. The expected utility of error-prone agents is lower than rational decision-makers even if, on average, they save the same. Furthermore, error-prone individuals save less for retirement in a multi-period setting than their rational counterparts. Social security limits the scope of mistakes agents make in their savings decisions and may generate substantial welfare gains. <a href="#">Makarski-Error-Proneness And Social Security-553.pdf</a></div><div><div><div><div><div><div><span></span></div></div></div><div><div><div><span></span></div></div><div><div><span></span></div></div></div><div><div><div><span></span></div></div><div><div><span></span></div></div></div></div></div><div><b>Optimal Transfer in Developing Countries: Equity, Efficiency, and Externality</b> <b>Xiaoyong Cui<sup>1</sup>, Yu Yan<sup>1</sup>, Xufeng Zhao<sup>2</sup>, Xiaoxiao Wang<sup>3</sup></b> <sup>1</sup>Peking University, China, People's Republic of; <sup>2</sup>Southwestern University of Finance and Economics, China, People's Republic of; <sup>3</sup>Zhongnan University of Economics and Law, China, People's Republic of We investigate the design of optimal transfer policies in developing countries, characterized by substantial inter-regional economic disparities, information asymmetry between central and sub-national governments, and externalities arising from public goods. To address these challenges, we construct a principal-agent model that incorporates asymmetric information between the two tiers of government and considers externalities. Local regions are different in income levels, preference for public goods, or both. We conduct numerical simulations based on the county-level fiscal data of China during 2016-2019. Our finding reveals that the optimal marginal transfer curves under both uni-dimensional and bi-dimensional heterogeneities scenarios are considerably lower than the prevailing one. The optimal transfer undertakes the function of the Pigouvian tax to correct externalities. Moreover, transitioning from the current transfer system to the optimal one yields a substantial welfare improvement, equalling a per capita consumption increase ranging from 3.02% to 4.11% <a href="#">Cui-Optimal Transfer in Developing Countries-184.pdf</a></div></div></div>
	<div><div><div><div><div><div><span></span></div></div></div><div><div><div><span></span></div></div><div><div><span></span></div></div></div><div><div><div><span></span></div></div><div><div><span></span></div></div></div></div></div><div><b>Redistribution and Unemployment Insurance</b> <b>Antoine Ferey</b> Science Po, France</div></div>








	<p>This paper analyzes the interactions between redistribution and unemployment insurance policies and their implications for the optimal design of tax-benefit systems. In a setting where individuals with different earnings abilities are exposed to unemployment risk on the labor market, I characterize the optimal income tax schedule and the optimal unemployment benefit schedule in terms of empirically estimable sufficient statistics. I provide a Pareto-efficiency condition for tax-benefit systems that implies a tight link between optimal redistribution and optimal unemployment insurance: the steeper the profile of income taxes is, the flatter the profile of unemployment benefits should be, and vice versa. Optimal replacement rates are therefore monotonically decreasing with earnings, from 1 at the bottom of the earnings distribution to 0 at the top, and redistribution through unemployment benefits is efficient. Empirical applications show that these interactions between redistribution and unemployment insurance have important quantitative implications.</p> <p> <a href="#">Ferey-Redistribution and Unemployment Insurance-152.pdf</a></p>
10:30am - 12:30pm	<p><b>C09: Housing Markets &amp; Illicit Financial Flows</b> Location: <a href="#">Room RB 212 (Rajská building)</a></p> <p><b>Who Owns Offshore Real Estate? Evidence from Dubai</b> <b><u>Bluebery Planterose</u><sup>1</sup>, <u>Annette Alstadsæter</u><sup>2</sup>, <u>Gabriel Zucman</u><sup>1,3</sup>, <u>Andreas Økland</u><sup>1</sup></b> <sup>1</sup>Paris School of Economics, France; <sup>2</sup>NMBU; <sup>3</sup>UC Berkeley</p> <p>This paper analyzes a unique micro-dataset capturing the ownership of about 800,000 properties in Dubai. We use this dataset to document patterns in cross-border real estate investments, a blind spot in the analysis of financial globalization. We obtain four main findings. First, offshore real estate in Dubai is large: at least \$146 billion in foreign wealth is invested in the Dubai property market. Second, geographical proximity and historic ties are key determinants of foreign investments in Dubai. Third, a number of conflict-ridden countries and autocracies have large holdings in Dubai. This suggests that the official net foreign asset position of a number of low- income economies is significantly under-estimated. Last, we find that the probability to own offshore real estate rises with wealth, including within the very top of the wealth distribution. About 70% of Dubai properties owned by Norwegian taxpayers were not reported for tax purposes in 2019.</p> <p> <a href="#">Planterose-Who Owns Offshore Real Estate Evidence from Dubai-112.pdf</a></p>
	<p><b>Real Estate Markets and Illicit Financial Inflows</b> <b><u>Jarko Fidrmuc</u><sup>1,2</sup>, <u>Zuzana Kostalova</u><sup>1</sup>, <u>Maria Siranova</u><sup>1</sup></b> <sup>1</sup>Slovak Academy of Sciences, Slovak Republic; <sup>2</sup>Zeppelin University, Germany</p> <p>The real estate market has been reported to be particularly vulnerable to money laundering schemes as land and house purchases require large sums of money while being subject to fewer regulatory and reporting requirements. This study aims to shed some light on the empirical link between illicit financial flows and real estate rents using unique city-level data in Europe collected through the web portal Numbeo.com. Given the richness of the data, we use a triple interaction term that declares a supposedly more luxurious dwelling as the treated subset among the all dwellings. In addition, we add a set of conditioning variables that characterise cities that are hypothesised to attract higher volumes of illicit financial inflows. Our measure of illicit financial flows is based on the concept of 'abnormal FDI' by Dellate et al. (2022) which largely reflects the volume of unexplained capital channeled through tax havens.</p> <p> <a href="#">Fidrmuc-Real Estate Markets and Illicit Financial Inflows-213.pdf</a></p>
	<p><b>All that Glitters? Golden Visas and Real Estate</b> <b><u>João Pereira dos Santos</u><sup>1</sup>, <u>Kristina Strohmaier</u><sup>2</sup></b> <sup>1</sup>Queen Mary University of London, ISEG- University of Lisbon, IZA; <sup>2</sup>University Duisburg-Essen</p> <p>Residency by Investment programs have become integral to contemporary migration policies, providing a pathway for individuals to acquire a new legal status. In this paper, we study the extent to which golden visas impact and distort housing markets. Using the population of transactions records from 2007 to 2019, we analyse the introduction of the Golden Visa program in Portugal. We first present descriptive bunching evidence around the 500,000€ threshold, revealing potential price distortions. Merging the transaction data to property tax records, we conduct a difference-in-differences analysis assessing the program impact on the discrepancy between transaction prices and fiscal values. This analysis uncovers a “Golden Visa Premium,” where transaction prices exceed fiscal values by an average of around 45,000 euros, indicating more than10% price increase in high-end housing prices. Finally, survey data from the Portuguese population highlights widespread support for ending the program.</p> <p> <a href="#">Pereira dos Santos-All that Glitters Golden Visas and Real Estate-353.pdf</a></p>
	<p><b>Optimal Taxation and Enforcement with Asset Value Under-Reporting, with an application to the Mumbai Real Estate Market</b> <b><u>Santosh Anagol</u><sup>1</sup>, <u>Vimal Balasubramaniam</u><sup>2</sup>, <u>Benjamin Lockwood</u><sup>1</sup>, <u>Tarun Ramadorai</u><sup>2</sup>, <u>Antoine Uettwiller</u><sup>2</sup></b> <sup>1</sup>University of Pennsylvania, United States of America; <sup>2</sup>Imperial College London</p> <p>Taxable transactions may be misreported to evade taxes and hide illicit wealth. Tax authorities must therefore set policy governing both tax rates and enforcement. We develop a model of optimal taxation and enforcement in which policymakers seek both welfare maximization and “tax accuracy,” wherein taxpayers remit the amount that they statutorily owe under truthful reporting; we characterize the optimal combination of tax rate and enforcement stringency in this setting. We apply this framework to the Mumbai real-estate market, a setting with widespread misreporting and a transparent enforcement instrument: government-specified guidance values act as a minimum required tax base.</p> <p> <a href="#">Anagol-Optimal Taxation and Enforcement with Asset Value Under-Reporting, with an-662.pdf</a></p>
10:30am - 12:30pm	<p><b>C10: Politics &amp; Refugees</b> Location: <a href="#">Room RB 107 (Rajská building)</a></p> <p><b>Refugee Migration and Business Registrations</b> <b><u>Zohal Hessami</u>, <u>Sebastian Schirner</u>, <u>Clara Wobbe</u></b> Ruhr-University Bochum, Germany</p> <p>This paper examines the effect of asylum seeker intake on the number of new businesses being registered. We combine two datasets: exclusive data on new district-level business registrations and data on asylum seeker intake in about 400 German districts (Kreise) between 2007 and 2021. To address endogeneity in asylum seeker allocation, we use official within-state allocation quotas as an instrument. A one SD higher intake of asylum seekers (≈ 10 asylum seekers) per 1,000 inhabitants leads to 0.7 new businesses per 1,000 inhabitants being registered (≈ 8.8% increase). These new businesses, mainly registered by Germans (not asylum seekers themselves), directly create 2.6 new full-time jobs per 1,000 inhabitants as well as about 8 new full-time jobs per 1,000 inhabitants in the district outside the new businesses. On mechanisms, we also find that the new business registrations are both supply- (new workforce) and demand-driven (new demand patterns).</p> <p> <a href="#">Hessami-Refugee Migration and Business Registrations-408.pdf</a></p>
	<p><b>A Reform-Oriented Approach To Political Parties’ Revealed Social Preferences</b> <b><u>Felix Bierbrauer</u><sup>1</sup>, <u>Maximilian Blömer</u><sup>2</sup>, <u>Lilly Fischer</u><sup>2</sup>, <u>Emanuel Hansen</u><sup>3</sup>, <u>Manuel Pannier</u><sup>4</sup>, <u>Andreas Peichl</u><sup>4</sup></b> <sup>1</sup>University of Cologne; <sup>2</sup>ifo Institute; <sup>3</sup>LMU Munich; <sup>4</sup>LMU Munich and ifo Institute</p> <p>We present a new methodological approach to measure the redistributive preferences of political parties based on their election proposals. This approach builds on the marginal value of public funds (MVPF) framework. We recover the welfare weight associated with a small reform as the inverse of its MVPF. The aggregated welfare weights of multiple small reform proposals for each party and election year provide measures of the parties’ redistributive preferences along the income distribution. Leveraging this approach, we use a rich structural microsimulation model to estimate the MVPFs and their associated welfare weights for more than 300 proposed reforms of the tax-transfer system by Germany’s five largest parties from 1990 until 2021. Our results allow to study the differences in the redistributive preferences between German parties and over time.</p> <p> <a href="#">Bierbrauer-A Reform-Oriented Approach To Political Parties' Revealed Social Preferences-565.pdf</a></p>
	<p><b>Migration Shocks, Elections, and Political Selection</b> <b><u>Zohal Hessami</u><sup>1</sup>, <u>Sebastian Schirner</u><sup>2</sup></b> <sup>1</sup>Ruhr-University Bochum, CESifo Munich, IZA Bonn; <sup>2</sup>Ruhr-University Bochum</p> <p>Does the sudden arrival of a new wave of immigrants distort the electoral performance of local council candidates with an immigrant background? We combine hand-collected candidate-level data on council elections (2001-2021) with detailed administrative data on asylum seekers across Hessian municipalities. We infer candidates’ immigrant background from their names via existing machine learning classification tools. Using a difference-indifferences strategy with a continuous treatment (change in the share of asylum seekers per municipality), we find that candidates with an immigrant background benefit from the arrival of relatively large numbers of asylum seekers such as in late 2015. Further results show that this effect exists exclusively for candidates with a Southern or Eastern European background which are culturally and ethnically relatively similar to native Germans.</p>









	<div> <a href="#">Hessami-Migration Shocks, Elections, and Political Selection-342.pdf</a></div> <div><b>The Effect of Conflict on Refugees' Return and Integration: Evidence from Ukraine</b> <b>Joop Adema<sup>1</sup>, Cevat G. Aksoy<sup>2</sup>, Yvonne Giesing<sup>1</sup>, Panu Poutvaara<sup>1</sup></b> <sup>1</sup>ifo Institute and the University of Munich, Germany; <sup>2</sup>EBRD and King's College London, The United Kingdom What is the causal effect of conflict on refugees' return and integration? To answer this question, we launched a panel survey of Ukrainian refugees across Europe in June 2022 and combined it with geocoded conflict data. Most refugees plan to return, and initial return intentions strongly predict actual return. Those who initially plan to settle outside Ukraine integrate faster. Increased conflict intensity in the home municipality discourages return there, but not to Ukraine as a whole. It also has no effect on the likelihood of working. Liberation of the home district increases return, while increased pessimism about the outcome of the war reduces return intentions.  <a href="#">Adema-The Effect of Conflict on Refugees' Return and Integration-555.pdf</a></div>
10:30am - 12:30pm	<div><b>C11: Optimal Taxation: Labor Markets</b> Location: <a href="#">Room RB 112 (Rajská building)</a></div> <div><b>Defaults, Labor Supply And Optimal Wage Garnishment: A Sufficient Statistics Approach</b> <b>Terhi Helena Ravaska<sup>1</sup>, Ohto Kanninen<sup>2</sup>, Hannu Karhunen<sup>2</sup>, Terhi Maczulskij<sup>3</sup>, Ossi Tahvonon<sup>4</sup></b> <sup>1</sup>Tampere University, Finland; <sup>2</sup>Labore; <sup>3</sup>Ettla; <sup>4</sup>University of Helsinki We investigate how debt forgiveness and automatic wage garnishment following default impact labor supply. Analyzing total population register data from 2004-2019, we initially explore the effect of reducing debt enforcement duration from 20 to 15 years. Our treatment group comprises individuals with forgiven debts (enforcement duration 15+ years), while the control group consists of those with enforcement duration over 5 years. In a difference-in-differences approach, we find an 8% increase in labor earnings relative to the pre-reform control mean. Additionally, we analyze wage garnishment, where 33 to 50% of income exceeding a threshold is automatically garnished. Utilizing discontinuities in the budget set, we identify a labor supply elasticity varying between 0.006-0.08. Lastly, we develop a theoretical model of debt enforcement, estimating labor supply and defaulting elasticities, and demonstrate their relative importance through simulations.  <a href="#">Ravaska-Defaults, Labor Supply And Optimal Wage Garnishment-563.pdf</a></div> <div><b>Entrepreneurial Taxation with Endogenous Firm Entry and Unemployment</b> <b>Johan Erik Holmberg</b> Umeå University, Sweden This study explores the optimal nonlinear taxation of labor and entrepreneurial income, building upon the recent research by Scheuer (2014). It introduces a new element into the analysis: equilibrium unemployment. Our findings suggest that even when employment is an endogenous factor, it is possible for the government to redistribute income via taxation without compromising production efficiency. This can be achieved by separately taxing entrepreneurial and labor income. Furthermore, our results indicate that the inclusion of involuntary unemployment in the model provides a rationale for taxing entrepreneurial income at lower marginal rates, and labor income at higher marginal rates, than would otherwise be the case.  <a href="#">Holmberg-Entrepreneurial Taxation with Endogenous Firm Entry and Unemployment-312.pdf</a></div> <div><b>Sorting Under Progressive Taxation</b> <b>Albert Jan Hummel</b> University of Amsterdam, Netherlands, The This paper studies how progressive taxation affects sorting patterns in a directed search model where both workers and firms differ in their productivity. By reducing the benefits of higher wages, progressive taxes lead workers to match with less productive firms. Furthermore, progressive taxes amplify the force of search frictions against positive sorting. As a result, stronger complementarities between firm and worker productivity are required to obtain positive sorting. Turning to optimal taxes, I show that accounting for firm heterogeneity raises the optimal degree of tax progressivity if productivity differences between firms exacerbate inequality between workers.  <a href="#">Hummel-Sorting Under Progressive Taxation-480.pdf</a></div> <div><b>Working Time Regulations and Redistribution</b> <b>Antoine Germain</b> UCLouvain, Belgium All countries except the US are mandating paid time off. In this paper, I provide a novel welfare analysis of any working time regulations. Labor is unbundled into jobs and hours worked while workers have heterogeneous preferences for leisure. First, I show that the wage effects of a working time reduction critically depend on the extent of imperfect competition in the labor market: the policy increases wage rates in perfect competition but decreases monopsonistic wage rates. Second, sorting in competitive search equilibrium reveals that high-productivity firms offer contracts with higher wage rates, shorter hours, and a higher job quality but lower job-finding probability. Third, it is shown that the key sufficient statistics for welfare evaluation are the elasticity of profits and employment to the working time reduction.  <a href="#">Germain-Working Time Regulations and Redistribution-412.pdf</a></div>
10:30am - 12:30pm	<div><b>C12: Political Institutions &amp; Macroeconomics</b> Location: <a href="#">Room RB 113 (Rajská building)</a></div> <div><b>Subnational border reforms in Africa</b> <b>Thushyanthan Baskaran<sup>1</sup>, Sebastian Blesse<sup>2</sup></b> <sup>1</sup>Ruhr University Bochum, Germany; <sup>2</sup>Ifo Insitute We identify the territories in Africa affected by subnational border reforms during 1992-2013 with GIS methods. Using this data, we first show that border reforms correlate with several local political and geographic variables (e. g., ethnic heterogeneity, conflicts, distance to capital). Secondly, we study the local effects of subnational border reforms. Difference-in-differences regressions at the grid-level with luminosity as outcome variable suggest insignificant effects for most countries. Political implications, as proxied by the incidence of conflicts, are also small and heterogeneous. In contrast, indicators of public goods provision (education, electrification, health) suggest significantly positive effects in several countries. Overall, border reforms appear to be more consequential for public goods delivery than for local economic development or political stability.  <a href="#">Baskaran-Subnational border reforms in Africa-187.pdf</a></div> <div><b>Impact Of Institutional Factors And Tax Revenue On Firm Performance Across Provincial Localities In Vietnam</b> <b>Anh Phong Nguyen<sup>1</sup>, Thi Thanh Truc To<sup>2</sup>, Ngoc Hieu Nguyen<sup>2</sup></b> <sup>1</sup>University of Ecinomics and Law, Vietnam; <sup>2</sup>Vietnam National University, Ho Chi Minh City, Vietnam This research aims to examine the impact of the institutional factors and tax revenue on firm performance in 63 provinces and cities in Vietnam. The authors select data of the period 2015-2021 and run the regression model using GMM with the population and public investment in localities as instrument variables. The results show positive effects of Provincial Competitiveness Index (PCI), Provincial Information and Communication Technologies (ICT) Index, labor productivity, and tax revenue on firmperformance, while there is a negative impact of firm investment on performance. There exists a negative interaction effect of PCI and labor productivity on firm performance, which might be due to the lack of policies from the local governmental bodies aiming to enhance the knowledge and skills of the labor force. These results suggest both governmental policymakers and business managers have proper strategies to boost the firm performance in the next period.  <a href="#">Nguyen-Impact Of Institutional Factors And Tax Revenue On Firm Performance Across-100.pdf</a></div> <div><b>Government Spending and Tax Revenue Decentralization and Public Sector Efficiency: Do Natural Disasters matter?</b> <b>António Afonso</b> ISEG - Lisbon Shcool of Economics andManagment, Portugal We compute government spending efficiency scores via data envelopment analysis. Second, relying on panel data and impulse response approaches, we estimate the effect of decentralization on public sector efficiency and how extreme natural disasters mediate this relationship. The sample covers 36 OECD countries between 2006 and 2019. Our results show that tax revenue decentralization decreases public sector efficiency, while spending decentralization and a regional authority index are positively related to public sector efficiency, both for local projections and panel analysis. For instance, efficiency rises by 10 percent following a spending decentralization shock (reaching over 20 percent after 4 years). Nevertheless, in cases of natural disasters, spending decentralization reduces public sector efficiency. Moreover, extreme natural disasters also deteriorate the negative</div>









	<p>effect of tax revenue decentralization on public sector efficiency. These results suggest that sub-national discretionary spending and tax revenue responses might be less fruitful when such extreme events occur.</p> <p> <a href="#">Afonso-Government Spending and Tax Revenue Decentralization and Public Sector Efficiency-103.pdf</a></p> <hr/> <p><b>The Effect of Economic Expectations on Policy Advice of Experts</b></p> <p><b>Philipp Heil</b> ifo Institute, LMU Munich</p> <p>To what extent do economic forecasts for a single country affect expectations at the global level? Designing a large-scale survey experiment among economic experts from over 120 countries, I identify the effect of an information shock about the recession probability in the United States of America on expectations of non-US experts. The results show a large positive effect on the reported recession probability in the host countries of the experts. This has relevant policy implications, as I can show that experts who expect a higher recession probability, are more supportive of increasing global trade integration. This effect is driven by the European Experts, whose host countries have strong trade ties with the United States and potentially seek to diversify those to reduce risk from spillovers.</p> <p> <a href="#">Heil-The Effect of Economic Expectations on Policy Advice-279.pdf</a></p> <hr/>
10:30am - 12:30pm	<p><b>C13: Gender, Couples, &amp; Taxation</b> Location: <a href="#">Room RB 114 (Rajská building)</a></p> <p><b>The Taxation Of Couples</b></p> <p><b>Felix Bierbrauer<sup>3</sup>, Pierre Boyer<sup>1</sup>, Andreas Peichl<sup>2</sup>, Daniel Weishaar<sup>2</sup></b> <sup>1</sup>Ecole polytechnique, France; <sup>2</sup>LMU and ifo; <sup>3</sup>Cologne U</p> <p>Are reforms towards individual taxation politically feasible? Are they desirable from a welfare perspective? We develop a novel method to answer such questions and apply it to the US federal income tax since the 1960s. Main findings are: As of today, Pareto-improvements require a move away from joint taxation. Revenue-neutral reforms towards individual taxation are not Pareto-improving, but attract majority-support. Such reforms are rejected by Rawlsian welfare measures and supported by ones with weights that are increasing in the secondary earner's income share. Thus, there is a tension between the welfare of "the poor" and the welfare of "working women."</p> <p> <a href="#">Bierbrauer-The Taxation Of Couples-317.pdf</a></p> <hr/> <p><b>Household Taxation, Work Hours Flexibility and Occupational Choice</b></p> <p><b>Piotr Denderski<sup>1,2</sup>, Tim Obermeier<sup>1,3,4</sup></b> <sup>1</sup>University of Leicester, United Kingdom; <sup>2</sup>Institute of Economics, Polish Academy of Sciences; <sup>3</sup>IFS; <sup>4</sup>CEP</p> <p>Goldin (2014) highlights the role of hours flexibility across occupations as a source of gender wage inequality. We ask how the tax system, in terms of jointness and progressivity, affects occupational choice, work hours and wages across occupations, and the gender wage gap. The decision to work in a high-wage/high-hours occupation depends on the earnings gained from being in that occupation and the cost of having less leisure time. Taxation affects this trade-off in an ambiguous way. Calibrating the model to US data, we find that the impact of (1) introducing individual taxation and (2) removing tax progressivity via a flat tax on occupational choice is relatively small: the share of women working in long-hours occupation increases by at most 0.7pp. By contrast, endogenous wages play an essential role in amplifying the effects of tax reforms due to the positive impact of long work hours on wages.</p> <p> <a href="#">Denderski-Household Taxation, Work Hours Flexibility and Occupational Choice-533.pdf</a></p> <hr/> <p><b>Taxes and Gender Equality: The Incidence of the "Tampon Tax"</b></p> <p><b>Thiess Buettner<sup>1</sup>, Boryana Madzharova<sup>2,1</sup>, Frank Hechtner<sup>1</sup></b> <sup>1</sup>FAU, Germany; <sup>2</sup>Central Bank of Ireland</p> <p>This paper uses a permanent reduction of the "tampon tax" in Germany to study the price and unit-sales effects of the tax. Exploiting an extensive data set on the sales and scanner prices of feminine hygiene products in Germany and Italy, our results show that the incidence of tampon taxes is fully on consumers, while demand for these products is price-inelastic. We do not find cross-price effects for a closely related product group, which remained taxed at the standard tax rate. We conclude that reducing taxes on feminine hygiene products could be an effective measure to address "period poverty".</p> <p> <a href="#">Buettner-Taxes and Gender Equality-613.pdf</a></p> <hr/> <p><b>Does Working Cause Women To Vote Less and Become More Politically Conservative?</b></p> <p><b>Jacob Bastian</b> Rutgers University, United States of America</p> <p>While the correlation between working and voting is positive, I provide some of the first evidence that the causal relationship for individuals is negative. Instrumenting for working using EITC expansions and welfare reform, I find that working women are less likely to vote and become more politically conservative. Consistent with these effects, I find decreases in being registered to vote, civic participation, and political knowledge, and increased preferences for conservative government policies. Effects are driven by younger, White, lower-educated mothers, that did not have a working mother growing up, and are consistent across four data sources that span five decades. Overall, working leads to more votes for Republicans and less votes for Democrats. While recent decades have seen more and more women voting Democrat, even more women would have voted Democrat if not for decades of pro-work public policy targeting lower-income mothers.</p> <p> <a href="#">Bastian-Does Working Cause Women To Vote Less and Become More Politically Conservative-496.pdf</a></p> <hr/>
10:30am - 12:30pm	<p><b>C14: Tax Policy, Innovation &amp; Profit Shifting</b> Location: <a href="#">Room RB 213 (Rajská building)</a></p> <p><b>The Role of Intellectual Property in Tax Planning</b></p> <p><b>Katarzyna Anna Bilicka<sup>1</sup>, Irem Guceri<sup>2</sup>, Paul Organ<sup>3</sup></b> <sup>1</sup>Utah State University, USA; <sup>2</sup>Oxford University, UK; <sup>3</sup>U.S. Department of the Treasury, Office of Tax Analysis, USA</p> <p>More innovative multinational enterprises (MNEs) find it easier to shift profits between their subsidiaries located in jurisdictions with different tax rates. While MNEs invest in R&amp;D and develop IP across multiple jurisdictions, they can strategically move profits arising from that IP from high to low-tax jurisdictions to reduce their overall tax bill. In this paper, we analyze and quantify the importance of two different strategies that MNEs use to move their IP to low-tax jurisdictions: selling a patent developed in a high-tax jurisdiction to a low-tax jurisdiction directly, or signing a cost-sharing arrangement between those two jurisdictions to cover the costs of developing further IP. Combining information on CSAs, patent applications and transactions, and tax payments of US MNEs using US tax returns data and Orbis Global IP data, we provide novel descriptive evidence on the use of both those strategies by MNEs.</p> <p> <a href="#">Bilicka-The Role of Intellectual Property in Tax Planning-365.pdf</a></p> <hr/> <p><b>The Real and Financial Effects of Internal Liquidity: Evidence From the Tax Cuts and Jobs Act</b></p> <p><b>James Albertus<sup>1</sup>, Brent Glover<sup>1</sup>, Oliver Levine<sup>2</sup></b> <sup>1</sup>Carnegie Mellon University, United States of America; <sup>2</sup>University of Wisconsin-Madison, Wisconsin School of Business</p> <p>The Tax Cuts and Jobs Act unlocked as much as \$1.7 trillion of U.S. multinationals' foreign cash. We examine the real and financial response to this liquidity shock and find that firms did not increase capital expenditures, employment, R&amp;D, or M&amp;A, regardless of financial constraints. On the financial side, firms paid out only about one-third of the new liquidity to shareholders, and retained half as cash. This high retention was not associated with poor governance. The high propensity to retain positive liquidity shocks as cash, even among well-governed firms with limited financial constraints, is difficult to reconcile with existing theory.</p> <p> <a href="#">Albertus-The Real and Financial Effects of Internal Liquidity-175.pdf</a></p> <hr/> <p><b>Tax Avoidance as an R&amp;D Subsidy: The Use of Cost Sharing Agreements by US Multinationals</b></p> <p><b>Juan Carlos Suarez Serrato</b> Stanford University, United States of America</p> <p>We use administrative tax data from the IRS to study a tax avoidance strategy that reduces the cost of domestic research and development (R&amp;D). This strategy relies on cost sharing agreements that allow US multinationals (MNCs) to shift intellectual property to foreign affiliates. An unexpected tax ruling in 2005 created a loophole that allowed US MNCs to generate a tax shield by fully allocating stock compensation of employees to the domestic parent. In contrast to standard cost sharing allocations, this ruling increased the domestic tax deduction associated with R&amp;D expenses, which lowered the after-tax cost of R&amp;D. We study the effects of this ruling on market values, use of stock compensation, R&amp;D investment and relabeling of other costs as R&amp;D.</p> <p> <a href="#">Suarez Serrato-Tax Avoidance as an R&amp;D Subsidy-622.pdf</a></p> <hr/>
























	<div><div><b>Tax and Non-tax Government Policies and the Location of Patents</b></div><div><div><u>Lisa De Simone</u><sup>1</sup>, <u>Kenneth Klassen</u><sup>2</sup>, <u>Cinthia Valle Ruiz</u><sup>3</sup></div><div><sup>1</sup>University of Texas at Austin; <sup>2</sup>University of Waterloo; <sup>3</sup>IESEG School of Management, France</div></div><div><p>In this study, we shed light on the combined effect of corporate income tax incentives and other government policies on multinational corporations' (MNCs) strategic location of intellectual property. Using granular affiliate-level data for MNC financials and patent ownership locations, we show that stricter employment protection laws and regulatory burdens mitigate the attractiveness of low-tax countries while tax benefits for highly-skilled workers do not affect the attractiveness of low-tax countries in MNCs' patent location decisions. Additional tests based on the size of MNCs, migrant labor mobility, and variation over time reveal interesting additional subtleties in the interactions between government tax and non-tax policies and patent location choices. Our study contributes to the tax policy debate over cross-border competition for innovative activities by extending the analysis beyond the main effects of corporate income taxes and other government policies on firm's patent location decisions.</p><div> <a href="#">De Simone-Tax and Non-tax Government Policies and the Location-207.pdf</a></div></div></div>
10:30am - 12:30pm	<div><div><b>C15: Local Fiscal Policies in General Equilibria</b></div><div><div>Location: <b>Room RB 115 (Rajská building)</b></div><div><div><b>Tiebout Competition for Firms</b></div><div><div><u>Johannes Becker</u></div><div>U Muenster, Germany</div></div><div><p>This paper considers Tiebout (1956) competition for mobile firms without restrictions on the set of tax policy instruments. Communities set taxes and provide public input goods in order to attract heterogeneous firms. In equilibrium, there is sorting of firms into communities that specialize on a certain firm type. The efficiency properties of the equilibrium allocation crucially depend on the observability of the variable that drives the congestion externality. With observable congestion drivers, the resulting equilibrium is efficient and the first-best allocation is attained through decentralized decision-making. With unobservable congestion drivers, communities use distortive input taxes in equilibrium. Nevertheless, the fiscal externality is zero. In contrast to the standard tax competition model, capital taxes are too high, but tax coordination on input taxes alone fails to achieve a welfare improvement. The model rationalizes the use of distortive source-based taxes in tax competition and questions the welfare enhancing potential of tax coordination.</p><div> <a href="#">Becker-Tiebout Competition for Firms-446.pdf</a></div></div></div><div><div><b>Self-determination and Local Fiscal Autonomy</b></div><div><div><u>Marko Koethenburger</u><sup>1</sup>, <u>Gabriel Loumeau</u><sup>2</sup>, <u>Christian Stettler</u><sup>1</sup></div><div><sup>1</sup>ETH Zurich, Switzerland; <sup>2</sup>VU Amsterdam, Netherlands</div></div><div><p>Self-determination is a main rationale for fiscal decentralization, but seldomly analyzed in model of local public finance. This paper studies the equilibrium effects of local fiscal autonomy, accounting for preferences of self-determination. We propose a quantifiable structural equilibrium model where heterogeneous households sort across municipalities in response to progressive income taxation and public good provision. We calibrate the model to municipalities in the Canton of Bern in Switzerland using rich household-level and municipal data. In particular, we exploit quasi-experimental policy variation in voting rights to quantify benefits from self-determination and employ machine learning methods to represent the local political process. We find that restricting local fiscal autonomy decreases welfare by 1% for (almost) all households.</p><div> <a href="#">Koethenburger-Self-determination and Local Fiscal Autonomy-646.pdf</a></div></div></div><div><div><b>How do Establishments Choose Their Location? Taxes, Monopsony, and Productivity</b></div><div><div><u>Catherine van der List</u></div><div>University of Essex, United Kingdom</div></div><div><p>To study the distribution of economic activity across space and the effects of place-based policies, I develop a model of the location choice of new establishments incorporating taxes, monopsonistic labor markets, and spillovers. Estimates using administrative data from Germany indicate that establishments generally have a preference for lower taxes, as well a preference for lower worker outside options which enable establishments to pay lower wages. The degree to which various types of productivity spillovers matter in the location decision of establishments varies greatly between industrial sectors. I also quantify the effects of a counterfactual place-based policy and find that commuting zones display highly heterogeneous wage and economic activity responses to the same policy due to differing degrees of labor market power across space.</p><div> <a href="#">van der List-How do Establishments Choose Their Location Taxes, Monopsony, and Productivity-156.pdf</a></div></div></div><div><div><b>Affluence and Influence under Tax Competition: Income Bias in Political Attention</b></div><div><div><u>Satoshi Kasamatsu</u><sup>2</sup>, <u>Daiki Kishishita</u><sup>1</sup>, <u>Taiki Susa</u><sup>3</sup></div><div><sup>1</sup>Tokyo University of Science, Japan; <sup>2</sup>Musashi University, Japan; <sup>3</sup>Ritsumeikan University, Japan</div></div><div><p>This study reveals how an interaction between tax competition and the political overrepresentation of the rich can collectively impede redistribution in response to rising inequality. We develop a model of capital tax competition between countries, each comprising two classes: the rich and the poor. Income bias in political attention creates the overrepresentation of the rich in each country. First, we show that tax competition diminishes the political attention level of the poor, amplifying the rich's political influence. Hence, tax competition reduces capital taxation not only through conventional economic channels but also by altering the political power in favor of the rich. Remarkably, from a global perspective, the attention level of the poor is under-provided for their own benefit. Second, rising inequality should increase the poor's political attention level, inducing higher taxation. However, increasing inequality is more likely to reduce taxation under tax competition compared to a closed economy.</p><div> <a href="#">Kasamatsu-Affluence and Influence under Tax Competition-138.pdf</a></div></div></div></div></div>
10:30am - 12:30pm	<div><div><b>C16: Cross-Country Analysis of Inequality</b></div><div><div>Location: <b>Room RB 116 (Rajská building)</b></div><div><div><b>Income Inequality in the EU - The Role of New and Old Member States</b></div><div><div><u>Svante Strömberg</u><sup>1</sup>, <u>Jesper Roine</u><sup>2</sup></div><div><sup>1</sup>Uppsala University, Sweden; <sup>2</sup>Stockholm School of Economics, Sweden</div></div><div><p>This study provides a detailed descriptive analysis of income inequality within the European Union (EU) over the last three decades, a period covering its expansion to include 13 new member states, mostly transition economies. We examine income inequality at three levels: between countries, within countries, and EU as if it were an entity. Despite GDP convergence among member states, we find increased within-country inequality, particularly in newly acceded members, contrasting with modest rises in established EU countries. Although initial inequality levels were lower in the newer EU countries, they have escalated to match or exceed those in the older member states. We also uncover disproportional income growth pattern across the combined EU income distribution, with lower-middle-income brackets seeing significant gains, though the highest increases are found among the top earners.</p><div> <a href="#">Strömberg-Income Inequality in the EU-477.pdf</a></div></div></div><div><div><b>Personal Income Tax Reforms and Income Inequality in African Countries</b></div><div><div><u>Kyle McNabb</u><sup>1</sup>, <u>Annalena Oppel</u><sup>2</sup></div><div><sup>1</sup>ODI, United Kingdom; <sup>2</sup>LSE, United Kingdom</div></div><div><p>This study explores the potential of personal income tax (PIT) to address inequality in African countries. We employ new data on PIT design and reforms from the TaxDev Employment Income Taxes Dataset (EITD) alongside data on pre-tax income distributions from the World Inequality Database (WID) to model the redistributive capacity of PIT regimes in Africa and the extent to which reforms between 1995 and 2020 have affected this capacity. We find that, on average across the sample period, PIT could reduce inequality by around 4.1 Gini points if applied to the entire income distribution. Focusing specifically on policy design, cross-country regressions show that the level of the top marginal PIT rate, and the point at which it is applied, matter most for its potential effects on inequality. Crucially, we find that PIT reforms over the period in question have, on average, lessened the redistributive capacity of PIT.</p><div> <a href="#">McNabb-Personal Income Tax Reforms and Income Inequality-439.pdf</a></div></div></div><div><div><b>Spatial Wage Inequality in North America and Western Europe: Changes Between and Within Local Labour Markets 1975-2019</b></div><div><div><u>Luis Bauluz</u><sup>1</sup>, <u>Pawel Bukowski</u><sup>2</sup>, <u>Mark Fransham</u><sup>3</sup>, <u>Annie Lee</u><sup>4</sup>, <u>Margarita Lopez Forero</u><sup>5,7</sup>, <u>Filip Novokmet</u><sup>6</sup>, <u>Sebastien Breau</u><sup>4</sup>, <u>Neil Lee</u><sup>8</sup>, <u>Moritz Schularick</u><sup>9,10</sup>, <u>Gregory Verdugo</u><sup>5,7</sup></div><div><sup>1</sup>CUNEF Universidad, World Inequality Lab; <sup>2</sup>University College London; <sup>3</sup>University of Oxford; <sup>4</sup>Mcgill University; <sup>5</sup>Université Paris-Saclay; <sup>6</sup>University of Zagreb; <sup>7</sup>Univ Evry; <sup>8</sup>London School of Economics; <sup>9</sup>Kiel Institute; <sup>10</sup>Sciences Po</div></div></div></div></div>








	<p>This paper presents the first systematic attempt to create cross-country comparable measures of spatial wage disparities between and within similarly-defined local labour market areas (LLMAs) for Canada, France, (West) Germany, the UK, and the US since the 1970s and assesses their contribution to national inequality. By the end of the 2010s, spatial inequalities in LLMA mean wages are similar in Canada, France, Germany and the UK; the US exhibits the highest degree of spatial inequality. Over the study period, spatial inequalities have nearly doubled in all countries, except for France where spatial inequalities have fallen back to 1970s levels. Due to a concomitant increase in within-place inequality, the contribution of places in explaining national wage inequality has remained fairly constant over the 40-year study period, except in the UK where we document a significant increase.</p> <p> <a href="#">Bauluz-Spatial Wage Inequality in North America and Western Europe-594.pdf</a></p>
	<p><b>Redistribution Within The Tax-benefits Systems Of The European Union - The Role Of Indirect Taxation And In-kind Benefits</b></p> <p><b>Michael Christl<sup>1,2</sup>, Monika Köppl-Turyna<sup>3,4,5</sup></b></p> <p><sup>1</sup>Joint Research Centre, European Commission; <sup>2</sup>Universidad Loyola Andalucia; <sup>3</sup>EcoAustria - Institute for Economic Research; <sup>4</sup>Centre for Europe University of Warsaw; <sup>5</sup>Seeburg Castle University</p> <p>This paper expands the traditional concept of disposable income by including in-kind benefits for education and health and consumption taxes into the analysis. This extended view on tax-benefit systems offers a more comprehensive understanding of redistribution mechanisms within countries and facilitates cross-country comparisons. In a first step, our analysis identifies households as either net contributors or net beneficiaries. Our results reveal significant variability in net fiscal contributions across households, influenced by factors such as income level, household composition, and age. We find that extending the income concept reduces the number of net contributor households. In a second step, we take a life-cycle perspective, estimating the contribution of each age cohort in each EU Member State. Our results highlight that individuals contribute very differently over the life cycle across the Member States, and that these contributions are highly correlated with the retirement decisions of individuals.</p> <p> <a href="#">Christl-Redistribution Within The Tax-benefits Systems Of The European Union-509.pdf</a></p>
10:30am - 12:30pm	<p><b>C17: Fiscal Capacity and Informality</b> Location: <b>Room RB 203 (Rajská building)</b></p> <p><b>Participation, Legitimacy and Fiscal Capacity in Weak States: Evidence from Participatory Budgeting</b></p> <p><b>Kevin Grieco<sup>1</sup>, Abou Bakarr Kamara<sup>2</sup>, Niccolo Meriggi<sup>2,3</sup>, Julian Michel<sup>1</sup>, Wilson Prichard<sup>4</sup></b></p> <p><sup>1</sup>University of California, Los Angeles; <sup>2</sup>International Growth Centre; <sup>3</sup>Centre for the Study of African Economies, University of Oxford; <sup>4</sup>University of Toronto</p> <p>Building fiscal capacity requires that the state obtain compliance with its tax demands, a struggle for weak states that lack enforcement capacity. One potential option for leaders of weak states is to establish political legitimacy and thereby foster voluntary compliance. In this study, we report results from a phone-based participatory budgeting policy experiment in Sierra Leone that attempted to build legitimacy and fiscal capacity by inviting public participation in local policy decision making. In phone-based town halls, participants shared policy preferences with neighbors and local politicians and then voted for local public services that were subsequently implemented. We find that the intervention increased participants' perceptions of government legitimacy. However, against influential models of tax compliance, we find a robust null effects on tax compliance behavior. In exploratory analyses we find that preexisting attitudes towards paying taxes and partisan affiliation strongly condition tax compliance behavior and attitudes towards paying taxes.</p> <p> <a href="#">Grieco-Participation, Legitimacy and Fiscal Capacity in Weak States-645.pdf</a></p>
	<p><b>Online Cash Register Policy in Russia: Impact on Firm Profits and Exit Decisions</b></p> <p><b>Evgeniya Dubinina</b> Charles University Faculty of Social Sciences, Czech Republic</p> <p>To achieve better tax compliance, the Russian government required small firms to use online cash registers (OCRs) for business-to-consumer transactions from 2017. The main goal of the OCR policy in Russia is better tax compliance. For firms, the installation of the OCR leads to an increase in fixed costs. This might push firms to switch to the shadow market (partially or fully), to exit the market, to report more costs and less profits, or to combine several strategies. Using the Difference-in-Difference technique, on the firm level, I estimate the effects of the OCR policy on reported profits, profits tax, and firms' exit decisions. Exogenous variation for causal inference is possible thanks to different years of policy implementation (2017, 2018, 2019). I find that firms tend to exit the market after OCR policy implementation and report less profits, and slightly higher wages, and there is no effect for VAT and profit tax.</p> <p> <a href="#">Dubinina-Online Cash Register Policy in Russia-528.pdf</a></p>
	<p><b>Fiscal Capacity in Spain: New Evidence From Taxation Disparities Across Provinces, 1904–1934.</b></p> <p><b>Mario Cuenda Garcia</b> Tax Justice Network, United Kingdom</p> <p>This paper examines Spain's fiscal capacity at the provincial level between 1904 and 1934, utilizing a unique dataset on provincial tax series. Three tax indicators are constructed, focusing on real total tax revenues, real tax burdens per capita, and real tax burdens as a percentage of GDP for the 48 provinces. The study addresses where taxes were paid and how tax indicators evolved in early 20th-century Spain. Results reveal that Madrid and Barcelona led in tax revenues and per capita tax burdens during this period, with increasing concentration in top-contributing provinces. Additionally, tax burdens as a percentage of provincial GDP were generally low nationwide, but relatively higher in Madrid due to a "capital" effect. Decreases in tax burdens suggest Spain had an inelastic tax system and limited fiscal capacity, relying on urbanized provinces for revenue while taxing agrarian provinces less.</p> <p> <a href="#">Cuenda Garcia-Fiscal Capacity in Spain-377.pdf</a></p>
	<p><b>Shadow Economy or Economic Driver? The Impact of Counterfeiting on Italy's Growth</b></p> <p><b>Elton Beqiraj, <u>Silvia Fedeli</u>, Luisa Giuriato</b> Sapienza University, Italy</p> <p>This study explores the impact of economic crime, particularly counterfeiting in Italy post the Great Recession (2008-19). Mafia-led counterfeiting, prevalent in Italy, significantly damages authentic brands and worsens regional economic disparities. Using a unique regional dataset, two main effects of counterfeiting are identified: firstly, it reduces unemployment in struggling areas, contributing to short-term economic growth by flooding the market with counterfeit goods. Secondly, it undermines market modernization and growth by violating intellectual property rights of legitimate innovative firms. The interplay of these effects results in a dynamic pattern, initially boosting GDP through the informal economy, but ultimately hindering long-term growth. The study highlights the need for effective policies to curb the short-term positive impact of economic crime and guide Italy towards sustained modernization and reduced crime rates.</p> <p> <a href="#">Beqiraj-Shadow Economy or Economic Driver The Impact of Counterfeiting-515.pdf</a></p>
10:30am - 12:30pm	<p><b>C18: Special Session: Administrative Tax Data for Research: Lessons from Company-Level Country-by-Country Reporting Data</b> Location: <b>Room RB 204 (Rajská building)</b> Session Chair: <b>Panayiotis Nicolaidis</b>, Paris School of Economics Discussant 1: <b>Petr Janský</b>, Charles University Discussant 3: <b>Felix Hugger</b>, OECD Discussant 4: <b>Florian Neumeier</b>, ifo Institute Munich Organized by <b>EU Tax Observatory</b> and <b>CORPTAX</b>.</p> <p>Since 2016, most large multinational companies have been required to submit country-by-country reports, detailing the distribution of their economic activity, reported profits, and taxes paid in each jurisdictions in which they operate. Each MNE reports this data to the tax administration of its headquarter country which then shares this information with the tax administrations of all countries in which that particular MNE operates. This data is not made available to the public at the company-level, only at the aggregate level as part of the OECD Corporate Tax Statistics (at least until late 2025). However, in recent years, several research teams have collaborated with tax administrations (in France, Italy, Germany, and Slovakia) to analyze this confidential data to assess the potential impact of proposed reforms, quantify the scale of misalignment of economic activity and reported profits, and in general analyze the behaviour of multinational companies. In this session, we review the lessons learned from these efforts.</p>
12:30pm - 1:30pm	<b>Lunch II</b>
1:30pm - 3:30pm	<p><b>D01: Corporate Taxation and Regulation</b> Location: <b>Room RB 103 (Rajská building)</b></p> <p><b>State-of-the-ART profit shifting</b></p> <p><b>Mohammed Mardan<sup>1</sup>, Dirk Schindler<sup>2</sup></b></p> <p><sup>1</sup>Norwegian School of Economics, Norway; <sup>2</sup>Erasmus School of Economics, Netherlands</p>





















	<p>This study highlights the overarching role of risk shifting via alternative risk transfers (ART) in multinational companies' profit shifting practices. Risk shifting allows multinational companies to transition from ex-ante to ex-post shifting, that is, it reduces the risk of shifting profits away from a loss-making affiliate. Therefore, ART enable the multinationals to be more aggressive in their profit shifting. Our analyses also rationalizes the dominant use of sale-dependent royalty payments to invoice user fees on intangible assets. Such royalties are superior to fixed fees whenever the scope of ART is constrained and risk shifting is incomplete. The reason is that the amount of shifted profits is positively correlated with profitability when sales-dependent royalties are used.</p> <p> <a href="#">Mardan-State-of-the-ART profit shifting-632.pdf</a></p> <hr/> <p><b>The Dynamic Effects of Corporate Tax Policy in Oligopolies</b> <b>Thomas Gresik<sup>1</sup>, Giorgi Piriashvili<sup>2</sup></b> <sup>1</sup>University of Notre Dame, United States of America; <sup>2</sup>Tbilisi State University, Georgia</p> <p>We model capital investment in an oligopoly as an infinite-horizon dynamic game and analyze the short-run and long-run economic effects of a country's corporate tax policy. In an industry with a low rate of capital depreciation (or product turnover), an increase in the tax deductibility of a firm's capital investments, as reflected in a shift from income taxation to cash flow taxation, decreases market concentration and increases consumer surplus at the cost of large tax subsidies. However, in industries with a high rate of depreciation, the shift increases consumer surplus and tax revenues at the cost of higher market concentration.</p> <p> <a href="#">Gresik-The Dynamic Effects of Corporate Tax Policy in Oligopolies-333.pdf</a></p> <hr/> <p><b>CEO Incentives and Tax Avoidance</b> <b>Robert Dur, Dirk Schindler</b> Erasmus School of Economics, Netherlands, The</p> <p>An increasingly important component of corporate social responsibility is corporate tax responsibility, i.e., the extent to which a company pays its fair share of taxes. We develop a model of a company where the shareholders may care about corporate tax responsibility, but the CEO does not. We show that when shareholders care about corporate tax responsibility, they condition the CEO's compensation on both after-tax and before-tax profits. However, and surprisingly, we find that such a compensation contract may also be optimal for purely selfish shareholders. The reason is that, under quite natural conditions, a mix of before- and after-tax profit incentives gives stronger incentives to invest and exert effort than relying on after-tax profits only. Tax avoidance decline when before-tax profits play a more prominent role in the incentive contract, and more generally, the price for the additional managerial effort is a higher tax burden in the firm.</p> <p> <a href="#">Dur-CEO Incentives and Tax Avoidance-391.pdf</a></p> <hr/>
1:30pm - 3:30pm	<p><b>D02: Profit Shifting</b> Location: <a href="#">Room RB 109 (Rajská building)</a></p> <p><b>The Heterogeneous Relationship between Tax Avoidance and Firm Value</b> <b>Reinald Koch, Till B. Scheider</b> Catholic University Eichstätt-Ingolstadt, Germany</p> <p>We provide evidence for the heterogenous relationship between GAAP effective tax rates and firm value. Our findings document, based on hand-collected information from 3,750 tax recon-ciliations of large listed European firms, that ETR components differ in their relevance for firm value. Effective tax rate reductions related to the management or accounting for tax losses are associated with a significant increase in firm value, whereas profit shifting and all other com-ponents have, on average, no significant impact. We show that tax-motivated profit shifting has even negative value implications for firms with high ESG scores as well as very large firms.</p> <p> <a href="#">Koch-The Heterogeneous Relationship between Tax Avoidance and Firm Value-456.pdf</a></p> <hr/> <p><b>Towards Financial Transparency: A Qualitative And Quantitative Examination Of The EU Directive On Public Country-by-Country Reporting</b> <b>Hannah Gundert<sup>1,2</sup>, Christoph Spengel<sup>2,1</sup>, Stefan Weck<sup>1,2</sup></b> <sup>1</sup>ZEW Mannheim, Germany; <sup>2</sup>University of Mannheim, Germany</p> <p>The EU's recent implementation of a public Country-by-Country Reporting (CbCR) regime under Directive 2021/2101 aims to fortify tax compliance and transparency for multinational enterprises (MNEs). However, its effectiveness relies on its consistent implementation across individual member states and a non-discriminating treatment of EU and non-EU firms. Our study examines these critical dimensions, uncovering disparities among member states regarding reporting scope and format. Furthermore, it underscores a predominant representation of EU-based firms among the affected entities, prompting apprehensions regarding potential discrimination. These findings highlight early challenges and implications of the EU's CbCR regime, offering valuable insights for policymakers. Amid current discussions on public CbCR in the USA and Australia, and sustainability reporting, our research contributes to the broader discourse on tax transparency and fairness within and beyond the EU.</p> <p> <a href="#">Gundert-Towards Financial Transparency-531.pdf</a></p> <hr/> <p><b>Profit Shifting by French firms</b> <b>Giulia Aliprandi<sup>1</sup>, Manon Francois<sup>1</sup>, Alice Ciocchetti<sup>2</sup>, Laure Heidmann<sup>3</sup></b> <sup>1</sup>EU Tax Observatory; <sup>2</sup>Paris School of Economics; <sup>3</sup>CREST</p> <p>This paper uses newly available microdata from country-by-country reporting (CbCR) to study the profit-shifting behavior of large French multinational firms. We provide a strong methodology to correct CbCR from double counting of intra-group dividends, which we show inflates observed pre-tax profits by about 13%. Using corrected data, we show that about 26% of foreign profits are shifted for tax reasons globally, with one-third going to four tax havens. Finally, we provide evidence on the concentration of profit shifting in the hands of a few large firms: 20 multinationals account for 90% of all shifted profits.</p> <p> <a href="#">Aliprandi-Profit Shifting by French firms-540.pdf</a></p> <hr/> <p><b>Did the Tax Cuts and Jobs Act Reduce Profit Shifting by US Multinational Companies?</b> <b>Javier Garcia-Bernardo<sup>1</sup>, Petr Janský<sup>2</sup>, Gabriel Zucman<sup>3</sup></b> <sup>1</sup>Utrecht University; <sup>2</sup>Charles University, Czech Republic; <sup>3</sup>Paris School of Economics, UC Berkeley</p> <p>The 2017 Tax Cut and Jobs Act reduced the US corporate tax rate and introduced provisions to curb profit shifting. We combine survey data, tax data, and firm financial statements to study the evolution of the geographical allocation of US firms' profits after the reform. The share of profits booked abroad by US multinationals fell 3–5 percentage points, driven by repatriations of intellectual property to the US. The share of foreign profits booked in tax havens remained stable at around 50% between 2015 and 2020. Changes in the global allocation of profits are small overall, but some firms responded strongly.</p> <p> <a href="#">Garcia-Bernardo-Did the Tax Cuts and Jobs Act Reduce Profit Shifting-195.pdf</a></p> <hr/>
1:30pm - 3:30pm	<p><b>D03: Perceptions and Preferences for Equity</b> Location: <a href="#">Room RB 104 (Rajská building)</a></p> <p><b>Tax the Rich and Lazy: Attitudes towards Taxing Inheritance</b> <b>Chloé de Meulenaer</b> LSE, United Kingdom</p> <p>I use new survey data from France to explore attitudes towards the inheritance tax and demand for redistribution. Although the inheritance tax is very unpopular, respondents show significant support for redistributive taxation, namely for taxing capital income, and the bequests of parents who have themselves inherited. This suggests that respondents do demand redistribution, but that they do not see the inheritance tax as an effective redistributive tool. I analyze how these preferences shift when exposed to two arguments: one highlighting wealth inequality, the other defending parents' right to bequeath their patiently-earned savings. The inequality argument increases support for the inheritance and capital income taxes. Surprisingly, the second argument also increases support for the capital income tax, and mildly increases support for the inheritance tax. This last finding may be due to backfiring, or to that argument increasing support for taxing "low effort" income and wealth.</p> <p> <a href="#">de Meulenaer-Tax the Rich and Lazy-652.pdf</a></p> <hr/> <p><b>Skill-Biased Inequality, Market Luck, and Redistributive Preferences</b> <b>Jeffrey Yusof, Simona Sartor</b> University of Zurich, Switzerland</p> <p>In recent decades, macroeconomic developments such as globalization, skill-biased technological change, and automation have increased the wedge in the valuation of different skills in the labor market, with certain skills becoming less valuable while other skills receive even higher rewards. Do people perceive such skill-biased inequalities as fair? We provide causal experimental evidence of people's fairness views when income inequality between workers with different skills is driven by exogenous market forces. Our paper suggests that the</p>






















	<div>conventional dichotomy of effort versus luck falls short of explaining redistributive preferences in contexts where markets generate and perpetuate inequality.</div> <div> <a href="#">Yusof-Skill-Biased Inequality, Market Luck, and Redistributive Preferences-147.pdf</a></div> <hr/> <div><b>Lifting The Veil Of Ignorance - An Experimental Investigation Of Preferences For Redistribution Of Wealth</b></div> <div><b><u>Elisa Stumpf</u><sup>1</sup>, <u>Silke Uebelmesser</u><sup>1,2</sup></b></div> <div><sup>1</sup>Friedrich Schiller University Jena, Germany; <sup>2</sup>CESifo</div> <div>We conduct a large-scale online survey in Germany to study beliefs about wealth inequality and preferences for wealth redistribution. First, we examine participants' knowledge of the German wealth distribution and their position in it. Second, we investigate the impact of an information experiment on redistribution preferences. One group receives information on the wealth distribution's shape, while another learns their position in it. We find no significant average treatment effects in the full sample. However, those overestimating their position reduce their inequality aversion after learning their position, while those underestimating it are more likely to believe anyone can become successful through hard work. We employ a data-driven approach to investigate heterogeneity in treatment effects and present evidence that younger participants decrease their support for redistribution after learning about the shape of the wealth distribution. In contrast, older participants decrease their support after learning their position in the distribution.</div> <div> <a href="#">Stumpf-Lifting The Veil Of Ignorance-490.pdf</a></div> <hr/> <div><b>Determinants of the Spousal Age Gap in India: Analysis of Indian Microdata</b></div> <div><b><u>Praveen Praveen</u><sup>1</sup>, <u>Suddhasil Siddhanta</u><sup>2</sup></b></div> <div><sup>1</sup>Gokhale Institute of Politics and Economics, India; <sup>2</sup>Gokhale Institute of Politics and Economics, India</div> <div>Employing data from the 61st and 68th National Sample Survey data rounds, our analysis uncovers socio-economic determinants of the spousal age gap (SAG) in India, demonstrating an "inverted U-shape" pattern. We identify that employment in similar white-collar professions is associated with smaller SAGs. In rural settings, transitional household dynamics contribute to reduced age disparities, underscoring the influence of family structure. Furthermore, the limited availability of white-collar jobs regionally exacerbates SAGs, indicating occupational stigma's impact. The expansion of urban white-collar employment in 2004-05 initially narrowed SAGs, though this effect diminished by 2011-12. Additional factors such as household income and demographic pressures are also significant. Our findings suggest that the abandonment of arranged marriages, combined with socio-economic progress, educational gender equity, partnership economics, and shared normative standards, could serve as catalysts for reducing or inverting SAGs, offering new perspectives on age hypergamy in India.</div> <div> <a href="#">Praveen-Determinants of the Spousal Age Gap in India-263.pdf</a></div> <hr/> <tr><td>1:30pm - 3:30pm</td><td><div><b>D04: Mental Health &amp; Social Insurance</b></div><div>Location: <b>Room RB 105 (Rajská building)</b></div><div><b>Mental Health and the Targeting of Social Assistance</b></div><div><b><u>Canishk Naik</u></b></div><div>London School of Economics and Political Science, United Kingdom</div><div>The mentally-ill are at higher risk of needing to use income-support programs. However, psychological evidence suggests poor mental health increases the incidence of administrative burdens, raising concern about whether social assistance programs screen the mentally-ill efficiently. So far, the welfare consequences of such an inefficiency have been undocumented. I use administrative data from the Netherlands and show that eligible people with poor mental health receive social assistance around the same amount as the healthy. My theoretical framework shows that this correlation test is insufficient for characterizing welfare when take-up is driven by need vs ordeal-incidence: both could depend on mental health. I derive sufficient-statistics formulas for marginal welfare effects of changes in the costs and benefits of take-up separately. Administrative burden disproportionately screens out people with poor mental health, but the mentally-ill also value benefits more. These empirical estimates suggests reducing ordeals is about three times better than increasing benefits.</div><div> <a href="#">Naik-Mental Health and the Targeting of Social Assistance-200.pdf</a></div><hr/><div><b>Health Effects of Cash Transfers - Evidence from the Finnish Basic Income Experiment</b></div><div><b><u>Kari Hämäläinen</u><sup>1</sup>, <u>Miska Simanainen</u><sup>2</sup>, <u>Jouko Verho</u><sup>1</sup></b></div><div><sup>1</sup>VATT Institute for Economic Research, Finland; <sup>2</sup>The Social Insurance Institution of Finland</div><div>This study provides causal evidence that cash-transfer programs have potential to alleviate the income-health trap in advanced countries. We utilize variation provided by the Finnish basic income experiment which increased the average income of 2,000 randomly selected unemployed by 8–10% during the years 2017–2018. Our estimates imply that the experiment reduced both the use and the costs of psychotropic drugs by 8–11%. While these effects are stronger for less severe mental disorders, the results also suggest a reduction in mental health related specialized care.</div><div> <a href="#">Hämäläinen-Health Effects of Cash Transfers-433.pdf</a></div><hr/><div><b>Expansion of Cash Transfer for the Elder and Elderly Suicide Rates</b></div><div><b><u>Hwanoong Lee</u>, <u>Changsu Ko</u></b></div><div>Korean Institute of Public Finance, Korea, Republic of (South Korea)</div><div>This study examines the causal impact of expanding the elderly welfare expenditure in South Korea on the elderly suicide rate, utilizing changes in the Basic Pension system as an instrumental variable. We find that an increase in welfare expenditure significantly lowers suicide rate among those 65+, especially in men over 80. Lastly, our analysis of elderly households' income and consumption indicates that while total income remained stable, consumption rose following enhanced public income transfers. 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	<div><div><sup>1</sup>University of Cologne, Germany; <sup>2</sup>LMU Munich, Germany; <sup>3</sup>ifo Institute, Germany</div><div>One potential factor that contributes to the gender earnings gap is the joint taxation of spouses. However, quantifying the impact of joint taxation on earnings has been challenging due to the lack of exogenous variation and the simultaneous influence of traditional gender norms. To address these challenges, we exploit the introduction of joint taxation for same-sex couples in Germany in 2013. This allows us to analyze the entire population of same-sex couples who file taxes jointly using newly linked administrative income tax return data. To determine the effects of joint taxation, we employ a difference-in-differences approach using different-sex couples as the control group. Our findings reveal that same-sex secondary earners experience a significant decrease in earnings after filing taxes jointly, leading to a substantial widening of the partner pay gap. Primary earners also reduce their earnings, although not as substantial, suggesting that the income effect is stronger than the substitution effect for them.</div><div> <a href="#">Neisser-Disentangling Gender Norms and Tax Incentives-163.pdf</a></div></div>
	<div><div><b>Revealed Vs. Stated Preferences: On the Politics of Couple Taxation</b></div><div><b>Felix Bierbrauer<sup>1</sup>, Maximilian Blömer<sup>2</sup>, Andreas Peichl<sup>3</sup>, Daniel Weishaar<sup>4</sup></b></div><div><sup>1</sup>University of Cologne, Germany; <sup>2</sup>ifo Institute, Germany; <sup>3</sup>LMU Munich &amp; ifo Institute, Germany; <sup>4</sup>LMU Munich, Germany</div><div>The taxation of couples is a recurring theme in academic debate. In this paper, we explore whether political economy arguments can explain the persistence of joint taxation in Germany. We contrast two different methodologies to answer this question. First, we estimate recently developed sufficient statistics to determine the share of winners and losers from a reform towards individual taxation based on observed behavior, i.e., revealed preferences. Second, we ran a large scale survey experiment to elicit stated preferences and attitudes regarding the taxation of couples among a representative sample of the German population. Both methods consistently show that the tax treatment of couples in Germany is highly controversial. Relying on revealed preferences, the support for a reform towards individual taxation barely passes the majority threshold. According to stated preferences, support for such an elimination of income splitting is even lower, but varies strongly across household types and political party preferences.</div><div> <a href="#">Bierbrauer-Revealed Vs Stated Preferences-170.pdf</a></div></div>
	<div><div><b>Gender Identity And Relative Income - The Role Of Couples' Taxation</b></div><div><b>Judith Herrmann<sup>1,2</sup>, Mara Rebaudo<sup>1,2</sup></b></div><div><sup>1</sup>Fraunhofer FIT, Germany; <sup>2</sup>University of Freiburg, Germany</div><div>Despite female advances in the labor market, it remains a quasi-universal norm that men spend more time on paid work, while women spend more time on housework and child-care. In this paper, we study the importance of the male breadwinner norm by recurring to a large administrative dataset for Germany. Specifically, we analyze whether a discontinuity at the point of equal incomes exists which is interpreted as couples' avoidance of violating the male breadwinner norm. We stratify the sample in several ways to gain insights into the channels driving the discontinuity. Furthermore, we focus on the role of tax incentives' on the intra-couple income distribution.</div><div> <a href="#">Herrmann-Gender Identity And Relative Income-413.pdf</a></div></div>
1:30pm - 3:30pm	<div><div><b>D06: Energy Prices &amp; Fairness</b></div><div>Location: <b>Room RB 106 (Rajská building)</b></div><div><b>Pareto-improving Climate Policy With Heterogeneous Abatement Costs In The Building Sector</b></div><div><b>Matthias Kalkuhl<sup>1,3</sup>, Maximilian Kellner<sup>1</sup>, Noah Kögel<sup>1,3</sup>, Lennart Stern<sup>1,2</sup></b></div><div><sup>1</sup>MCC Berlin, Germany; <sup>2</sup>PIK Potsdam, Germany; <sup>3</sup>University Potsdam, Germany</div><div>We build a model in which home owners decide when to switch to carbon-neutral heating and investments in energy efficiency. Agents differ with regard to abatement costs, home ownership, labor productivity and time they are alive. The investment model is nested in an overlapping generations Mirrlesian optimal taxation model. We develop a compensation mechanism which guarantees a Pareto-improvement consisting of five key components: (1) carbon pricing, (2) a category-based transfer based on building characteristics exactly compensating carbon prices, (3) uniform ad-valorem subsidies on investments and operational costs associated with decarbonizing a building, (4) public debt to finance the ad-valorem subsidies and (5) income tax adjustments based on climate mitigation benefits to service debt. We show that exact compensation only depends on the interest rate, fossil fuel price path and ambition of climate policy.</div><div> <a href="#">Kalkuhl-Pareto-improving Climate Policy With Heterogeneous Abatement Costs-485.pdf</a></div></div> <div><div><b>Unveiling the Energy Price Tag - Assessing the Regressivity of Household Energy Expenditures Among European Countries</b></div><div><b>Ivan Ackermann, Doina Radulescu</b></div><div>University of Bern, Switzerland</div><div>The uptick in energy prices has sparked concerns about the equity of the distribution of energy expenditures across households.</div><div>We employ data from the European Household Budget Survey for 19 European countries and the years 2010, 2015, and 2020 to gauge the level of inequality through concentration indices of energy expenditures and Kakwani indices. In 2020, the proportion of equivalent disposable income allocated to energy expenses for the lowest income quintile ranges from 7.5% in Luxembourg to 30.1% in Croatia. All countries analysed exhibit regressive energy expenditures. Significant variations exist in the degree of regressivity. Luxembourg stands out with the highest regressivity at -0.26, while Bulgaria features the least regressivity with a value of -0.07. We also analyze the distinct impact of various socio-demographic factors on energy expenditure inequality. Taking Germany as an example, our findings reveal that the household type, accounts for nearly 63% of the concentration index.</div><div> <a href="#">Ackermann-Unveiling the Energy Price Tag-241.pdf</a></div></div> <div><div><b>Political Backlash Against Cliamte Policy: The Electoral Costs Of Renewable Energy In A Multilayer Government</b></div><div><b>Daniel Favre De Noguera<sup>1,2</sup>, Albert Solé-Ollé<sup>1,2</sup>, Matteo Gamalerio<sup>1,2</sup></b></div><div><sup>1</sup>Universitat de Barcelona, Spain; <sup>2</sup>Institut d'Economia de Barcelona</div><div>The factors determining the allocation of renewable energy facilities and their effects are questions of growing interest. Using data on all wind farms and solar farms installed in Spain and electoral results at the municipal level from 1991 to 2019, we conduct a diffin-diff event-study to determine the effect of siting these facilities on different electoral outcomes. Our findings reveal that siting a wind farm results in an electoral loss of 2.2 percentage points for the party incumbent at the regional level, while the local incumbent faces no significant punishment. However, when we perform heterogeneity estimation based on political alignment, the electoral loss increases to 4.8% for the party holding office at the regional level on those municipalities in which both layers of government are aligned, while the local incumbent in aligned municipalities experience a 2.2% loss of their vote-share.</div><div> <a href="#">Favre De Noguera-Political Backlash Against Cliamte Policy-414.pdf</a></div></div>
1:30pm - 3:30pm	<div><div><b>D07: Measuring Within-Country Income Inequality</b></div><div>Location: <b>Room RB 107 (Rajská building)</b></div><div><b>A Tax-Data Based Analysis of Japanese High-Income Earners</b></div><div><b>Shigeki Kunieda<sup>1</sup>, Yasutaka Yoneta<sup>2</sup></b></div><div><sup>1</sup>Chuo University; <sup>2</sup>National Tax College</div><div>In this paper, we consider the income distribution of Japanese high-income earners using micro tax data provided by National Tax Agency for the first time in Japan.</div><div>While wage income is the most important income for most of high-income earners, stock capital gains are the most important income for the very top high-income earners. Pareto coefficient of total income in Japan is about 1.45 in 2020. This is much lower than the previous estimates of Pareto coefficients 2.1 in 2003. Different from the existing studies based on data without capital gains, our lower Pareto coefficient estimate shows income concentration toward the super-rich in Japan. The tax burden rate increases with income until about 100 million Japanese yen but decreases beyond it. This regressivity occurs since Japanese income tax system imposes lower tax on capital income. To restore income redistribution function, capital income tax rate should be raised in Japan.</div><div> <a href="#">Kunieda-A Tax-Data Based Analysis of Japanese High-Income Earners-248.pdf</a></div></div> <div><div><b>Anatomy of Inequality and Income Dynamics in France</b></div><div><b>Philippe Aghion<sup>1</sup>, Vlad Ciornohuz<sup>2</sup>, Maxime Gravoueille<sup>3</sup>, Stefanie Stantcheva<sup>4</sup></b></div><div><sup>1</sup>College de France, INSEAD, London School of Economics; <sup>2</sup>University College London; <sup>3</sup>Monash University; <sup>4</sup>Harvard University</div><div>This paper examines income inequality and dynamics in France, using exhaustive administrative panel data. We find that the market income distribution is highly unequal, with the top 1% receiving around 6% of the income. Income</div></div>












	<p>mobility is characterized by strong persistence at all income levels and for all age groups. Using a non-parametric framework that accounts for differences in income risk along the market income distribution, we reveal significant differences in income growth moments. Our findings indicate that the distribution of growth rates has high variance, excess skewness, and fat tails. We also investigate the role of redistribution as an insurance tool against income risk and find that transfers are particularly pivotal in reducing income risk for the lower part of the income distribution. We show substantial heterogeneity in income risk across locations, education and occupation groups, and the share of capital in total income.</p> <p> <a href="#">Aghion-Anatomy of Inequality and Income Dynamics in France-292.pdf</a></p> <hr/> <p><b>Inequality And The Corporate Sector</b> <b>Conor Clarke<sup>1</sup>, Wojciech Kopczuk<sup>2</sup></b> <sup>1</sup>Washington University in St. Louis, United States of America; <sup>2</sup>Columbia University, United States of America</p> <p>In recent years, the use of both individual tax data and national accounts data to study United States income inequality has been controversial, and one important piece of this controversy is the role of corporate income and the corporate sector. We provide a framework for thinking about the historical and conceptual relationship between income, inequality, and the corporate sector. We make several contributions. First, we assemble a variety of previously unused data to study the corporate sector in the long run. Second, we survey important long-run sectoral and legal changes to the allocation of income between the individual and corporate sector and the study of inequality. Third, we show that inequality measures are sensitive to how corporate income is imputed to individuals, and that the primary methods used in existing literature may understate top income shares before 1986.</p> <p> <a href="#">Clarke-Inequality And The Corporate Sector-638.pdf</a></p> <hr/> <p><b>Two Decades Of Top Income Shares In Honduras</b> <b>Santiago Garriga<sup>1</sup>, Giselle Del Carmen<sup>2</sup>, Wilman Nuñez<sup>3</sup>, Thiago Scot<sup>4</sup></b> <sup>1</sup>CEFIP-UNLP; <sup>2</sup>Enodo S.A; <sup>3</sup>SAR; <sup>4</sup>DIME, World Bank</p> <p>This paper presents distributional national accounts for Honduras over 2003- 2019, using survey microdata, administrative tax records, and national account aggregates. It assembles comprehensive data on formal income for high-income individuals, including information on corporate shareholders, which allows corporate profits to be assigned to their owners. The estimates suggest a high and persistent inequality in the country: the top 1 percent highest earners received approximately 30 percent of the total income over the period, placing Honduras among the most unequal countries in the world. Undistributed corporate profits are the overwhelming income source at the very top of the distribution, highlighting its importance in the measurement of income inequality. Finally, using a panel of tax records, the paper also documents that not only is inequality persistent, but the same individuals are often observed at the top, suggesting that the observed inequality has deep roots.</p> <p> <a href="#">Garriga-Two Decades Of Top Income Shares In Honduras-409.pdf</a></p> <hr/> <tr><td>1:30pm - 3:30pm</td><td><p><b>D08: Income Taxes and Firm Decisions</b> Location: <a href="#">Room RB 209 (Rajská building)</a></p><p><b>Behavioral Responses to a Discontinued Dividend Tax Reform</b> <b>Johan Holmberg<sup>2</sup>, Håkan Selin<sup>1</sup></b> <sup>1</sup>Institute for Evaluation of Labor Market and Education Policy (IFAU), Sweden; <sup>2</sup>Umeå School of Business, Economics and Statistics.</p><p>A growing literature in public and corporate finance emphasizes the role of intertemporal tax arbitrage for investment and firm activity, and several papers have documented salient anticipatory payout responses to pre-announced tax changes that were implemented as planned. We study an unusual event in the history of Swedish tax policy. An increase in the dividend tax on shares of closely held corporations, scheduled for January 1, 2018, was canceled at short notice. We examine how shareholders and firms reacted to the discontinued reform. Dividends accelerated in 2016 and 2017, but the impact of these financial operations on firm investment is unclear.</p><p> <a href="#">Holmberg-Behavioral Responses to a Discontinued Dividend Tax Reform-458.pdf</a></p><hr/><p><b>Firm Heterogeneity and the Incidence of Earned Income Tax Credits: Evidence from Italy</b> <b>Valeria Zurlo</b> CSEF University of Naples Federico II, Italy</p><p>This paper uses administrative data to analyze the incidence effects of an employer-administered EITC program in Italy. In a setting that allows to disentangle the wage from the employment effects of EITCs, I find no effect on gross wages at the market level. I explore the role of firm-level mechanisms as determinants of tax incidence. The reform creates more or less exposed firms as a share of their pre-reform eligible workers. Earnings of eligible workers in more exposed firms decrease compared to comparable less exposed firms. Highly exposed firms capture up to 30% of the transfer. The effect is monotonic in the share of eligible workers. Both higher rent-seeking incentives or higher salience can explain the results. The results show significant heterogeneity in the incidence of tax credits across firms and highlight that firm-level channels in the transmission of incidence of wage subsidies are likely to be significant.</p><p> <a href="#">Zurlo-Firm Heterogeneity and the Incidence of Earned Income Tax Credits-443.pdf</a></p><hr/><p><b>Tax Reforms and Production Efficiency</b> <b>Laurence Jacquet<sup>1</sup>, Etienne Lehmann<sup>2</sup></b> <sup>1</sup>CY Cergy Paris University, CNRS, THEMA, Cergy, France; <sup>2</sup>University Paris-Panthéon-Assas, CRED, France</p><p>We investigate how income should be redistributed in economies where taxpayers supply multiple production factors which may be imperfect substitutes. The production sector may exhibit market imperfections and be specifically impacted by some "production policies" including the taxation of intermediate goods (e.g. taxing robots), public production, trade openness and competition policies. 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The tax records reveal that almost 1 percent of Norwegian taxpayers declare owning cryptocurrencies. We show that, although distinctly younger, cryptocurrency owners are similar to owners of other kinds of assets in terms of wealth. Nonetheless, as cryptocurrencies are self-reported, the figures observed in tax returns are likely under-reported. In the second part of the paper, we attempt to account for this by merging tax record abstracts of all Norwegian taxpayers in 2021 with the list of depositors on the cryptocurrency platform Celsius as of April 2022. 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Nonetheless, as cryptocurrencies are self-reported, the figures observed in tax returns are likely under-reported. In the second part of the paper, we attempt to account for this by merging tax record abstracts of all Norwegian taxpayers in 2021 with the list of depositors on the cryptocurrency platform Celsius as of April 2022. 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	<div>have a particular impact on the investigative efforts of non-governmental actors, including journalists and civil society organizations.</div> <div> <a href="#">Haberly-The Regulation of Illicit Financial Flows-655.pdf</a></div> <hr/> <div><b>Cryptocurrencies And Tax Compliance</b></div> <div><b>Mona Barake<sup>1</sup>, Hjalte Fejerskov Boas<sup>2</sup></b></div> <div><sup>1</sup>Paris School of Economics; <sup>2</sup>University of Copenhagen</div> <div>Cryptocurrencies pose a new threat to tax enforcement. Their anonymous nature leaves tax authorities with few enforcement tools. In this paper, we provide the first direct evidence of cryptocurrency owner characteristics by matching transaction data from cryptocurrency platforms with tax records. We find a tax non-compliance of 93% and behavioral effects of increased tax enforcement.</div> <div> <a href="#">Barake-Cryptocurrencies And Tax Compliance-608.pdf</a></div> <hr/> <div><b>The Firm as Tax Shelter: Micro Evidence and Aggregate Implications of Consumption Through the Firm</b></div> <div><b>David Leite</b></div> <div>Paris School of Economics, France</div> <div>We present direct evidence that firms serve as tax-free consumption vehicles. Drawing on a unique combination of data from an electronic invoicing program in Portugal (“e-Fatura”) we show that individuals who control firms shift 36% of their monthly personal expenditures to firms and 31% of their household expenditures. The effects are driven by owner-managers of small closely-held firms through expenditure categories that lie on the border between business and final consumption, but spread among business managers all over the income distribution. Our results suggest that government revenue losses due to consumption through the firm amount to 1% of the GDP. Reallocating tax savings and personal expenditures hidden within firms to reported household income of business managers increases the Gini by one percentage point, and the top 1% income share by half percentage point.</div> <div> <a href="#">Leite-The Firm as Tax Shelter-180.pdf</a></div> <hr/> <tr><td>1:30pm - 3:30pm</td><td><div><b>D10: Voter Behavior</b></div><div>Location: <b>Room RB 112 (Rajská building)</b></div><div><b>Female Suffrage and Political Competition</b></div><div><b>Mark Schelker<sup>1</sup>, Lukas Schmid<sup>2</sup>, Florence Stempfel<sup>1</sup></b></div><div><sup>1</sup>University of Fribourg, Switzerland; <sup>2</sup>Universtiy of Lucerne, Switzerland</div><div>We study how the introduction of female suffrage affects political competition measured by the incumbency advantage. We link these phenomena through risk attitudes. 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We remarkably find that over 100 percent of the direct treatment effect spilled over to untreated household members. These spillovers reduced inequality also in voting among the older voters that were not part of the target group. Overall, our results exemplify how randomized controlled trials with a limited focus on the analysis of individuals in the treatment and control groups may lead to misestimating the compositional effects of get-out-the-vote interventions.</div> <div> <a href="#">Hirvonen-Who is Mobilized To Vote By Short Text Messages Evidence-581.pdf</a></div> <hr/> <tr><td>1:30pm - 3:30pm</td><td><div><b>D11: Optimal Taxation: Novel Approaches</b></div><div>Location: <b>Room RB 113 (Rajská building)</b></div><div><b>A Note on Optimal Taxation when Rank Matters</b></div><div><b>Thomas Aronsson<sup>1</sup>, Olof Johansson-Stenman<sup>2</sup></b></div><div><sup>1</sup>Umeå University; <sup>2</sup>University of Gothenburg, Sweden</div><div>This paper extends the Mirrleesian non-linear income taxation model, of the modern form as expressed by Diamond (1997) and Saez (2001), to the case where people also care about their ordinal income rank in society. It is concluded that preferences for rank induce externalities that tend to increase the optimal marginal tax rate, and that these effects may be substantial. This is despite the fact that the ordinal income rank is unaffected in the model for all individuals who work, implying that the modified taxes due to rank positionality are not due to governmental incentives to change the ordinal rank. While this is the first Mirrleesian model with concerns for rank, the results are in contrast to some related earlier results.</div><div> <a href="#">Aronsson-A Note on Optimal Taxation when Rank Matters-524.pdf</a></div><hr/><div><b>The Optimal Taxation of Network Goods</b></div><div><b>Enda Patrick Hargaden<sup>1</sup>, Andrew Hanson<sup>2</sup>, Matthew Harris<sup>2</sup></b></div><div><sup>1</sup>University College Dublin, Ireland; <sup>2</sup>University of Tennessee, Knoxville</div><div>We establish foundational results in dynamic consumption taxation. Network goods such as cellphones are an increasingly important part of the economy and require a different fiscal approach than non-network goods. Their</div></td></tr>	1:30pm - 3:30pm	<div><b>D11: Optimal Taxation: Novel Approaches</b></div> <div>Location: <b>Room RB 113 (Rajská building)</b></div> <div><b>A Note on Optimal Taxation when Rank Matters</b></div> <div><b>Thomas Aronsson<sup>1</sup>, Olof Johansson-Stenman<sup>2</sup></b></div> <div><sup>1</sup>Umeå University; <sup>2</sup>University of Gothenburg, Sweden</div> <div>This paper extends the Mirrleesian non-linear income taxation model, of the modern form as expressed by Diamond (1997) and Saez (2001), to the case where people also care about their ordinal income rank in society. It is concluded that preferences for rank induce externalities that tend to increase the optimal marginal tax rate, and that these effects may be substantial. 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	<p>consumption profile is dynamic, an aspect under-studied by the existing literature. Due to network effects, market growth today can increase willingness-to-pay tomorrow. This intertemporal externality changes the optimal tax rate through time. Optimality may require subsidization in early periods when demand is low followed by high subsequent taxes. These results also generalize to a wider class of goods with subtle network effects, including indoor dining during a pandemic.</p> <p> <a href="#">Hargaden-The Optimal Taxation of Network Goods-157.pdf</a></p> <hr/> <p><b>Top Income Taxation: Excess Burden, Social Welfare and the Laffer Curve</b></p> <p><b>Jacob Lundberg</b> Research Institute of Industrial Economics, Sweden</p> <p>This paper develops a comprehensive framework for analyzing the revenue, efficiency and social welfare implications of taxing top incomes. It generalizes the Saez (2001) formula for the optimal top tax rate by deriving analytical expressions for the Laffer curve and the excess burden. Applied to the 2021 U.S. top federal tax bracket, assuming a taxable income elasticity of 0.25, the study finds an excess burden of \$101 billion and a maximum potential revenue increase of \$111 billion. In contrast, other English-speaking countries and Germany are positioned closer to their Laffer curve peaks, whereas the Nordic countries studied are on the downward-sloping part of the Laffer curve. Additionally, the paper endogenizes the marginal social welfare weight on high-income earners and, following an inverse optimal taxation approach, concludes that in none of the studied countries does the observed top marginal tax rate appear consistent with a conventional welfarist social welfare function.</p> <p> <a href="#">Lundberg-Top Income Taxation-559.pdf</a></p> <hr/> <p><b>Welfare Effects of Income Tax Reform and Tax Evasion: Evidence from Chile</b></p> <p><b>Sebastián Castillo Ramos<sup>1</sup>, Romina Safojan<sup>2</sup></b></p> <p><sup>1</sup>University of Helsinki, Helsinki GSE, and the Finnish Centre of Excellence in Tax Systems Research (FIT), and WAPLAC, Finland; <sup>2</sup>Tilburg School of Economics and Management, Tilburg University, and Social Policy Research Institute (SPRI)</p> <p>Measuring the welfare consequences of tax change is critical for policy evaluation. Tax schemes are progressive and piecewise functions, and agents decide on different occupations with different evasion facilities. This paper studies the measure of welfare effects of tax change incorporating those elements. We model an economy with those elements, where self-employed bunch at the income bracket threshold and declare less income to face a smaller marginal tax rate than they owe. Later, we characterize the welfare effect of tax change. This characterization depends on evasion, occupational decisions, and frictions based on the tax system. Those elements produce a divergence with the use of the elasticity of taxable income or total earned income. Also, we propose a metric to estimate the marginal change in welfare based on a trapezoid. Lastly, we estimate the measure using a tax reform in Chile, showing the relevance of incorporating occupational decisions and tax evasion.</p> <p> <a href="#">Castillo Ramos-Welfare Effects of Income Tax Reform and Tax Evasion-233.pdf</a></p> <hr/>
1:30pm - 3:30pm	<p><b>D12: Taxing Small Firms</b> Location: <a href="#">Room RB 114 (Rajská building)</a></p> <p><b>The Double-Edged Sword: Unintended Consequences of SME Promotion Policy</b></p> <p><b>Athiphat Muthitacharoen<sup>1</sup>, Archawa Paweenawat<sup>2</sup>, Krislert Samphantharak<sup>3</sup></b></p> <p><sup>1</sup>Chulalongkorn University, Thailand; <sup>2</sup>Puey Ungphakorn Institute for Economic Research (PIER), Bank of Thailand; <sup>3</sup>University of California San Diego</p> <p>This paper uses administrative data from all registered Thai firms to investigate the unintended consequences of size-dependent regulations in SME promotion policies. Focusing on Thailand's 2011 introduction of a revenue cap for the SME tax incentive program, which mandates that firms must never exceed this threshold, we capitalize on this exogenous policy shift to assess its effects on firm's growth. Our study shows a marked bunching of firms just below the cap. A difference-in-differences analysis indicates that, following the cap introduction, eligible firms under the threshold exhibit a significant decline in revenue growth compared to those just above it. This adverse effect is more pronounced among firms with lower pre-policy profitability. We further document substantial negative effects on investment and profitability. Our findings highlight the paradox within size-based SME policies: while intended to help smaller businesses, the measures might inadvertently suppress growth and deter investment.</p> <p> <a href="#">Muthitacharoen-The Double-Edged Sword-221.pdf</a></p> <hr/> <p><b>Bargaining Over Taxes: Evidence From Zambian Firms</b></p> <p><b>Daniel Overbeck<sup>1</sup>, Eliya Lungu<sup>2</sup></b></p> <p><sup>1</sup>University of Mannheim; <sup>2</sup>Zambia Revenue Authority</p> <p>This paper shows that bargaining over tax payments is an important feature of tax compliance and enforcement in lower income countries. Analyzing the universe of administrative tax filings from Zambia, we document sharp bunching in (i) dominated regions above tax schedule discontinuities and (ii) at round number tax payments (not necessarily round turnover). Additional evidence from our own survey suggests that discussing tax payments with tax officials before filing taxes is widespread, consistent with tax payments being the outcomes of bargaining. Such bargaining over taxes is consistent with fact (ii), as bargaining outcomes are often round numbers, and with fact (i), because tax schedule discontinuities restrict the set of feasible bargaining outcomes. In contrast, alternative cannot rationalize the bunching patterns and are inconsistent with additional experimental survey evidence. Finally, we generalize the conventional Allingham Sandmo (1972) model and show that bargaining leads to pareto-improvements if state capacity is sufficiently low.</p> <p> <a href="#">Overbeck-Bargaining Over Taxes-345.pdf</a></p> <hr/> <p><b>Dynamics of Firm Growth Around Policy Thresholds: Evidence From India</b></p> <p><b>Keshav Choudhary<sup>1</sup>, Bhanu Gupta<sup>2</sup></b></p> <p><sup>1</sup>Max Planck Institute for Tax Law and Public Finance, Germany; <sup>2</sup>Ashoka University, Sonapat, India</p> <p>Promoting growth of small firms is an important policy concern. However, size-based policies can incentivize firms to remain below a threshold. Using the context of an Indian revenue-based tax registration threshold that affected only manufacturing firms but not services firms, coupled with administrative tax data, we examine how firm growth responds to the threshold. We find that firms respond by slowing down growth in reported revenue from far below the threshold. Our difference-in-difference estimates suggest this slowdown to be around 14 percentage points or roughly 42% of average growth. A lack of corresponding change in reported costs, along with heterogeneity analysis suggests an evasion response rather than a real response by firms. We modify the standard Allingham-Sandmo model of evasion to calculate deadweight loss due to a threshold in a dynamic setting and find that the welfare cost of a threshold can be substantial in the long run.</p> <p> <a href="#">Choudhary-Dynamics of Firm Growth Around Policy Thresholds-449.pdf</a></p> <hr/> <p><b>Estimating the Elasticity of Turnover from Bunching: Preferential Tax Regimes for Solo Self-employed in Italy</b></p> <p><b>Francesco Alosa</b> University of Bologna, Italy</p> <p>Turnover is a key indicator of economic activity, but we know little about how much entrepreneurs adjust it as a response to taxation. This paper exploits the notch created by the eligibility cut-off of the preferential turnover tax regime for solo self-employed in Italy to study turnover responses to taxation. I find substantial and significant bunching below the turnover threshold of the regime. Professionals, business intermediaries and retailers have the largest observed responses. I estimate the turnover tax elasticity in these three sectors by focusing on the marginal buncher. To do so, I build on Kleven and Waseem (2013) to develop a theoretical framework that fits the institutional set-up and rationalises the observed responses to it. Professionals have the largest turnover elasticity (0.066). Difference in compliance costs across regimes explains less than half of the observed responses, therefore highlighting the key role of low taxation for the observed bunching behaviour.</p> <p> <a href="#">Alosa-Estimating the Elasticity of Turnover from Bunching-387.pdf</a></p> <hr/>
1:30pm - 3:30pm	<p><b>D13: Information &amp; Compliance</b> Location: <a href="#">Room RB 115 (Rajská building)</a></p> <p><b>Self-employed Tax Evasion, Inequality and Earning Puzzle</b></p> <p><b>Paolo Di Caro<sup>1</sup>, Martina Bazzoli<sup>2</sup>, Francesco Figari<sup>3</sup>, Carlo Fiorio<sup>4</sup></b></p> <p><sup>1</sup>Italian Ministry of Economy and Finance, Italy; University of Rome La Sapienza; <sup>2</sup>FBK-IRVAPP - Research Institute for the Evaluation of Public Policies, Italy; <sup>3</sup>University of Piemonte Orientale, Italy; <sup>4</sup>University of Milan, Italy</p> <p>We construct a new linked survey-administrative dataset for Italy to show the relevance of heterogeneity among the self-employed for income evasion. We find that liberal professionals, sport and art performers underreport to tax authorities about 50% of their true income, which is almost three times the size of income underreporting detected on average for entrepreneurs. We also find that low-educated entrepreneurs evade more income than high-educated ones and provide explanation for this result. Then, we study the implications of evasion on income dis-tribution and</p>



	<p>earning differentials. We find that households at the 10th income decile generate about 80% of tax revenue losses due to self-employment income underreporting. We also show that the self-employment earning puzzle is reversed after accounting for evasion, with income gains of about 40% relative to salaried workers with differences across working status and edu-cational level.</p> <hr/> <p><b>Tax Sheltering Cost Among High-Income Taxpayers: Evidence from an Australian Tax Policy Change</b></p> <p><b>Arezou Zaresani<sup>1</sup>, Miguel Olivo Villabrille<sup>2</sup>, Robert Breunig<sup>2</sup></b></p> <p><sup>1</sup>The University of Sydney, Australia; <sup>2</sup>The Australian National University</p> <p>We present empirical evidence on the cost of tax sheltering among high-income taxpayers within progressive income tax systems. Exploring a unique personal income tax policy change in Australia, we use the “bunching” around the top tax kink to estimate the costs of tax sheltering and the Elasticity of Taxable Income (ETI). Our findings reveal substantial behavioural responses to tax changes among high-income taxpayers, particularly those with greater flexibility in income adjustment, suggesting that tax-sheltering behaviours play a pivotal role in their responses. When accounting for these costs, the estimated ETI significantly increases, emphasising the necessity of considering tax sheltering in tax policy analysis. We contribute to the ongoing discourse on optimal tax policy design and its impact on economic behaviour. Our findings have important implications for policy debates on whether high-income individuals should be taxed at higher rates.</p> <p> <a href="#">Zaresani-Tax Sheltering Cost Among High-Income Taxpayers-108.pdf</a></p> <hr/> <p><b>The Value Added of Paid Tax Preparers</b></p> <p><b>Hadar Avivi<sup>1</sup>, Katarzyna Bilicka<sup>2</sup>, Jakob Alexander Brounstein<sup>3</sup>, Felipe Lobel<sup>1</sup>, Alexander Yuskavage<sup>4</sup></b></p> <p><sup>1</sup>Utah State University; <sup>2</sup>University of California, Berkeley; <sup>3</sup>Institute for Fiscal Studies; <sup>4</sup>U.S. Department of the Treasury, Office of Tax Analysis</p> <p>We examine the use of paid tax preparers by individual taxpayers in the US between 2011 and 2019. We provide novel descriptive evidence characterizing the paid tax preparers and the users of their services. We show that over 55% of individuals use paid tax prepares and taxpayers who use paid tax preparers earn more than non-users, but claim significantly more credits at the same time. The average size of the tax preparer clientele varies with average income of clients and declines for clients with highest incomes, suggesting small specialized tax preparer networks for the richest clients. Second, we quantify the tax savings that paid preparers are able to offer their clients using a two-way fixed effect switchers model (AKM). Preliminary evidence suggests that while individual fixed effects determine the overwhelming majority of variation in effective income tax rates (ETRs), variation in paid preparer skill explains 10% of ETR inequality.</p> <p> <a href="#">Avivi-The Value Added of Paid Tax Preparers-320.pdf</a></p> <hr/> <p><b>Notary Offices as Tax-Enforcers</b></p> <p><b>Enlinson Mattos<sup>1</sup>, Jefferson Valentin<sup>2</sup></b></p> <p><sup>1</sup>FGV Fundacao Getulio Vargas, Brazil; <sup>2</sup>Sao Paulo Revenue Service</p> <p>This paper documents the impact of third-party enforcers on behavioral tax responses. Using administrative data from the wealthiest state in Brazil, we analyze the effect of a tax reform that designated notary officers as enforcers of gift tax liability. Our findings indicate a 3.8(1.3)-fold increase in the number (total sum) of reported gifts per semester, positively impacting tax liabilities. The reform led to smaller individual gifts, with the elasticity of taxable gifts close to 0.01, which is significant after the reform. These results suggest that the delegation policies, such as pre-auditing schemes, promote tax compliance in developing countries.</p> <p> <a href="#">Mattos-Notary Offices as Tax-Enforcers-201.pdf</a></p> <hr/> <td><b>1:30pm - 3:30pm</b></td> <td><p><b>D14: Long-Run Effects of Income Support Programs</b> Location: <b>Room RB 116 (Rajská building)</b></p><p><b>Rags to Rags: The Intergenerational Effects of the 1834 Poor Law</b></p><p><b>Jennifer Mayo<sup>1</sup>, Jon Denton-Schneider<sup>2</sup></b></p><p><sup>1</sup>University of Missouri, United States of America; <sup>2</sup>Clark University, United States of America</p><p>The Poor Law Amendment Act of 1834 drastically reduced welfare spending across England and Wales. Using a difference-in-differences approach, we find that the withdrawal of poor relief had a lasting effect. Boys and girls exposed to reductions in welfare spending as children are more likely to hold low-skilled occupations as adults, and grandchildren of those exposed are less likely to attend school. The results illustrate the ways in which social policy can affect future generations.</p><p> <a href="#">Mayo-Rags to Rags-277.pdf</a></p><hr/><p><b>Growing Up Over the Social Safety Net: The Effects of a Cash Transfer Program on the Transition to Adulthood</b></p><p><b>Matias Giacobasso</b> VATT, Finland</p><p>This paper presents novel evidence about the effects of a permanent, large-scale, and government-implemented cash transfer program, the Uruguayan PANES/AFAM-PE. I focus on three critical dimensions of individuals' transition to adulthood: education, fertility, and labor market decisions. I use a unique combination of individual-level administrative records that exhaustively describes the year-by-year trajectory of the effects. Using a Regression Discontinuity Design that exploits the use of a poverty score to define eligibility to participate in the program, I show that the program reduces women's teenage pregnancies by 9.4p.p., increases participants' early adulthood labor market participation by 6.4p.p., months worked by 4.4, and earnings by about 12%. The evidence on education outcomes is mixed but suggests a stronger attachment to the secondary education system. Consistent with a postponement of women's first birth being the main driver, changes in labor market outcomes are observed exclusively for women.</p><p> <a href="#">Giacobasso-Growing Up Over the Social Safety Net-146.pdf</a></p><hr/><p><b>The Impacts of the Family and Medical Leave Act on Women's Careers</b></p><p><b>Lea Bart</b> University of Michigan, United States of America</p><p>Despite being the only federally protected form of leave in the United States, relatively little is known about how being eligible for Family and Medical Leave Act (FMLA) protections affects women's post-birth labor market outcomes. This project uses administrative data on births (Census Household Composition Key) and quarterly earnings (LEHD-EHF and JHF) to compare post-birth employment and earnings outcomes for working women who give birth after 12 months in their jobs (and are eligible for FMLA leave) to those who give birth too soon in their jobs to qualify for FMLA leave. Eligibility for FMLA leave increases the probability women are employed the quarter after they give birth by 6.0%, and the probability they are employed six years later by 4.6%. FMLA eligibility also increases women's earnings both in the short- and long-term, such that eligible women earn over \$10,000 more over the first six years after giving birth.</p><p> <a href="#">Bart-The Impacts of the Family and Medical Leave Act on Womens Careers-181.pdf</a></p><hr/><p><b>New Deal, Same Compromise? The Long-Run Effects Of AFDC And The Consequences Of Racially Linked Welfare Policies.</b></p><p><b>Sheridan Fuller</b> Federal Reserve Board of Governors, United States of America</p><p>I use the implementation and sunset of “Man in the House” rules within state welfare programs to estimate the long-term impacts of families' access to economic resources through traditional welfare programs. “Man in the House (MITH)” rules limited families' participation in the welfare program on an extensive margin if welfare staff suspected non-marital relationships among program participants. I find that states' enforcement of MITH rules led to racially disparate declines in families' participation in AFDC. The invalidation of MITH rules by the U.S. Supreme Court in 1968 led to a 15 percent increase in Non-White families' participation in AFDC. I find high school completion declined among Black cohorts graduating after MITH rules contracted access to AFDC. Conversely, educational attainment increased among Black cohorts exposed to the invalidation of MITH. These results offer new evidence of the consequences of historical U.S. welfare policies that disparately impact families' access to public assistance.</p><p> <a href="#">Fuller-New Deal, Same Compromise The Long-Run Effects Of AFDC And The Consequences-633.pdf</a></p><hr/><td><b>1:30pm - 3:30pm</b></td><td><p><b>D15: VAT Administration</b> Location: <b>Room RB 203 (Rajská building)</b></p><p><b>Assessing The VAT In Indonesia: Insights Using Administrative Data</b></p><p><b>Jaffar Al-Rikabi, Isidro Guardarucci</b> The World Bank, United States of America</p></td></td>	<b>1:30pm - 3:30pm</b>	<p><b>D14: Long-Run Effects of Income Support Programs</b> Location: <b>Room RB 116 (Rajská building)</b></p> <p><b>Rags to Rags: The Intergenerational Effects of the 1834 Poor Law</b></p> <p><b>Jennifer Mayo<sup>1</sup>, Jon Denton-Schneider<sup>2</sup></b></p> <p><sup>1</sup>University of Missouri, United States of America; <sup>2</sup>Clark University, United States of America</p> <p>The Poor Law Amendment Act of 1834 drastically reduced welfare spending across England and Wales. 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Eligibility for FMLA leave increases the probability women are employed the quarter after they give birth by 6.0%, and the probability they are employed six years later by 4.6%. FMLA eligibility also increases women's earnings both in the short- and long-term, such that eligible women earn over \$10,000 more over the first six years after giving birth.</p> <p> <a href="#">Bart-The Impacts of the Family and Medical Leave Act on Womens Careers-181.pdf</a></p> <hr/> <p><b>New Deal, Same Compromise? 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This paper assesses key issues with the effectiveness, efficiency, and equity of the value-added-tax (VAT) in Indonesia using privileged access to a nine-year long panel dataset of VAT micro-level administrative data for 2011-2019. We derive eleven key findings on the real-life workings of the VAT in Indonesia, providing insights on key policy and administration issues, including on the VAT threshold, VAT preferential regimes, VAT credits/refunds, and VAT filing. Insights from this analysis served as an input into VAT reforms proposals put forward by the government of Indonesia as part of its fiscal consolidation efforts following the Covid-19 pandemic, which were legislated in the Tax Harmonization Law 7 of 2021.

 [Al-Rikabi-Assessing The VAT In Indonesia-643.pdf](#)

**Downstream Spillovers in Value Added Tax Enforcement**

**Haonan Li<sup>1</sup>, Xuan Wang<sup>2</sup>**

<sup>1</sup>Southwestern University of Finance and Economics; <sup>2</sup>Peking University

The Value-Added Tax (VAT) system is globally adopted due to its perceived self-enforcing nature along the production chain. However, evidence on the chain effect on enforcement is limited. We investigate a presumptive tax reform in China's agricultural product processing industry and evaluate the enforcement effect throughout the production chain. Employing administrative tax return data from 2009 to 2015 and a staggered difference-in-differences estimation strategy, we show that the reform increased VAT revenue by 28.5% and decreased taxable output in the treated group. This upstream crackdown on VAT evasion significantly impacted enforcement along the VAT chain: downstream food wholesale and retail remitted 12.7% more VAT; furthermore, exporting refund claims, a vulnerable aspect of VAT collection, decreased by 28.3%.

 [Li-Downstream Spillovers in Value Added Tax Enforcement-338.pdf](#)

**Consumption Taxes And Corporate Income Taxes: Evidence From Place-Based VAT**

**Jules Ducept<sup>1,2</sup>, Evangelos Koumanakos<sup>3</sup>, Panayiotis Nicolaidis<sup>1</sup>**

<sup>1</sup>EU Tax Observatory, Paris School of Economics; <sup>2</sup>Center for Economics at Paris-Saclay; <sup>3</sup>Hellenic Open University

Using a quasi-experimental setting, we document that corporations decrease declared profits and corporate income taxes in response to an increase in the VAT rate. In an attempt to raise tax revenue during the Greek economic crisis, a 16% VAT rate, which existed for historicopolitical reasons in Greek islands, was harmonised to the national 24% rate. We combine tax filings with Orbis and ICAP data that enable us to geolocate corporations and to construct comparable groups based on locations in or out of the preferential rate. Counteracting the reform's intended effect, declared profits decreased by 28% and corporate income taxes by 34% on a permanent basis. Macroeconomic factors and a fall in reported revenue cannot fully explain this decrease. Pervasive tax evasion in the Greek islands, where corporations might have an opportunity to adjust profits, offers a plausible explanation of the magnitude of responses.

 [Ducept-Consumption Taxes And Corporate Income Taxes-274.pdf](#)

**VAT Expenditures in France, Germany and Poland – Comparing Selected Methodology and Functionality Aspects**

**Malgorzata Hybka**

Poznan University of Economics and Business, Poland

VAT efficiency is shaped by multiple factors. Especially provisions that are diverging from the harmonized European Union model may influence collection performance. The latter include tax expenditures which are considered to be an alternative to direct spending and therefore should be incorporated in the process of making budgetary decisions. This paper attempts to examine tax expenditures in France, Germany and Poland. It contains a comparative analysis of their selected features. It is aimed at addressing the following questions: what are the differences between the countries when it comes to the classification of tax preferential treatments? what are the main VAT expenditures and revenue loss incurred by the largest of them? While enquiring into the concept of VAT expenditures it gives consideration to the degree of diversity in their assessment, structure, scale and value. The paper illustrates a need for increased transparency of tax expenditures evaluation and unification of adopted measures.








 [Hybka-VAT Expenditures in France, Germany and Poland – Comparing Selected Methodology and-589.pdf](#)



1:30pm - 3:30pm

**D16: Macro Public Finance: Structural Approaches**

Location: **Room RB 204 (Rajská building)**












	<div><div><b>Public Debt, Interest Rates and Wealth Inequality</b></div><div><b>William Ben Peterman, Erick Sager</b> Federal Reserve Board of Governors, United States of America</div><div><p>The U.S. federal debt-to-GDP ratio has doubled since the Great Recession, highlighting the importance of understanding the relationship between this debt and long term interest rates. Previous work finds empirically that a one percentage point increase in debt leads to a two-and-a-half basis point increase in interest rates. This paper revisits these estimates and finds they are particularly sensitive to the assumption for ongoing fiscal policy leading to a potentially even smaller relationship. Further, the relationship may vary with different types of debt financed fiscal policy so we estimate if the elasticity varies with respect to three dimensions (i) whether the change in debt is due to a legislative or macroeconomic shock, (ii) whether the change in debt is due to a change in discretionary outlays, mandatory outlays, or revenues, and (iii) how much wealth inequality exists in the economy. Overall, the results point to a fairly small elasticity.</p><div> <a href="#">Peterman-Public Debt, Interest Rates and Wealth Inequality-481.pdf</a></div></div></div>
	<div><div><b>Public Debt in Calibrated OLG Models: Fiscal Arithmetic versus Welfare Analysis</b></div><div><b>Jakob Hussmann, Johannes Brumm</b> Karlsruhe Institute of Technology, Germany</div><div><p>We analyze public debt policies within a calibrated stochastic OLG model with distortionary taxation. The risk-free interest rate is realistically sensitive to public debt and lower than the growth rate. The risky rate is substantially higher due to convenience benefits of public debt, idiosyncratic return risk, and aggregate risk. To discern fiscal and welfare perspective, we define and compare deficit-maximizing debt (DMD) and welfare-maximizing debt (WMD). Although free-lunch deficits can reduce tax distortions, DMD tends to exceed WMD. Both rise if the risk-free rate falls due to increases in risk or convenience benefits, but not necessarily if it falls due to lower growth or government spending. Taking market power into account barely changes DMD yet substantially reduces WMD. When wealth inequality is included, the middle class favors debt lower than the WMD in the representative agent case, whereas the rich favor much higher debt-to-GDP ratios.</p><div> <a href="#">Hussmann-Public Debt in Calibrated OLG Models-346.pdf</a></div></div></div>
	<div><div><b>The European Unemployment Puzzle: Implications from Population Aging</b></div><div><b>Joanna Tyrowicz, Krzysztof Makarski, Sylwia Radomska</b> FAME GRAPE, Poland</div><div><p>We study the link between the evolving age structure of the working population and unemployment. We build a large new Keynesian OLG model with a realistic age structure, labor market frictions, sticky prices, and aggregate shocks. Once calibrated to the European economy, we quantify the considerable extent to which demographic changes over the last 30 years contribute to the decline of unemployment rate. Our findings have important policy implications given the expected aging of the working population in Europe. Furthermore, lowering inflation volatility is less costly in terms of higher unemployment volatility. It suggests that optimal monetary policy is more hawkish in the older society. Our results hint also at a partial reversal of the European-US unemployment puzzle due to the fact that in the US the share of young workers is expected to remain robust.</p><div> <a href="#">Tyrowicz-The European Unemployment Puzzle-570.pdf</a></div></div></div>
	<div><div><b>Bad Luck or the Euro? TFP growth in Finland</b></div><div><b>Elina Berghäll</b> VATT Institute for Economic Research, Finland (not for this paper)</div><div><p>After the Global Financial Crisis, productivity growth in many Euro Area countries fell behind non-Euro EU and other developed countries. While various explanations have been put forward, little has been said on the role of the Euro in decelerating recovery from exogenous shocks. Many prior applications of the synthetic control method (SCM), suitable to analyze the productivity impact of the Euro, have excluded crises altogether, made false assumptions or violated other underlying requirements. With a transparent and manipulation-free SCM application to Finland, results reveal the inability of this previously highly competitive economy to recover from exogenous shocks and restore prior productivity growth despite the implementation of various remaining available policy measures. Extensive robustness checks confirm a huge welfare loss.</p><div> <a href="#">Berghäll-Bad Luck or the Euro TFP growth in Finland-478.pdf</a></div></div></div>
1:30pm - 3:30pm	<div><div><b>D17: Fiscal Federalism</b> Location: <b>Room RB 205 (Rajská building)</b></div><div><div><b>Bailouts, Fiscal Austerity, And Consolidation Strategies</b></div><div><b>Maximilian Thomas, Zohal Hessami</b> Ruhr-Universität Bochum, Germany</div><div><p>Are austerity programs successful in reducing deficits and how do they affect public finances and the economy more generally? We examine the consequences a municipal debt relief program by the Hessian state government in 2012 which provided partial debt relief to 78 municipalities while enforcing budget balance. We compile a novel dataset for 421 municipalities (2007-2016 period) and combine propensity score matching with a difference-in-differences design to identify causal effects. Targeted municipalities consolidate their budgets by increasing local property and business tax rates as well as cutting social and personnel expenditures. Overall, we find no adverse effects on local economic activity in bailout municipalities. However, women are more affected by consolidation induced public sector job cuts than men. We also detect a substantial negative impact of program participation on construction activity and house prices (in smaller municipalities).</p><div> <a href="#">Thomas-Bailouts, Fiscal Austerity, And Consolidation Strategies-517.pdf</a></div></div></div><div><div><b>Local Government Fiscal Policy Responses To Federal Tax Reforms</b></div><div><b>Paul Steger</b> ZEW Mannheim / University of Mannheim, Germany</div><div><p>In decentralized nations like Switzerland and Germany, local taxes are linked to tax schedules determined by superior governments. In such systems, a change to the tax schedule creates a vertical tax externality and affects local governments' budgets downstream. To investigate this mechanism, I put forward a model of residence-based income tax competition</p><p>model with local taxes linked to a federal tax schedule. Comparative statics show that municipalities counteract federal tax changes by raising their own taxes (partially) undoing federal tax changes. A higher degree of tax competition shifts the fiscal adjustment more to reduced public good spending. To provide empirical evidence for the theoretical predictions, I exploit cantonal variation in income tax policy across 19 Swiss cantons and find that, municipalities in treatment cantons increase their own taxes and reduce public expenditure and investment. Municipalities more exposed to tax competition put more focus on investment and expenditure than taxation.</p><div> <a href="#">Steger-Local Government Fiscal Policy Responses To Federal Tax Reforms-575.pdf</a></div></div></div><div><div><b>Institutional Tax Salience: Evidence from Germany</b></div><div><b>Georg Thunecke<sup>1</sup>, Gabriel Loumeau<sup>2,3</sup></b></div><div><p><sup>1</sup>Max Planck Institute for Tax Law and Public Finance; <sup>2</sup>Vrije Universiteit Amsterdam; <sup>3</sup>CESifo</p><p>This paper studies the effect of salient fiscal rules on public institutions. To retrieve the causal effect of salience on tax setting behavior and the soundness of local public accounts, we exploit both across- and within-variation in the visibility of reference rates in the German Lander's fiscal equalization systems. We find that, more than the need to recover lagged data or interjurisdiction comparison, mathematical operations – mainly multiplications, averages, and rounding – are central determinants of non-salience. In turn, the inclusion of mathematical operations (especially if described in words without including a formula notation) leads to large errors in the tax setting strategies of municipalities which imposes significant and inefficient economic pressure on their finances.</p><div> <a href="#">Thunecke-Institutional Tax Salience-604.pdf</a></div></div></div><div><div><b>Local Consequences of the Dual Income Tax Reform</b></div><div><b>Sander Ramboer, Noora Kovalainen</b> VATT Institute for Economic Research, Finland</div><div><p>In 1993, Finland transitioned from a global or comprehensive income tax to a dual income tax (DIT) system. An overlooked side-effect of the reform was the removal of capital income from the local income tax base. Since local income taxes are an important source of revenue for Finnish municipalities, the reform resulted in negative revenue shocks where capital was concentrated. In this paper, we examine the local response to the change in the tax base and the increase in after-tax inequality. We first analyse the fiscal policy response to greater grant dependence but reduced tax competition due to the removal of the most mobile part of the income tax base. Next, we evaluate how</p></div></div></div>

	<p>election turnout and voting patterns change in response to the reduced taxation of capital income recipients and the associated rise in inequality, using the loss of taxable income as a salience mechanism.</p> <p> <a href="#">Ramboer-Local Consequences of the Dual Income Tax Reform-486.pdf</a></p>
1:30pm - 3:30pm	<p><b>D18: Special Session: The Impact of Tax Expenditures on Social Welfare and Inequality</b></p> <p>Location: <b>Room RB 206 (Rajská building)</b></p> <p>Session Chair: <b>Agustin Redonda</b>, Council on Economic Policies</p> <p>Discussant 1: <b>Tibor Paul Hanappi</b>, IMF</p> <p>Discussant 2: <b>Amina Ebrahim</b>, UNU-WIDER</p> <p>Discussant 3: <b>Ada Isobel Jansen</b>, Stellenbosch University</p> <p>Discussant 4: <b>John Silwimba</b>, Ministry of Finance and National Planning</p> <p>Session Chair: <b>Christian von Haldenwang</b>, IDOS</p> <p>Organized by <a href="#">Tax Expenditures Lab</a></p> <p><b>On the Redistributive Impact of the Personal Income Tax: An Emerging Economy Perspective</b></p> <p><b>Ida Zinke</b>, Nadine Riedel</p> <p>University of Muenster, Germany</p> <p> <a href="#">Zinke-On the Redistributive Impact of the Personal Income Tax-493.pdf</a></p>
3:30pm - 8:00pm	<p><b>Social Program II: Excursions</b></p>


















Date: Friday, 23/Aug/2024

9:00am - 10:30am	<b>Board II: IIPF Board of Management meeting II</b> Location: <b>Room RB 438 (Rajská building)</b>
9:00am - 10:30am	<b>E01: Taxation &amp; MNE Structure</b> Location: <b>Room RB 210 (Rajská building)</b>  <b>Taxes and The Location of Jobs Within Multinational Firms</b> <b>Sarah Clifford</b> University of Oxford, United Kingdom This paper investigates to what extent multinational enterprises relocate jobs internationally in response to taxes. The analysis uses detailed data on employment and investments of foreign multinational enterprises within the United Kingdom combined with tax reform variation in the country of the MNE headquarter. Preliminary analysis shows that labour taxes are important for the international location of jobs within the MNE.  <a href="#">Clifford-Taxes and The Location of Jobs Within Multinational Firms-299.pdf</a>  <b>Tax Complexity, Tax Department Structure, and Tax Risk</b> <b>Henning Giese<sup>1,2</sup>, Reinald Koch<sup>2,3</sup>, Caren Sureth-Sloane<sup>1,4</sup></b> <sup>1</sup> Paderborn University, Germany; <sup>2</sup> KU Research Institute for Taxation; <sup>3</sup> Catholic University of Eichstätt-Ingolstadt; <sup>4</sup> WU Vienna University of Economics and Business This study analyzes the implications of tax complexity for the structure of tax departments and tax risk. Using a hand-collected dataset of more than 7,500 tax department employees from 353 European listed multinational enterprises, we identify two potential sources of costs associated with tax complexity. First, we find that firms locate more tax department employees in countries with a high level of tax complexity. This association is particularly pronounced for high levels of complexity in the tax framework, such as tax filings, audits, and appeals. Second, we find that investments in high-tax complexity countries are associated with a higher tax risk than investments in low-tax complexity countries. However, this tax risk is lower for multinational firms with more tax department employees in these countries. Our results suggest that installing tax department employees in highly tax-complex countries is crucial in effectively managing tax risks.  <a href="#">Giese-Tax Complexity, Tax Department Structure, and Tax Risk-331.pdf</a>  <b>The Location of MNE Functions and Corporate Taxation</b> <b>Samuel Delpeuch, Ana Cinta González Cabral, Felix Hugger, Pierce O'Reilly</b> Organisation for Economic Co-operation and Development (OECD), Paris The location choices of multinational enterprises (MNEs) can significantly impact economic outcomes and are therefore of significant relevance for policy makers and a frequent topic of public debate. At the same time, individual MNE affiliates can fulfil various functions. This paper explores the role of corporate taxation in the allocation of functions within the MNE value chain using new comparative cross-country data on MNE functions taken from the Country-by-Country reporting (CbCR) data. The paper first provides an extensive description of the distribution of functions within MNEs and reveals striking differences in the functions of affiliates located in investment hubs versus non-hub affiliates. Second, the paper explores the tax-responsiveness of different MNE functions.  <a href="#">Delpeuch-The Location of MNE Functions and Corporate Taxation-471.pdf</a>
9:00am - 10:30am	<b>E02: Thin Capitalisation Rules</b> Location: <b>Room RB 103 (Rajská building)</b>  <b>Interest Limitation Rules and Tax-Aggressive Firms</b> <b>Anna Leszczylowska<sup>1</sup>, Robert Faff<sup>2</sup>, Aleksander Lozykowski<sup>3</sup></b> <sup>1</sup> Poznan University of Economics and Business; <sup>2</sup> Bond University; <sup>3</sup> SGH Warsaw School of Economics We examine whether tax-aggressive firms respond differently to interest limitation rules (ILRs) compared to the non-aggressive ones and whether, given the election right, the former prefer a certain type of ILRs (safe haven approach that restricts internal debt ratio versus earnings stripping rules) in order to maintain their tax-aggressive status. We exploit a quasi-natural experiment provided by the introduction of a hybrid system of ILRs in Poland. We use a unique data set consisting of micro-level information from tax authorities matched with Amadeus and complemented with more granular data from individual financial statements. We apply triple difference and logistic panel regressions. We do not find that the leverage responses of tax-aggressive and non-aggressive firms are statistically different among these two groups. However, the regressions based on tax return data show that tax-aggressive firms are more likely to escape earnings stripping rules and choose the traditional safe haven approach instead.  <a href="#">Leszczylowska-Interest Limitation Rules and Tax-Aggressive Firms-399.pdf</a>  <b>Tax Policy, Investment, and Firm Financing: Evidence from the U.S. Interest Limitation</b> <b>Lucas Goodman<sup>1</sup>, Adam Isen<sup>2</sup>, Jordan Richmond<sup>3</sup>, Matt Smith<sup>1</sup></b> <sup>1</sup> Department of the Treasury, Office of Tax Analysis; <sup>2</sup> Johns Hopkins University; <sup>3</sup> Princeton University This paper studies the impacts of limiting interest deductions on firms' investment and financing choices using U.S. tax data. The 2017 law known as TCJA implemented an interest limitation for big, high-interest firms. Using an event study design comparing big and small high-interest firms, we rule out economically significant impacts of the limitation on investment and leverage, and find evidence that the it led firms to increase equity issuance. A triple difference design that accommodates size-varying impacts of other policy changes yields similar results, as does a regression discontinuity design focusing on marginal firms just large enough to face the limitation. Our results indicate many firms do not use debt as their marginal source of financing and provide evidence consistent with capital structure models with fixed leverage adjustment costs. Furthermore, they suggest limiting interest is unlikely to have large impacts on investment or address concerns about rising corporate debt levels.  <a href="#">Goodman-Tax Policy, Investment, and Firm Financing-571.pdf</a>
9:00am - 10:30am	<b>E03: Taxing Wealthy Individuals</b> Location: <b>Room RB 209 (Rajská building)</b>  <b>Why Are The Rich More Sensitive To Tax Rates? Evidence From Mexico City</b> <b>Vedanth Nair</b> Institute for Fiscal Studies, United Kingdom Understanding how the tax rate elasticity varies across the distribution is crucial for determining optimal taxes. In Mexico City, a 1% increase in the property tax liability is associated with a 7 times larger reduction in compliance amongst the wealthy than the poor. Unlike similar findings for the elasticity of taxable income, this is not because the rich are able to access certain evasion / avoidance technologies, such as transferring labour to capital income. The results are also not explained by differences in the strength of enforcement across the distribution, or because tax rates are higher at the top. In other words, it seems that the rich are 'fundamentally' more sensitive to tax rates than the poor. Higher elasticities at the top of the distribution mean that the optimal tax structure will be less progressive.  <a href="#">Nair-Why Are The Rich More Sensitive To Tax Rates Evidence-172.pdf</a>  <b>Wealth Taxation and Portfolio Allocation</b> <b>Ségat Le Guern Herry</b> Sciences Po, France This paper investigates how wealth taxation affects households' portfolio choices. Leveraging a major wealth tax reform introduced in France in 2017, I estimate the degree of substitution between real estate and financial wealth. To identify causal effects, I use comprehensive administrative-linked income and wealth microdata for France and a difference-in-differences design comparing French residents to non-French residents subject to the wealth tax but not affected by the policy change. Five years after the reform, the stock of real estate held by French taxpayers decreased by an average of 6% This decrease in real estate is driven by investment rather than owner-occupied housing and is mirrored by a surge in dividend income. The reduced-form estimates can be converted into a cross-elasticity of 5: a 1 percentage point increase in the tax rate differential between real estate and financial assets leads to a 5% reallocation of households' housing stock to financial assets.  <a href="#">Le Guern Herry-Wealth Taxation and Portfolio Allocation-326.pdf</a>  <b>How to Improve Tax Compliance of the Richest? Evidence from Uganda</b> <b>Fabrizio Santoro<sup>1</sup>, Ronald Waiswa<sup>2</sup></b> <sup>1</sup> Institute of Development Studies; <sup>2</sup> Uganda Revenue Authority In Uganda, the revenue authority launched a unit to monitor the tax affairs of the richest, both high net-worth individuals and very important people. We evaluate the impact of such policy on tax filing and payment outcomes of

	<p>targeted taxpayers, with a standard difference-in-difference framework. We show that the policy has been only partially successful. While the unit increased the probability to file, especially of VIPs, it produced a strategic response by which taxpayers declare less on different margins, with no impacts on tax liability. On tax payments, only a small impact on tax collected is measured, again due to complex offsetting responses across tax heads. Importantly, we also measure the spillover effect on companies associated with the richest – documenting again complex compensating reactions and no meaningful impacts. Lastly, we show that, while deterrence is more effective on HNWLs, taxpayer assistance and public shaming are more relevant for VIPs.</p> <p> <a href="#">Santoro-How to Improve Tax Compliance of the Richest Evidence-182.pdf</a></p>
9:00am - 10:30am	<p><b>E04: The Political Economy of Externalities</b> Location: <a href="#">Room RB 104 (Rajská building)</a></p> <p><b>Analyzing Climate Change Policy Narratives with the Character-Role Narrative Framework</b> <b>Kai Gehring, Matteo Grigoletto</b> University of Bern, Switzerland</p> <p>Understanding behavioral aspects of collective decision-making is an important challenge for economics, and narratives are a crucial group-based mechanism that influences human decision-making. This paper introduces the Character-Role Narrative Framework as a tool to systematically analyze narratives, and applies it to study US climate change policy on Twitter over the 2010-2021 period. We build on the idea of the so-called drama triangle that suggests, within the context of a topic, the essence of a narrative is captured by its characters in one of three essential roles: hero, villain, and victim. We show how this intuitive framework can be easily integrated into an empirical pipeline and scaled up to large text corpora using supervised machine learning. In our application to US climate change policy narratives, we find strong changes in the frequency of simple and complex character-role narratives over time.</p> <p> <a href="#">Gehring-Analyzing Climate Change Policy Narratives with the Character-Role Narrative-661.pdf</a></p> <hr/> <p><b>The Effect Of Information Framing On Policy Support: Experimental Evidence From Urban Policies</b> <b>Johanna Arlinghaus, Théo Konc, Linus Mattauch, Stephan Sommer</b> TU Berlin, Germany</p> <p>Does information influence policy support? We administer a large-scale representative survey with randomised video treatments to test how different policy frames affect citizens' attitudes towards urban tolls in two large European metropolitan areas without tolls, Berlin-Brandenburg and Paris-Ile de France. Providing information on air pollution increases support by up to 11.4%p, information on climate change and time savings increase support by 7.1 and 6.5 %p, respectively. Treatment effects are stronger in the Paris region, where initial support is lower. We also investigate treatment effect heterogeneity across different socioeconomic characteristics as well as by prior beliefs held about the severity of environmental and traffic problems, and we find weak spillovers of our treatment on the support of other policies. Our findings imply that targeted communication of policy co-benefits can increase policy support across different population groups.</p> <p> <a href="#">Arlinghaus-The Effect Of Information Framing On Policy Support-488.pdf</a></p> <hr/> <p><b>Externalities and the Erosion of Trust</b> <b>Gianmarco Daniele<sup>1</sup>, Andrea Martinangeli<sup>2</sup>, Francesco Passarelli<sup>3</sup>, Willem Sas<sup>4</sup>, Lisa Windsteiger<sup>5</sup></b> <sup>1</sup>University of Milan and Bocconi University; <sup>2</sup>Burgundi School of Business; <sup>3</sup>University of Turin and Bocconi University; <sup>4</sup>University of Stirling and KU Leuven; <sup>5</sup>University of Salzburg and ifo Institute</p> <p>We present a theory linking political and social trust to explain trust erosion in modern societies. Individuals disagree on the seriousness of an externality problem, which leads to diverging policy opinions on how to solve it. As a result, disappointment with the policy rule enacted by the government breeds institutional distrust. Individuals who are more worried blame the government because the rule is too lenient. The less worried blame it because they find the rule too intrusive. Second, this heterogeneity in individuals' concern levels also fuels social distrust. The more individuals are worried, the more they distrust others who are not complying with the rules. Our experimental survey conducted in four European countries shows how these trust dynamics came to the surface during the Covid-19 pandemic. We also find that support for the welfare state erodes alongside sliding trust levels.</p> <p> <a href="#">Daniele-Externalities and the Erosion of Trust-307.pdf</a></p>
9:00am - 10:30am	<p><b>E05: Public Healthcare Provision</b> Location: <a href="#">Room RB 105 (Rajská building)</a></p> <p><b>Contracting Unverifiable Quality in Healthcare: the Importance of Political Stability for Relational Contracts</b> <b>Berardino Cesi<sup>1</sup>, Marco Buso<sup>2</sup>, Silvia Coretti<sup>3</sup>, Gilberto Turati<sup>4</sup></b> <sup>1</sup>University of Roma (Tor Vergata), Italy; <sup>2</sup>University of Padova, Italy; <sup>3</sup>University of Roma (Sapienza), Italy; <sup>4</sup>Università Cattolica del Sacro Cuore (Rome)</p> <p>We study a repeated interaction between the purchaser of a health service and a nonaltruistic provider when some aspects of the service are unverifiable or verifiable. We formalize a Pay-for-Performance Relational Contract (P4P-RC) inducing the provider to deliver positive unverifiable quality. With the P4P-RC contract, the incentive of the provider to cheat on the unverifiable (non-contractible) quality makes the purchaser less willing to substitute away unverifiable with verifiable quality. Using political stability as a proxy for a stable interaction, we empirically test the relationship between the level of unverifiable quality and the permanence in charge of the Italian regional governments. We confirm the predictions of the theoretical model and find that unverifiable quality increases in contexts where regional governments are more stable.</p> <p> <a href="#">Cesi-Contracting Unverifiable Quality in Healthcare-198.pdf</a></p> <hr/> <p><b>Does Private Supply Drives Personal Health Choices? A Spatial Approach of Health Tax Detractions at Municipal Level</b> <b>Mauro Marè<sup>1</sup>, Francesco Porcelli<sup>2</sup>, Francesco Vidoli<sup>3</sup></b> <sup>1</sup>LUISS Roma, Italy; <sup>2</sup>Università degli Studi di Bri, Italy; <sup>3</sup>Università di Urbino, Italy</p> <p>This article examines health service provision and disparities in access, focusing on the interplay of tax deductions and the spatial correlation between health demand and private supply. We make two main contributions using detailed municipal-level data and a spatial counterfactual empirical approach. First, we uncover significant territorial variations in health tax expenditure, favouring northern Italian regions over southern ones. Second, we explore how proximity to private versus public health providers influences citizen spending behaviour, particularly in the Italian context. Our geographically weighted analysis reveals strong spatial non-stationarity, highlighting local factors affecting healthcare provision.</p> <p> <a href="#">Marè-Does Private Supply Drives Personal Health Choices A Spatial Approach-246.pdf</a></p> <hr/> <p><b>The (Financial) Risk of Winning a Procurement Contract: Evidence from Chile</b> <b>Thiago Scot<sup>1</sup>, Andres Gonzalez-Lira<sup>2</sup></b> <sup>1</sup>Development Impact (DIME), World Bank; <sup>2</sup>Pontificia Universidad Catolica de Chile</p> <p>Public agencies often take long to pay their suppliers for the goods and services they procure. The payment delay can financially burden firms, affecting their participation and pricing decisions. In this paper, we study a reform in Chile that centralized procurement payments and substantially reduced payment delays for certain buyers in the health sector. We utilize a differences-in-differences design to evaluate its effects. Our preliminary findings suggest that reducing payment delay increased competition in procurement auctions by enhancing the participation of small firms, which is consistent with a model under which liquidity-constrained (smaller) firms face higher financial costs from delayed payments.</p> <p> <a href="#">Scot-The (Financial) Risk of Winning a Procurement Contract-508.pdf</a></p>
9:00am - 10:30am	<p><b>E06: Unintended Effects of Environmental Regulation</b> Location: <a href="#">Room RB 106 (Rajská building)</a></p> <p><b>The Impact of Environmental Taxes on Commercial Traffic and Its Environmental Consequences</b> <b>Alina Pfrang, Jan Zental</b> University of Mannheim, Germany</p> <p>This paper investigates how commercial trucks respond to differences in environmental taxes on diesel fuel across European borders. First, we analyze truck flows at German borders using administrative toll data to understand how truck traffic reacts to changes in environmental taxes. Second, we examine individual truck journeys across Europe from their start-to-end-points using administrative survey data to assess whether trucks drive detours to avoid high environmental taxes. We find that an increase in a country's tax rate decreases truck traffic to and from that country. However, this increase in taxes also heightens the probability of trucks taking detours to circumvent higher environmental taxes on fuel. We further investigate the environmental impacts of such tax-induced responses. We use air pollution data to determine whether local pollution increases due to tax-induced increases in cross-border</p>




	<p>truck flows. In addition, we relate the estimated excess kilometers driven to emissions to measure the environmental externalities.</p> <p> <a href="#">Pfrang-The Impact of Environmental Taxes on Commercial Traffic and Its Environmental-506.pdf</a></p> <hr/> <p><b>Profit Shifting via Carbon Emission Trading: First Indications</b> <b><u>Alison Schultz</u></b> Tax Justice Network</p> <p>This study presents preliminary evidence that the European Emission Trading Scheme (EU ETS) is exploited by multinational companies to artificially shift profits between European countries. Specifically, using the EU transaction log and Orbis ownership data, I highlight abnormally high levels of internal trade in emission allowances at year-end —despite the April surrender deadline -- within firms under the same Global Ultimate Owner (GUO). This activity is especially marked in transactions involving firms without actual emission certificate needs. Towards the year-end, allowances are moved from subsidiaries in strict accounting jurisdictions to those in lenient ones, indicating regulatory arbitrage. These patterns hint to a potential misuse of the EU ETS for financial manipulation rather than emission reduction. I hope to add further analysis, in particular related to the market price of allowances, to contribute to ensuring the EU ETS remains an effective tool for environmental objectives without facilitating unintended financial exploitation.</p> <p> <a href="#">Schultz-Profit Shifting via Carbon Emission Trading-635.pdf</a></p> <hr/> <p><b>The Spillover Effects of Environmental Regulation</b> <b>Juan Carlos Suarez Serrato, <u>Felix Samy Soliman</u></b> Stanford University, United States of America</p> <p>This paper studies the economic and environmental effects of a landmark piece of environmental legislation: the Clean Air Act. We improve the understanding of the effects of this important environmental regulation in three ways. First, we use modern event-study techniques and confidential data from the US Census Bureau to estimate the long-run impacts of the regulation on plant output, employment, and fuel use. Second, we identify two forms of spillover effects: (a) regional spillovers to unregulated areas and (b) within-firm spillovers to unregulated plants in regulated firms. We find both larger long-run effects on the economic activity of regulated plants as well as meaningful spillovers effects both within firms and across locations. Our third contribution is to combine these new results with an industry equilibrium model that captures both within-firm and cross-location spillovers of the regulation.</p> <p> <a href="#">Suarez Serrato-The Spillover Effects of Environmental Regulation-631.pdf</a></p> <hr/>
9:00am - 10:30am	<p><b>E08: Payroll Taxes</b> Location: <a href="#">Room RB 112 (Rajská building)</a></p> <p><b>Do Payroll Tax Subsidies Reduce Undeclared Work? Evidence from Korea</b> <b><u>Dohyung Kim</u></b> Myongji University, Korea, Republic of (South Korea)</p> <p>Using registry data on over 300,000 firms in Korea, we examine the effects of subsidizing payroll tax to the National pension and the Unemployment insurance on the number of covered workers. Exploiting variations in location and size of firms which affected eligibility for the program, we implement a difference-in-differences in order to identify the effect of subsidies. Our DD estimates show that the subsidy program increased the number of workers covered by the National pension by 1.34 percent. In contrast, we find no effects of the subsidy program on the number of workers covered by the Unemployment Insurance. These estimates are smaller in size than those reported in previous studies implying massive fiscal drains from the subsidy program. The minimal effects and large deadweight of the subsidy scheme may be explained by the design features of the subsidy program in Korea.</p> <p> <a href="#">Kim-Do Payroll Tax Subsidies Reduce Undeclared Work Evidence-273.pdf</a></p> <hr/> <p><b>Payroll Taxes, Incidence and Input Choices of Firms</b> <b><u>Jarkko Harju</u><sup>1</sup>, <u>Youssef Benzarti</u><sup>2</sup>, <u>Sami Jysmä</u><sup>3</sup></b> <sup>1</sup>Tampere University, Finland; <sup>2</sup>University of California, Santa Barbara; <sup>3</sup>Labore</p> <p>This paper studies the incidence of payroll taxes and the effects of payroll taxes on the input choices of firms. We exploit the abolition of size-based capital depreciation threshold in Finland above which employer-level payroll tax rates increased, creating a tax notch. We report large local impacts on firm distribution and dynamics, which also extend very far from the threshold. Our results indicate that these responses are not driven by the most obvious avoidance or evasion channels, such as firm splits or misreporting. Our first results suggests only a small response in employee-level net-of-payroll-tax wages. Instead, we find large firm-level employment effects. Our first incidence estimates suggest 43–57 split between firm owners and workers, respectively. Also, investments and sales increase after the payroll tax cut, suggesting that a decrease in labor costs affects the level of capital and scale of businesses.</p> <p> <a href="#">Harju-Payroll Taxes, Incidence and Input Choices of Firms-421.pdf</a></p> <hr/> <p><b>Experience Rating in Short-Time Work: Take-up and Labor Demand Adjustments</b> <b><u>Giulia Tarullo</u></b> Université Catholique de Louvain, Universiteit Gent</p> <p>Short-time work is a government program that subsidizes reductions in worker's hours during temporary and unexpected economic shocks. Despite growing evidence showing positive employment and firm survival effects, yet unsettled is the evaluation of the policy welfare consequences, especially fiscal externalities from opportunistic behaviors of firms. Through theoretical and empirical analyses, this study examines the impact of financial disincentives on short-time work adoption, layoff, and job openings behaviors. On the theoretical side, it extends the random search and matching framework of Cahuc, Kramarz, and Nevoux (2021). It applies it to Belgium, where experience rating in short-time work binds if firms allocate subsidized hours above a given cutoff to a single job. To provide compelling causal evidence on firms' behavioral responses to experience rating, it relies on rich administrative data on short-time work in Belgium. It leverages a bunching estimator and discontinuities in experience rating costs to firms.</p> <p> <a href="#">Tarullo-Experience Rating in Short-Time Work-419.pdf</a></p> <hr/>
9:00am - 10:30am	<p><b>E09: International Implications of Tax Avoidance</b> Location: <a href="#">Room RB 113 (Rajská building)</a></p> <p><b>A Conceptual Framework For A Satellite Account For Tax Evasion And Avoidance</b> <b><u>Alexandra Fernandes</u></b> HIVA - KU Leuven, Belgium</p> <p>This paper presents a conceptual framework for a satellite account for the measurement of the size and structure of tax evasion and avoidance and its impact on public finance. It represents a first attempt at the creation of a unifying reporting framework for all kinds of fragmented evidence on tax evasion and avoidance, departing from the adjustments made to GDP estimates in order to account for the non-observed economy, which is distinct from the undeclared economy. The paper defines the scope of the satellite account, framing the discussion within a broad definition of fraud considering the impact on both sides of the public budget, and anticipates some conceptual differences. Finally, it reviews different strands of literature in order to provide a classification of fraud phenomena, provides an outline of the tables to be compiled and indicates some of the data sources available at the international level.</p> <p> <a href="#">Fernandes-A Conceptual Framework For A Satellite Account For Tax Evasion And Avoidance-585.pdf</a></p> <hr/> <p><b>The Indirect Costs of Corporate Tax Avoidance Exacerbate Cross-country Inequality</b> <b>Javier Garcia-Bernardo<sup>1</sup>, Daniel Haberly<sup>2</sup>, <u>Petr Janský</u><sup>3</sup>, Miroslav Palanský<sup>3</sup>, Valeria Secchini<sup>3</sup></b> <sup>1</sup>Utrecht University; <sup>2</sup>University of Sussex; <sup>3</sup>Charles University</p> <p>We develop a dynamical model that includes not only corporate tax revenue losses due to profit shifting of multinationals, but also tax revenue collected from capital gains and dividend taxes, as well as government borrowing costs. We use country-by-country reporting data on the operations of multinationals to estimate profit shifting, alternative operationalizations of the location of investors to proxy the tax revenues from capital gains and dividend taxes, and yields on government bonds to measure the cost of borrowing. Our results show that when these indirect costs are included, the total cost of profit shifting for developing countries increases significantly, while some developed countries can offset or recover the majority of the direct costs of profit shifting. The ability of the latter to do this is, however, uneven, with, for example, most European countries losing revenues from profit shifting even after indirect effects are taken into account.</p> <p> <a href="#">Garcia-Bernardo-The Indirect Costs of Corporate Tax Avoidance Exacerbate Cross-country Inequality-196.pdf</a></p> <hr/> <p><b>Mutual Agreement Procedure and Foreign Direct Investments: Evidence from Firm-level Data</b> <b><u>Matthias Petutschnig</u>, <u>Xixi Zhang</u></b> Vienna University of Economics and Business, Austria</p>

	<p>This paper investigates the association between the effectiveness of mutual agreement procedures provided for in bilateral tax treaties (MAP) and foreign direct investments by analyzing MAP statistics and distinct MAP components. Using firm-level ownership data, we find that MNEs invest more frequently in countries with good MAP policy structures and qualities (e.g., MAP components and fast dispute resolution). Vertically integrated MNEs and small parent MNEs most favor countries with several effective MAP components. Overall, we provide novel evidence on MNEs' investment responses to effective MAP, evidence that is crucial for policymakers who aim to reduce tax disputes and double taxation.</p> <p> <a href="#">Petutschnig-Mutual Agreement Procedure and Foreign Direct Investments-588.pdf</a></p>
9:00am - 10:30am	<p><b>E10: Political Economy of Climate Change</b> Location: <a href="#">Room RB 114 (Rajská building)</a></p> <p><b>Does Leadership in Policy Setting Reduce Pollution and Make Countries Better Off?</b> <b><u>Emmanuelle Taugourdeau</u><sup>1</sup>, Ornella Tarola<sup>2</sup></b> <sup>1</sup>CNRS CREST, France; <sup>2</sup>University of Rome La Sapienza</p> <p>We analyse whether there exists a first mover and/or a second mover (dis)advantage in a game where a more industrialized country -the leader- and a less industrialized country the follower- decide on two policy instruments (profit taxation and environmental regulation) to raise their tax income while limiting the damage from pollution. We show that when governments care about world emissions, they can use a sequential game to reach their national goals and reduce the level of world emissions, even if industrial leakage occurs. This is no longer the case when emissions are considered solely as local.</p> <p> <a href="#">Taugourdeau-Does Leadership in Policy Setting Reduce Pollution and Make Countries Better-194.pdf</a></p>
	<p><b>Optimized Carbon Taxes and Foreign Aid</b> <b><u>Geir H M Bjertnæs</u></b> Statistics Norway, Norway</p> <p>This article explores whether altruistic preferences for households in poor countries contributes to avoid the free-rider problem associated with global warming policies within non-cooperative solutions. The article analyzes optimized carbon taxes on commodities within rich countries with altruistic preferences when damage inflicted upon poor countries are accompanied with foreign aid. The article contributes to the literature by identifying two cases where the second-best optimized carbon tax for rich polluting countries exceeds the marginal damage inflicted on poor countries. First, when rich countries place a higher welfare weight on environmental damage than on economic well-being within poor countries. Second, when second-best optimal revenue raising taxes are combined with foreign aid. The article also identifies cases where the Pigouvian tax implements the social planner solution. Hence, altruistic preferences and foreign aid contributes to avoid the free-rider problem.</p> <p> <a href="#">Bjertnæs-Optimized Carbon Taxes and Foreign Aid-189.pdf</a></p>
9:00am - 10:30am	<p><b>E11: Early Childhood Policies</b> Location: <a href="#">Room RB 115 (Rajská building)</a></p> <p><b>Unintended Consequences of Expanding Pre-Kindergarten: The Effects of North Carolina's Pre-K Program on the Childcare Market</b> <b><u>Maria Sauval</u><sup>1,2</sup></b> <sup>1</sup>University of California, Irvine; <sup>2</sup>VATT Institute for Economic Research</p> <p>Child care in the United States is usually described as a fragmented system, where public programs interact with private organizations to supply childcare services. In this paper, I analyze the effects of an expansion of subsidized childcare for low-income 4-year-old children, the North Carolina Pre-Kindergarten Program (NCPK), on the enrollment of 0-4-year-old children. I combine rich data from administrative records with a design that exploits geographical and temporal variation in the NCPK rollout. I found that, when joining the program, NCPK centers enrolled more children and reorganized their structure to serve more eligible children. Nearby childcare facilities also enrolled more four- and three-year-olds, particularly in lower-income areas. This is most likely explained by the displacement of ineligible children from NCPK to non-NCPK centers. The results suggest that the policy increased childcare access for low-income families and led to a reallocation of children to centers, increasing economic segregation across centers.</p> <p> <a href="#">Sauval-Unintended Consequences of Expanding Pre-Kindergarten-150.pdf</a></p>
	<p><b>Unpacking Parental Leave: The Role of Job Protection</b> <b>Sebastian Findeisen<sup>2</sup>, Jörg Heining<sup>3</sup>, <u>Lukas Riedel</u><sup>1</sup>, Sebastian Sieglösch<sup>4</sup></b> <sup>1</sup>ZEW Mannheim, Germany; <sup>2</sup>University of Konstanz; <sup>3</sup>IAB -Institute for Employment Research; <sup>4</sup>University of Cologne</p> <p>Parental leave is one of the most important policies that shape the post-birth careers of women. We exploit a sequence of parental leave reforms in Germany that extended both the job protection period and the duration of parental leave benefits to different extents to study the effects of the two policy instruments parental leave consists of. Using administrative social security data, we first replicate the stylized facts that mothers respond to extensions in parental leave and that the average effect of longer leave-taking on their careers is negative. Second, holding constant the length of mothers' post-birth labor market break, we show that extending job protection significantly reduces losses in long-run earnings while extensions of the benefit duration have no measurable impact. The positive effect of employment protection works both by enhancing employer continuity as well as by improving outside opportunities for mothers who change their employer.</p> <p> <a href="#">Findeisen-Unpacking Parental Leave-144.pdf</a></p>
	<p><b>Daycare Supports Gender Equality at Home</b> <b><u>Michihito Ando</u><sup>1</sup>, Masako Maeda<sup>2</sup>, Shintaro Yamaguchi<sup>3</sup></b> <sup>1</sup>Rikkyo University, Japan; <sup>2</sup>Konan University, Japan; <sup>3</sup>University of Tokyo, Japan</p> <p>We assess the impact of daycare enrollment on how housework and childcare are shared between mothers and fathers. Utilizing survey data from a Japanese municipality and observing all key variables influencing daycare enrollment, we employ a quasi-experimental approach to infer causal relationships. Our findings reveal that daycare enrollment leads to greater involvement by fathers in housework and childcare, concurrently with a reduction in mothers' participation in these areas. Notably, the shift in household labor dynamics appears to stem primarily from a direct influence of daycare enrollment on fathers' behavior, rather than from an increase in maternal employment.</p> <p> <a href="#">Ando-Daycare Supports Gender Equality at Home-539.pdf</a></p>
9:00am - 10:30am	<p><b>E12: Emotions and Economic Behavior</b> Location: <a href="#">Room RB 116 (Rajská building)</a></p> <p><b>Terror and Risk Attitudes</b> <b><u>Neil Murray</u><sup>1,2</sup>, Lorenz Meister<sup>2</sup>, Daniel Graeber<sup>2</sup></b> <sup>1</sup>Free University berlin, Germany; <sup>2</sup>DIW Berlin</p> <p>Terrorism imposes substantial economic costs on affected populations. In this paper, we argue that conventional studies on the costs of terrorism overlook a crucial factor: costly behavioral responses. We demonstrate that terrorism alters the risk attitudes of individuals in affected regions. Using a representative German sample, we utilize a staggered difference-in-differences (DiD) design comparing individuals in counties impacted by terrorism with those unaffected. Results indicate an immediate and significant decrease in risk propensity post-attack. The magnitude of this effect is influenced by news sentiment; more negative reporting amplifies the impact on risk attitudes. Additionally, we observe happiness as a potential mediator in the relationship between exposure to terror attacks and risk attitudes.</p> <p> <a href="#">Murray-Terror and Risk Attitudes-447.pdf</a></p>
	<p><b>Attitudes Towards Private and Public Debt - Does Language Matter?</b> <b>Cevat Aksoy<sup>1</sup>, <u>Mathias Dolls</u><sup>2</sup>, Justyna Klejdysz<sup>2</sup>, Andreas Peichl<sup>2</sup>, Lisa Windsteiger<sup>3</sup></b> <sup>1</sup>EBRD and King's College London; <sup>2</sup>ifo Institute; <sup>3</sup>University of Salzburg</p> <p>We aim to understand whether language causally affects people's attitudes towards private and public debt. We provide descriptive evidence along the German/French language border running through Switzerland and causal evidence from online survey experiments in Austria, Germany, Switzerland, the Netherlands, and Sweden. The experimental component of our research design consists of the randomization of wording in our outcome questions. Exploiting the fact that the commonly used word for "debt" also means "guilt" in German, Dutch and Swedish, we analyze how respondents' attitudes towards private and public debt are affected if those negatively connotated words are substituted with neutral ones. Our results confirm our main hypothesis that the use of guilt-connotated wording triggers lower approval for public debt and lower borrowing in an incentivized investment decision. Finally, we provide evidence that language is strategically used in the political arena using natural language processing and machine learning techniques on parliamentary speeches in the German Bundestag.</p>
























	<div><div></div><div>Aksoy-Attitudes Towards Private and Public Debt-266.pdf</div></div>
	<div><div><div><div>Does Adversity Breed Compassion? Exploring the Effect of Cancer Experience on Charitable Giving Behavior</div><div>Zunyuan Zheng</div><div>Department of Economics, Uppsala University, Sweden</div><div>While the impact of adverse health shocks and the factors influencing charitable giving have been widely studied, research that combines these topics, especially focusing on a specific disease, is limited. Using a staggered treatment setup and Swedish register data, this study examines "ingroup altruism born of suffering": whether cancer patients are more inclined to donate to cancer charities and if they donate more. The results show a significant increase in the probability of donating to cancer charities after a diagnosis, a decrease in donations to non-cancer health charities, and no impact on non-health charities. Overall charitable giving increases significantly, mainly driven by donations to cancer charities. This pattern is consistent for both the probability and amount of giving. Additionally, donations to cancer charities continue to increase over time post-diagnosis, although the rate of increase slows down.</div><div>Zheng-Does Adversity Breed Compassion Exploring the Effect-504.pdf</div></div></div></div>
9:00am - 10:30am	<div><div><div>E13: Macro Models &amp; Climate Change</div><div>Location: Room RB 204 (Rajská building)</div><div>Optimal Recycling of Carbon Tax Revenue</div><div>Lea Fricke<sup>1</sup>, Clemens Fuest<sup>2</sup>, Dominik Sachs<sup>1</sup></div><div><sup>1</sup>University of St. Gallen, Switzerland; <sup>2</sup>ifo Institute, University of Munich</div><div>We study the optimal recycling of carbon tax revenue in a Mirrleesian economy. Our starting point is a tax schedule that optimally trades-off equity and efficiency (for some welfare weights). If then the government has to implement a carbon tax (e.g. because of the Paris agreement or because suddenly it becomes aware of climate change), what should the government do with the additional tax revenue? We characterize reforms of the nonlinear labor income taxes that fully compensate for the individual utility losses from carbon taxes, neutralize the negative labor supply incentives due to Carbon taxes and are budget neutral. We label these reforms as compensating tax reforms. If Engel curves are linear, these tax reforms are also the optimal response. If Engel curves are nonlinear, they are no longer optimal because the fact that households differ in how easy they can substitute carbon consumption, affects the governments preference for redistribution.</div><div>Fricke-Optimal Recycling of Carbon Tax Revenue-368.pdf</div></div></div>
	<div><div><div>Circularity and Growth: A Quantitative Analysis</div><div>Marcelo Arbex<sup>1</sup>, Zachary Manhone<sup>2</sup></div><div><sup>1</sup>University of Windsor, Canada; <sup>2</sup>McMaster University.</div><div>We develop a quantitative growth model with directed technical change to study how material use and recycling rates respond to resource scarcity. In a static economy, scarcity naturally induces greater circularity, i.e. lower material shares and higher recycling rates. On the balanced growth path, circularity depends critically on technology parameters and policy. Indeed, short- and long-run policy implications can be quite different: taxes on virgin material extraction raise recycling in the short run and lower it in the long run. We quantify the model by combining data from U.S. material flow accounts, production (NIPA) accounts and U.S. Environmental Protection Agency (EPA) data on waste generation and recycling. Absent further policy, the recycling rate will peak at 48% around 2060 and then decline. Achieving the EPA target of 50% recycling rate by 2030 would require a 50% tax on virgin material use or a subsidy covering 66% of recycling costs.</div><div>Arbex-Circularity and Growth-208.pdf</div></div></div>
	<div><div><div>Building Open-Source Empirical Models to Forecast Carbon Emissions</div><div>Jonas Kurle<sup>1</sup>, Andrew Martinez<sup>1,2</sup>, Felix Pretis<sup>1,3</sup>, Moritz Schwarz<sup>1,4</sup></div><div><sup>1</sup>Climate Econometrics, University of Oxford; <sup>2</sup>US Department of the Treasury; <sup>3</sup>University of Victoria; <sup>4</sup>TU Berlin</div><div>Formulating and implementing climate policy requires a detailed understanding of likely pathways of future carbon emissions. However, most existing tools to provide forecasts for such emissions are limited. Projections are predominantly made for the long-term, lacking the necessary detail within the typical policy horizon of one to five years. Most short-term forecasting models are closed-source ‘black-boxes’ that do not reveal in detail how the obtained forecasts are generated. Here we develop a generalised framework for modelling climate and environmental policies within an empirical macroeconomic modelling approach. The resulting open source empirical macroeconomic (‘OSEM’) model is an econometric model builder that provides a platform to generate empirical forecasts of sectoral carbon emissions as well as the wider macroeconomy. The underlying estimated models are based on dynamic time series regressions matching a structural VAR allowing for model selection, outliers, insample structural breaks, and automatic forecast evaluation. We present an illustrative example providing the first short run sectoral greenhouse gas emission forecasts for Austria. The resulting model builder is open source, easily portable across countries, can be updated in real time when new data is released, and aims to improve transparency and flexibility in policy forecasts.</div><div>Kurle-Building Open-Source Empirical Models to Forecast Carbon Emissions-623.pdf</div></div></div>
9:00am - 10:30am	<div><div><div>E14: Production Efficiency &amp; Taxation</div><div>Location: Room RB 211 (Rajská building)</div><div>The Equilibrium Effect of Environmental Taxes on Prices and Product Variety in the Automobile Market</div><div>Naomi Feldman, Alon Eizenberg</div><div>Hebrew University of Jerusalem, Israel</div><div>Various nations combat transportation-related environmental effects through fuel efficiency standards and subsidies for hybrid/electric vehicles. Similarly, energy ratings aid consumers in making informed choices for large appliances. Extending this idea to automobiles, a labeling system could inform buyers about environmental impacts, potentially influencing demand akin to environmental subsidies. Israel's 2009 reform, assigning automobiles a "green score" dictating differential taxes and mandated reporting, prompted consumers to favor less environmentally damaging vehicles. About 75% of the shift resulted from price reductions, with information provision accounting for the remaining 25%. Notably, subsidies were less likely to impact models favored by lower socioeconomic groups, indicating the reform's regressive nature.</div><div>Feldman-The Equilibrium Effect of Environmental Taxes on Prices and Product Variety-109.pdf</div></div></div> <div><div><div>Does Tax Avoidance Make Large Firms Even Larger?</div><div>Matej Bajgar<sup>1</sup>, Petr Jansky<sup>1</sup>, Tijmen Tuinsma<sup>2</sup></div><div><sup>1</sup>Charles University, Prague; <sup>2</sup>KU Leuven, Belgium</div><div>To show whether tax avoidance makes large firms even larger, we exploit the impact of the country-by-country reporting reform on multinationals in a difference-in-differences approach. We find that increased tax compliance following the reform reduces the size of large multinationals. Specifically, a one percentage point rise in effective tax rates results in a 2.3% decrease in sales. We also show a sales decline in subsidiaries owned by multinationals subject to the reform compared to those exempt; and a decrease in concentration in industries where the top firms are subject to the reform. These findings highlight the potential of tax compliance reforms in fostering competition.</div><div>Bajgar-Does Tax Avoidance Make Large Firms Even Larger-532.pdf</div></div></div> <div><div><div>Firms’ Responses And Welfare Implications Of A Size-dependent Enforcement Policy: Evidence From Taiwan</div><div>Elisa yu-chun Cheng, Hsing-Wen Han, Tzu-Ting Yang</div><div>Cornell University, United States of America</div><div>This paper investigates the response and welfare implication of firms to a size-dependent enforcement policy using Expend Paper Review (EPR) in Taiwan. With the policy threshold at 30 million New Taiwan Dollars (NTD), firms are incentivized to lower reported revenue via under-reporting (evasion), revenue-shifting (avoidance), or production reduction. Leveraging a novel combination of detailed tax returns and census survey data, our empirical focus examines how firms strategically bunch below the threshold, displaying diverse behavioral responses shaped by transaction tractability. Downstream industries mainly under-report B2C transactions, decreasing reported revenue by 0.56 million NTD. Conversely, upstream sectors reported lower revenue by 1.1 million NTD. Of this, 50¼% was due to production reduction, highlighting misallocation sources and associated efficiency loss. Another 40¼% is primarily contributed to B2B revenue-shifting among affiliated firms within ownership networks. Structural welfare estimation further implies that size-based tax enforcement has a broader impact on real economic efficiency beyond revenue considerations.</div><div>Cheng-Firms' Responses And Welfare Implications Of A Size-dependent Enforcement-202.pdf</div></div></div>

9:00am - 10:30am	<div>E15: Novel Perspectives on Moral Hazard</div> <div>Location: Room RB 203 (Rajská building)</div> <div>Ending Wasteful Year-End Spending: On Optimal Budget Rules in Organizations</div> <div>Christoph Siemroth</div> <div>University of Essex, United Kingdom</div> <div>What can organizations do to minimize wasteful year-end spending before the annual budget expires? I introduce a two-period model to derive the optimal budget roll-over and audit rules. A principal tasks an agent with using their budget to fulfill the organization's spending needs, which are private information of the agent. The agent can misuse funds for private benefit at the principal's expense. The optimal rules are to allow the agent to roll-over a share of the unused funds, but not necessarily the full share, and in most cases to audit only sufficiently large spending. The shape of the optimal audit rule can change once fund roll-over is allowed, so the model has important implications for auditors. An extension with endogenous budget levels shows that strategically underfunding the agent can be optimal.</div> <div> <a href="#">Siemroth-Ending Wasteful Year-End Spending-114.pdf</a></div>
	<div>Moral Hazard among the Employed: Evidence from Regression Discontinuity</div> <div>Ewa Galecka-Burdziak<sup>1</sup>, Jonas Jessen<sup>2</sup>, Robin Jessen<sup>3,2</sup>, Andrew Johnston<sup>4,2</sup></div> <div><sup>1</sup>Warsaw School of Economics; <sup>2</sup>IZA, Bonn; <sup>3</sup>RWI, Berlin; <sup>4</sup>UC Merced</div> <div>We leverage discontinuities in Poland that quasi-randomly determine unemployment benefit levels and duration. We report three main findings: (1) The distortionary effects of benefit increases are larger than those of cost-equivalent benefit extensions. (2) The distortionary effects of benefit duration and benefit generosity \textit{interact}: The unemployment effect of generosity nearly doubles when benefit duration is extended. And (3), in addition to delaying re-employment, more generous benefits significantly increase the hazard that employed workers become unemployed. We use the results to build a model of optimal unemployment insurance that accounts for moral hazard among the employed. The results suggest that the total distortion of UI among the employed is larger than that among the unemployed. Accounting for endogenous separations increases the efficiency loss induced by an increase in the benefit level substantially.</div> <div> <a href="#">Galecka-Burdziak-Moral Hazard among the Employed-542.pdf</a></div>
	<div>Adverse Selection and Moral Hazard in Social Insurance for Entrepreneurs</div> <div>Ella Mattinen<sup>1</sup>, Youssef Benzarti<sup>2</sup>, Jarkko Harju<sup>3,1</sup>, Tuomas Matikka<sup>3</sup>, Alisa Tazhitdinova<sup>2</sup></div> <div><sup>1</sup>Tampere University, Finland; <sup>2</sup>University of California at Santa Barbara, US; <sup>3</sup>VATT Institute for Economic Research, Finland</div> <div>This paper estimates the extent of adverse selection and moral hazard in social insurance for entrepreneurs using rich administrative data and exogenous variation from Finland. We use a reform that allows certain entrepreneurs to freely choose their level of insurance contributions. We use this reform along with a difference-in-differences approach to implement empirical tests of adverse selection and moral hazard. First, we find evidence of no moral hazard effects when considering whether entrepreneurs who opt into higher levels of social insurance tend to use it more. Second, by considering whether entrepreneurs with higher pre-reform risks select into higher levels of social insurance, we find no evidence of adverse selection. These findings are important for the design of social insurance for entrepreneurs.</div> <div> <a href="#">Mattinen-Adverse Selection and Moral Hazard in Social Insurance-240.pdf</a></div>
9:00am - 10:30am	<div>E16: Excisable Products Taxation</div> <div>Location: Room RB 205 (Rajská building)</div> <div>Evaluating Compliance with the Track and Trace and Other Regulations in Pakistan's Cigarette Market</div> <div>Estelle, Palmyre Dauchy<sup>1</sup>, Hana Ross<sup>3</sup>, Amina Khan<sup>2</sup>, Saeed Ansari<sup>4</sup></div> <div><sup>1</sup>University of Cape Town, United States of America; <sup>2</sup>Vital Strategies; <sup>3</sup>The Initiative; <sup>4</sup>The Initiative</div> <div>To control the illicit cigarette market, the government adopted a Tracking and Tracing System (TTS) for many excisable goods including cigarettes. Though the TTS was implemented in 2021, it became operational in July 2022, because of numerous legal and market challenges. Despite these roadblocks, the TTS has been mostly successful and by December 2023, most tobacco companies had either installed TTS or registered their brands with the tax authority.</div> <div>This paper evaluates the impacts of the TTS on the size and types of illicit trade in tobacco products. We collect cigarette packs from waste recycled stores in the 10 most populous cities of Pakistan to evaluate illicit trade penetration. We also compare the results with a similar study using the same method and completed prior to the TTS. This is the first independent estimate of the proportion of non-complaint cigarette packs consumed in urban areas of Pakistan since the implementation of TTS.</div> <div> <a href="#">Dauchy-Evaluating Compliance with the Track and Trace and Other Regulations-534.pdf</a></div>
	<div>How US Vapors Choose Among Different E-cigarette (EC) Models And Cigarettes In Response To Prices</div> <div>Shaoying Ma, Sooa Ahn, Qian Yang, John FP Bridges, Ce Shang</div> <div>The Ohio State University, United States of America</div> <div>We conducted a nationally representative volumetric choice experiment (VCE) of 700 US adults aged 21+ who vape ECs in the past 30 days during April-May 2023. Each participant reported their spending on nicotine or tobacco products and was asked to make purchases for monthly use among 9 sets of products, Zero-inflated negative binomial models were used to estimate the own- and cross- price elasticities among these products, while controlling for individual-level spending and sociodemographic characteristics. Increasing prices reduces the purchases of nicotine or tobacco products among US adults who vape ECs. Increasing EC prices likely did not lead to increasing cigarette purchases among people who vape ECs. However, this result depends on model specifications and subpopulations, such as EC-cigarette dual use status. Future research is needed to inform the best design of EC taxes by EC models and components, given their complex economic relationships.</div> <div> <a href="#">Ma-How US Vapors Choose Among Different E-cigarette-572.pdf</a></div>
10:30am - 11:00am	Coffee Break IV
11:00am - 1:00pm	<div>F01: Real Effects of Corporate Tax Avoidance</div> <div>Location: Room RB 209 (Rajská building)</div> <div>Substance-ial Investment Shifting: The Role of Substance in Anti-Tax Avoidance Rules</div> <div>Ruby Doeleman</div> <div>WU Vienna</div> <div>Substance rules aim to ensure anti-tax avoidance rules do not target genuine economic activities. This paper empirically analyses whether the requirement to have economic substance leads to an increase in real investment in low-tax jurisdictions. The baseline results indicate that Controlled-Foreign-Company rules decrease investment in fixed assets and employment in low-tax jurisdictions. This effect is offset when the Controlled-Foreign-Company rule allows an exemption through substance rules. The results support the idea that multinational enterprises exploit leeway in CFC rules through increasing substance, which allows them to continue shifting profits. Additional analysis shows this effect is three times as large in EU tax havens, suggesting that it is more attractive to increase substance in tax havens that have real economic activity</div> <div> <a href="#">Doeleman-Substance-ial Investment Shifting-351.pdf</a></div>
	<div>Tax Haven Use And Employment Decisions: Evidence From Norway</div> <div>Ronald Davies<sup>1</sup>, Johannes Scheuerer<sup>2</sup></div> <div><sup>1</sup>University College Dublin, Ireland; <sup>2</sup>Norwegian University of Life Sciences, Norway</div> <div>While profit-shifting practices by multinational enterprises have received considerable attention in recent years for their impact on tax revenues, their real economic consequences remain poorly understood. In this paper, we use administrative data for the universe of Norwegian firms and workers to study employment responses to aggressive tax planning. We exploit variation in the timing of establishing corporate ownership presence in a tax haven to show that tax haven use is associated with lower employment growth. The granularity of the data allows us to uncover heterogeneity across worker groups, with the negative effects being strongest for service-sector employees in the highest occupations. In examining the potential of tax avoidance to shape labor market outcomes, this paper highlights the need for a more nuanced understanding of the socioeconomic implications of profit shifting beyond foregone government revenues.</div> <div> <a href="#">Davies-Tax Haven Use And Employment Decisions-267.pdf</a></div>
	Treasure Islands, Real Jobs? The Impact of Reforming a Low-Tax Jurisdiction





	<p>Several types of taxation include the market value of housing in the tax base. Thus, it becomes important to obtain accurate, timely house values. However, to value residential property represents a major challenge for tax administrations due to informational constraints. In the present paper we present and discuss a simple procedure for assigning market value to each dwelling in Norway, based on deriving estimates from hedonic regressions. The valuations are updated yearly to reflect changes in market value. To our knowledge, this is a novel example of using predictions obtained from regression estimates to define full-scale housing values for tax purpose. We present and discuss two versions of our procedure -- the first prediction model that was implemented in 2010 and a simple, but significant, upgrade of the model that could be implemented with no additional gathering of data.</p> <p> <a href="#">Bø-Hedonic Regression Models For Housing Taxation-595.pdf</a></p> <hr/> <p><b>Pricing in the Taxman: Corporate Tax Incidence and Commercial Real Estate</b> <b><u>Pascal Zamorski</u><sup>1,2</sup>, David Gstrein<sup>1,2</sup>, Florian Neumeier<sup>1,2</sup>, Andreas Peichi<sup>1,2</sup></b> <sup>1</sup>ifo Institut, Germany; <sup>2</sup>University of Munich</p> <p>This paper presents novel estimates on the incidence of corporate taxes by measuring the effect of local business tax increases on the welfare of commercial landowners. We use unique data on commercial real estate prices in Germany covering 1 million properties offered for sale and 2.4 million properties offered for rent between 2008 and 2018. Empirically, we exploit the German institutional setting with over 4,000 municipal tax changes using an event study design. The estimates suggest that a 1 percentage point business tax increase reduces commercial real estate prices (rents) by 3 percent (2 percent) after 5 years on average. This result is robust to the inclusion of a large set of controls and to heterogeneous treatment effect estimators. We find that commercial landowners bear between 15-24% of the tax burden, while workers (7-20%) and residential landowners (4-25%) bear less burden than prior research suggests with firm owners around 44-57%.</p> <p> <a href="#">Zamorski-Pricing in the Taxman-576.pdf</a></p> <hr/> <p><b>Does Statutory Incidence Matter? Evidence From The German Market For Real Estate Agents</b> <b>Jörg Claussen<sup>1</sup>, Katerina Dubovska<sup>1</sup>, <u>David Jia-Hui Streich</u><sup>2</sup></b> <sup>1</sup>University of Munich (LMU); <sup>2</sup>Catholic University Eichstaett-Ingolstadt</p> <p>Liability-side equivalence suggests that economic incidence is independent of statutory incidence. We empirically test this conjecture by studying a policy intervention in the German market for real estate agents, which partially shifted the statutory incidence of agent fees from buyers to sellers. Specifically, we study listings posted on online real estate marketplaces two months before and after the implementation date. We employ a difference-in-differences estimation that exploits region- and listing-type-specific susceptibility to the intervention. Our results suggest that liability-side equivalence generally holds, but with two qualifications. First, sellers did not adjust listing prices, but effected higher transaction prices in bilateral negotiations. Second, sellers were only able to do so when they had bargaining power over buyers. We further find that demand for brokerage decreased following the intervention. Our findings have important implications for the distribution of statutory incidence of intermediary fees in matching markets and tax liability considerations.</p> <p> <a href="#">Claussen-Does Statutory Incidence Matter Evidence From The German Market-615.pdf</a></p> <hr/> <tr><td>11:00am - 1:00pm</td><td><p><b>F04: Decision-Making &amp; Saving</b> Location: <b>Room RB 104 (Rajská building)</b></p><p><b>Work From Home, Stock Market Participation, and Inequality</b> <b><u>Lorenz Meister</u><sup>1</sup>, Lukas Menkhoff<sup>2</sup>, Carsten Schröder<sup>3</sup></b> <sup>1</sup>DIW Berlin, Freie Universität Berlin, and Harvard University; <sup>2</sup>DIW Berlin and Humboldt-Universität zu Berlin; <sup>3</sup>DIW Berlin and Freie Universität Berlin</p><p>Stock market participation among working household heads jumped upwards in the year 2020, in Germany by about 25%. A major cause is the required use of work from home (WfH). We show this by repeating a benchmark study with demanding data requests and adding WfH to the explanatory variables. Moreover, we implement an instrumental variables estimation based on WfH capacity. The transmission channels seem to work via increased available time and time flexibility. Moreover, we show that WfH makes the stock market accessible to a broader population, including lower income groups, which may contribute to lower income inequality.</p><p> <a href="#">Meister-Work From Home, Stock Market Participation, and Inequality-123.pdf</a></p><hr/><p><b>Early Withdrawals and Optimal Liquidity</b> <b><u>Alina Kristin Bartscher</u>, Patrick Moran, Henrik Andersen, Søren Leth-Petersen</b> Frankfurt School, Germany</p><p>In most countries, retirement wealth is relatively illiquid due to early withdrawal penalties. While policymakers face a trade-off between flexibility and commitment, there is no consensus on the optimal solution to this problem. Exploiting administrative tax data and a natural experiment from Denmark, we document how individuals react to an exogenous reduction in the early withdrawal penalty. Moreover, we show how individuals use early withdrawal from pension accounts to smooth out the financial consequences of negative life events like unemployment. While the empirical results confirm the benefits of flexibility in case of a negative life event, they also suggest that households may be tempted to spend instead of saving for retirement if the penalty is too low. We use a life-cycle model to give a structural interpretation to the data and evaluate alternative policies to optimally balance the trade-off between flexibility and commitment.</p><p> <a href="#">Bartscher-Early Withdrawals and Optimal Liquidity-339.pdf</a></p><hr/><p><b>Life Cycle Savings in a High-Informality Setting</b> <b><u>Clement Joubert</u>, Priyanka Kanth</b> World Bank, United States of America</p><p>Low- or middle-income countries, where participation in pension schemes is rare, are experiencing fast population aging and weakening traditional risk-sharing networks, but little is known about how their citizens prepare financially for old age. Using age-cohort-time decompositions on 18 years of micro-data from Pakistan, we find that the average household accumulates 4.2 years' worth of consumption between the head's ages of 25 and 65, mostly in the form of illiquid residential housing. Land is also an important part of rural households' portfolio but grows little over the life cycle (10 months' worth). More liquid forms of wealth such as financial wealth also grow with age, but in much more modest amounts. This ability to long-term save could motivate the extension of contributory pension instruments to the informal sector. More recent cohorts accumulate significantly more which is consistent with anticipations of higher longevity and lower family transfers in old age.</p><p> <a href="#">Joubert-Life Cycle Savings in a High-Informality Setting-538.pdf</a></p><hr/><p><b>Financial Literacy And Confidence - An Information Provision Experiment</b> <b><u>Julia Peter</u>, Jana Schuetz</b> Friedrich Schiller University Jena, Germany</p><p>Financial literacy research shows that women and older people have significantly lower levels of financial literacy, which affects investment and savings decisions. Confidence can be a driving force in responding to financial literacy questions and in financial decision-making. We conduct a survey experiment to test whether information about group differences in numeracy skills affects confidence, hypothetical investment and savings decisions, and demand for information and education. We find that providing information about group differences has some positive effects on male respondents' confidence, but doesn't affect female respondents. Furthermore, providing information about group differences doesn't affect investment and savings decisions or the demand for political information.</p><p> <a href="#">Peter-Financial Literacy And Confidence-348.pdf</a></p><hr/><tr><td>11:00am - 1:00pm</td><td><p><b>F05: Insights from Administrative Data on Health</b> Location: <b>Room RB 105 (Rajská building)</b></p><p><b>The Impact of the COVID-19 Pandemic on Healthcare Utilization in South Korea</b> <b><u>Eunkyeong Lee</u>, Pyongsik Kim</b> Korea Institute of Public Finance, South Korea</p><p>This paper examines the dynamic effects of the COVID-19 pandemic on healthcare utilization and its underlying mechanisms, using high-frequency medical claims data (2019-2021) that covers the entire Korean population. Employing an individual fixed-effects model, our findings show substantial reductions in outpatient visits during the COVID-19 period, particularly among patients with mild illnesses. Moreover, we observe significant variations in the effects on healthcare utilization based on individual characteristics and the type of illness. Notably, the decline in the outpatient visits was more pronounced among children under 20, the high-income group, and the unemployed group. However, the decreased outpatient visits among children did not appear to correlate with an increase in ACSC hospitalizations. 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Land is also an important part of rural households' portfolio but grows little over the life cycle (10 months' worth). More liquid forms of wealth such as financial wealth also grow with age, but in much more modest amounts. This ability to long-term save could motivate the extension of contributory pension instruments to the informal sector. More recent cohorts accumulate significantly more which is consistent with anticipations of higher longevity and lower family transfers in old age.</p> <p> <a href="#">Joubert-Life Cycle Savings in a High-Informality Setting-538.pdf</a></p> <hr/> <p><b>Financial Literacy And Confidence - An Information Provision Experiment</b> <b><u>Julia Peter</u>, Jana Schuetz</b> Friedrich Schiller University Jena, Germany</p> <p>Financial literacy research shows that women and older people have significantly lower levels of financial literacy, which affects investment and savings decisions. 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## Longevity Transmission Across Generations in the US

Sandra Black<sup>1</sup>, Neil Duzett<sup>2</sup>, Adriana Lleras-Muney<sup>3</sup>, Nolan Pope<sup>4</sup>, Joe Price<sup>5</sup>

<sup>1</sup>Columbia University, United States of America; <sup>2</sup>Texas A&M; <sup>3</sup>UCLA; <sup>4</sup>University of Maryland; <sup>5</sup>BYU

We examine longevity and its transmission across generations using a unique dataset containing about more than 26 million individuals born between 1880 and 1920. We first document that absolute mobility was high during this period: between 45 and 55 percent of individuals lived longer than their parents, though it was much higher for women than men. Relative measures, on the other hand, show substantially less variation across time and subpopulations. The intergenerational correlation in longevity (a measure of persistence rather than mobility) is 0.09 for both sexes – this low correlation is observed across races, education groups, cohorts and birth states. Finally, we document that the intergenerational persistence of longevity is much smaller than the persistence in socio-economic status. Moreover, correlations in longevity and in education are largely independent of each other, suggesting that mobility in wellbeing was larger than measures of income suggest.

 [Black-Longevity Transmission Across Generations in the US-390.pdf](#)

## From Womb to Workforce: Exploring Early Origins of Earnings Inequality Using Tax Data

**Mazhar Waseem<sup>1</sup>, Timotej Cejka<sup>2</sup>**

<sup>1</sup>University of Manchester, United Kingdom; <sup>2</sup>University of California, Berkeley

Using Ramadan fasting as a natural experiment, we estimate the long-run impacts of in-utero health and nutrition shocks on adult outcomes. We exploit administrative tax return data comprising the universe of income tax returns filed in Pakistan during 2007–2009. The data allow us to link in-utero Ramadan exposure of individuals with their later life labor market outcomes. We find a robust negative effect of Ramadan exposure on earnings (a lower-bound estimate of around 2–3 percent). The exposed individuals are less likely to be in high-skilled occupations and less likely to be in the top of the income distribution. Using nationally representative survey data we show that our results are unlikely to be driven by

selective timing of conception. We run a household survey to provide the first stage of our results and go beyond the intention-to-treat effects to estimate a local average treatment effect.

 Waseem-From Womb to Workforce-289.pdf

## The Effects of Austerity on Mortality: Evidence from the United Kingdom

Yonatan Berman, Tora Hovland

King's College London, United Kingdom

This paper studies the impact of austerity measures introduced by the UK government after 2010 on life expectancy and mortality. We combine administrative data sources to create a panel dataset spanning from 2002 to 2019. Using a difference-in-differences strategy, we estimate the effect of cuts to welfare benefits and changes in health expenditure on life expectancy and mortality rates. We find that austerity reduced life expectancy by 2.5 to 5 months by 2019, with women being twice as affected as men. The primary driver of this trend is cuts to welfare benefits, although changes in healthcare spending have a larger effect per pound spent. The results suggest that austerity caused 190,000 excess deaths, or 3 percent of all deaths, between 2010 and 2019. Taking into account the years of life lost, we conclude that the costs of austerity exceeded the benefits derived from reduced public expenditure.

Berman-The Effects of Austerity on Mortality-285.pdf

**11:00am - 1:00pm**

## F06: Digital Service Taxes & BEPS 2.0

Location: **Room RB 106 (Rajská building)**

## Navigating the Amazon: Pass-Through of Digital Service Tax

**Rohit Reddy Muddasani<sup>1</sup>, Dominika Langenmayr<sup>2</sup>**

<sup>1</sup>WU Vienna; <sup>2</sup>KU Eichstätt-Ingolstadt, WU Vienna, CESifo

Digital economy firms are often accused of avoiding profit taxes on a large scale, prompting numerous countries to impose digital service taxes on these firms to indirectly tax their profits. We study the incidence of digital service taxes using data on Amazon's fee structure and pricing. We find that Amazon increased its fees by almost the exact amount of the digital service tax. Firms using Amazon as a platform have largely been able to pass these increased costs onto consumers. On average, the incidence of digital service taxes falls almost entirely on consumers, though there is significant heterogeneity among countries.

 Muddasani-Navigating the Amazon-359.pdf

## Tax Revenue from Pillar One Amount A: Country-by-Country Estimates

**Mona Barake<sup>1,2</sup>, Elvin Le Pouhaer<sup>1,2</sup>**

<sup>1</sup>PARIS SCHOOL OF ECONOMICS, France; <sup>2</sup>eu tax observatory

This paper presents simulations of the tax revenue arising from the Pillar One Amount A proposal of the G20/OECD. Amount A aims at revising taxing rights on multinational enterprises with at least EUR 20 billion in revenue and with profitability above 10%. In a first step, we identify the MNEs that would be covered by Amount A. Then, we approximate the destination-based revenues of MNEs in different jurisdictions, to determine reallocated profits. In a final step, we account for double taxation relief to obtain the net revenue from Amount A. We find that the total amount of additional tax revenue arising from Amount A is around EUR15.6 billion. The extent of taxing rights redistribution induced by Amount A is affected by (a) the inclusion criteria of covered MNEs; (b) the reallocation parameter of 25 percent.

 Barake-Tax Revenue from Pillar One Amount A-495.pdf

## Pillar 2: Investor Expectations For Affected Firms And Their Competitors

**Dave Goyvaerts**

Ghent University, Belgium

In 2021, the OECD announced that over 130 jurisdictions supported its “Pillar 2” proposal for a 15 percent global minimum effective tax rate for large multinational enterprises. This proposal has since been adopted unanimously by the European Union, and has come into force on 1 January 2024. We employ an event study methodology using daily 2021 stock market returns of 3,275 European firms to determine how Pillar 2 announcements affected the value of firms subject to the global minimum tax, and that of their competitors. While we find no significant impact on the stock market returns of directly affected firms, we do find a positive effect on the returns of their competitors. Our results suggest that the introduction of a global minimum tax for large multinational enterprises can be beneficial for their competitors, shedding light on the role of a minimum tax on inter-firm competition and the level playing field.

Goyvaerts-Pillar 2-529.pdf

## EU-Wide Unitary Taxation: A Path to a Fair Corporate Tax System}

Miroslav Palanský<sup>1,2</sup>, Alison Schultz<sup>2</sup>

<sup>1</sup>Charles University; <sup>2</sup>Tax Justice Network

This paper examines the most direct method to curb European profit shifting: an EU-wide adoption of unitary taxation. Using country-by-country reporting data, we estimate country-level revenue changes when taxable profits are distributed based on different formulas measuring economic activity. We find that tax revenues would increase for most EU members. While some countries – in particular the Netherlands, Luxembourg, Ireland, and Malta – may incur losses, these can be offset by adopting an effective national top-up tax, consistent with the EU's plan to introduce a minimum corporate tax of 15%. Our findings indicate that unitary taxation would not only restore fair competition and significantly boost EU-wide tax revenues—ranging from US\$ 24.1 to US\$ 26.8 billion in isolation or US\$ 34.5 to US\$ 35.4 billion when combined with the minimum tax—but is also politically feasible: When coupled with the minimum corporate tax, no member state would lose from its implementation.

Palanský-EU-Wide Unitary Taxation-526.pdf

**11:00am - 1:00pm**

## F07: Gender, Households, and Inequality

Location: **Room RB 107 (Rajská building)**









## Gender Based Taxation and Statistical Discrimination

**Jeanne Poulain**






















University of Lorraine, France



This paper questions how individuals and couples should be taxed when women face wage discrimination in the labor market.

When women anticipate being discriminated against in the labor market, it affects their decision to invest in education. Consequently, women, thinking that their return on education will be lower, choose to be less qualified on average. This confirms employers' bias regarding the qualifications of women. I find that when women face wage discrimination, they have more incentive to work on household production compared to their husbands and less in the labor market. I show that the optimal income tax rate depends on a pigouvian term that decreases the marginal tax rate of the discriminated group. This paper aims to provide guidance for tax reform when gender inequalities in home production and the labor market interact.

	<div><div> <a href="#">Poulain-Gender Based Taxation and Statistical Discrimination-432.pdf</a></div><div><h3>Understanding Trends in the German Income Distribution: 2001-2019</h3><p><b><u>Eliana Coschignano</u></b>, Robin Jessen RWI, Germany</p><p>We document trends in inequality in earnings and disposable household income for men and women in Germany from 2001 to 2019. We find that males at the lower half of the earnings distribution have lower earnings in 2019 than in 2001. In contrast, female earnings have increased throughout the distribution. Households and the welfare state has cushioned much—but not all—of the income drop at the bottom of the distribution. A reweighting analysis reveals that changes in working hours as well as in the composition of nationalities explain a substantial part of the drop in the 10th earnings and net income percentile for men. Moreover, changes in household structure have led to an increase in disposable incomes throughout the distribution.</p><div> <a href="#">Coschignano-Understanding Trends in the German Income Distribution-519.pdf</a></div></div></div>
	<div><div><h3>Intrahousehold Consumption Inequality over 23 Years: Evidence from Czechia</h3><p><b><u>Marek Šedivý</u></b> Charles University, Czech Republic</p><p>Unequal consumption sharing within households is well-documented. However, there is limited evidence on the stability of within-household inequality over time. Moreover, the responsiveness of within-household inequality to the evolution of social norms and public policy remains an open question to a significant extent. We combine a collective household model with consumption survey data spanning 23 years to study the evolution of within-household consumption inequality. Our findings reveal gender inequality within households. We also observe a slight decrease in women's relative resource shares over the considered time period.</p><div> <a href="#">Šedivý-Intrahousehold Consumption Inequality over 23 Years-551.pdf</a></div></div></div>
11:00am - 1:00pm	<div><div><h3>F09: Tax Evasion &amp; TIEAs</h3><p>Location: <b>Room RB 210 (Rajská building)</b></p><h3>Improving Tax Compliance at the Top: Evidence from Colombia</h3><p><b><u>Juliana Londoño-Vélez</u></b><sup>1</sup>, <b><u>Pierre Bachas</u></b><sup>2</sup>, <b><u>Gabriel Zucman</u></b><sup>3</sup></p><p><sup>1</sup>UCLA and NBER; <sup>2</sup>World Bank and ESSEC; <sup>3</sup>Paris School of Economics and UC Berkeley</p><p>We examine the benefits and challenges associated with recent advancements in automatic tax information exchange agreements to improve tax compliance at the top of the wealth distribution. Since 2016, Colombia has received information on foreign accounts held by its citizens in the United States and 103 other countries through the Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standard (CRS). We merge FATCA and CRS reports with personal tax return microdata on domestic and foreign income and wealth from 2016 to 2021. First, we outline recent trends in the likelihood of Colombians voluntarily disclosing foreign assets to their authorities and the declared amounts. Second, we juxtapose self-reported wealth against data obtained from CRS and FATCA. Third, we investigate the role of CRS and FATCA in facilitating the enforcement of wealth and income taxes.</p><div> <a href="#">Londoño-Vélez-Improving Tax Compliance at the Top-250.pdf</a></div></div><div><div><h3>When Bankers become Informants: Behavioral effects of Automatic Exchange of Information</h3><p><b><u>Jeanne Bomare</u></b><sup>1,2</sup>, <b><u>Matthew Collin</u></b><sup>2,3</sup></p><p><sup>1</sup>Paris School of Economics; <sup>2</sup>EU Tax Observatory; <sup>3</sup>NMBU</p><p>This paper uses account data leaked from an Isle of Man bank to study the effectiveness of automatic exchange of bank information agreements (AEOI). We establish three sets of results. First, we find that AEOI treaties do not legally cover a large share of assets held offshore. Second, we observe that banks in charge of reporting appear to correctly identify most reportable accounts and to communicate this information truthfully to tax authorities. The quality of reporting is better for individual accounts than for company accounts, either because of complexity or because of non-compliance by the bank. Third, we find evidence that clients of the bank who were more at risk of being reported on preemptively closed their accounts, potentially circumventing the AEOI reporting process. This paper sheds light on the design flaws of AEOI agreements, and provides new evidence on how sophisticated individuals ultimately avoided this new transparency shock.</p><div> <a href="#">Bomare-When Bankers become Informants-605.pdf</a></div></div><div><div><h3>Does Global Financial Transparency Improve Tax Compliance in Developing Countries?</h3><p><b><u>Lauge Larsen</u></b><sup>2</sup>, <b><u>Niels Johannesen</u></b><sup>3</sup>, <b><u>Nadine Riedel</u></b><sup>1</sup></p><p><sup>1</sup>University of Münster, Germany; <sup>2</sup>University of Copenhagen; <sup>3</sup>University of Oxford</p><p>Countries worldwide committed to automatically exchanging financial account information under the CRS, including many less developed countries (LDCs). It is still unclear if the scheme improved tax compliance, however, in particular in the weaker enforcement context of LDCs. In this project, we merge CRS reports received by the South African Revenue Service to income tax returns to shed light on this question. We show that foreign wealth by South African residents is concentrated at the top of the income distribution. The findings further indicate that CRS reporting lowers tax evasion - but a significant compliance gap prevails. This is consistent with incomplete enforcement: Misreporting of taxpayer identifiers often prevent successful matches of CRS reports to tax returns; and conditional on matching, discrepancies between taxpayers' self-reported and CRS-reported foreign income do not impact observed audit risk or audit adjustments - suggesting that CRS reports do not yet effectively inform audit processes.</p><div> <a href="#">Larsen-Does Global Financial Transparency Improve Tax Compliance-603.pdf</a></div></div></div></div></div>
	<div><div><h3>The Compliance Effects of the Automatic Exchange of Information: Evidence from the Swiss Tax Amnesty</h3><p><b><u>Enea Baselgia</u></b> ETH Zurich, Switzerland</p><p>This paper studies the effects of the 2017 multilateral automatic exchange of information (AEOI). Leveraging rich tax data and difference-in-differences designs, I document significant positive tax compliance behavior. The AEOI caused 107k taxpayers (2% of all) to participate in the Swiss amnesty. Together, they disclosed CHF 35.2 billion Swiss francs—more than 5% of GDP. This static macro effect persists at the micro level: Once an evader enters the amnesty, their wealth increases by around 55% on average and remains at this higher level. Lastly, I show that tax evasion is widespread in Switzerland and more evenly distributed than elsewhere.</p><div> <a href="#">Baselgia-The Compliance Effects of the Automatic Exchange of Information-131.pdf</a></div></div></div>
11:00am - 1:00pm	<div><div><h3>F10: International Law and Profit Shifting</h3><p>Location: <b>Room RB 112 (Rajská building)</b></p><h3>Reasons Behind Developing Countries' Tax Revenue Losses: Paying Attention To The Provisions Of Their Tax Treaties With OECD Members</h3><p><b><u>Pranvera Shehaj</u></b> Freie Universität Berlin, Germany</p><p>This paper uses an alternative approach to measure the revenue costs of tax treaties between developed and developing countries. Using a dyadic panel dataset of asymmetric DTTs between OECD members and developing economies, the paper investigates the effect of double tax relief method at the residence country of the investor, and the inclusion of tax sparing provisions, on the difference between WHTs on passive income under developing countries' domestic tax law and WHT rates negotiated in tax treaties with OECD members. Results of the empirical analysis suggest first, that the difference between domestic and negotiated WHTs on portfolio dividends is higher when the OECD member uses the credit method, as compared to when it uses the exemption method. Second, results suggest that the inclusion of the tax sparing provisions vanishes the positive effect of the credit method on the difference between domestic and negotiated WHTs on portfolio dividends.</p><div> <a href="#">Shehaj-Reasons Behind Developing Countries' Tax Revenue Losses-117.pdf</a></div></div><div><div><h3>Transparency Rule and Stock Market Reaction: An Analysis of Country-by-Country Reporting in Developing Countries</h3><p><b><u>Bathusi Gabanatlhong</u></b> Charles University, Czech Republic</p><p>This paper provides the first evidence of the effect of CbCR in developing countries, mainly focusing on the market response of the African stock market to the country-by-country reporting regulation. Using the event study methodology, the results indicate a negative significant market response for firms subject to CbCR requirements. Tax-aggressive firms show a pronounced significant negative response around the event date, suggesting that investors anticipate increased tax liabilities due to heightened scrutiny of their tax planning practices, ultimately reducing future profits. Cross-listed firms exhibit a stronger significant market response in foreign markets than in</p></div></div></div>



	<p>domestic markets, highlighting differing investor reactions. This underscores the variation in how foreign and domestic investors process similar information across different markets. Additionally, firms with compliance issues show a significant market response. This paper provides an understanding of how regulatory transparency influences firms with different characteristics in developing markets.</p> <p> <a href="#">Gabanathong-Transparency Rule and Stock Market Reaction-438.pdf</a></p> <hr/> <p><b>The Mirage of Mobile Capital</b> <b><u>Wei Cui</u></b> University of British Columbia, Canada</p> <p>Capital mobility has long preoccupied international tax scholars. According to prevailing narratives, mobile capital force countries to race to the bottom in competing to attract investment, and enables multinationals to shift profits. This paper argues, however, that mobile capital's significance for international taxation may be largely an illusion.</p> <p>First, the rising importance of intangibles makes capital less, not more, mobile. Intangibles seem mobile only because the rights to tax returns to them are arbitrarily assigned, but that is a fact about tax law itself, not an independent fact that tax policy responds to. Second, empirical evidence for tax competition is weak, and this is just what theories about multinationals would predict. Third, modelling profit shifting as capital mobility generates conceptual confusion and is often factually inaccurate. Fourth, the international provisions of the corporate income tax generate externalities that likely dominate those from the setting of rates and domestic tax base.</p> <p> <a href="#">Cui-The Mirage of Mobile Capital-245.pdf</a></p> <hr/> <p><b>Impact of Double Taxation Agreement on FDI and Revenue Loss in Nepal</b> <b><u>Bishal Chalise</u></b><sup>1,2</sup> <sup>1</sup>Deakin University, Australia; <sup>2</sup>Tribhuvan University, Nepal</p> <p>This paper determines the impact of DTAs on foreign direct investment (FDI) in Nepal from 1990 to 2020. A correlational fixed-effects estimation shows a high correlation between DTAs and FDI, with investment flows from countries signing a DTA varying from NRs.796 million to NRs. 2,002 million per year (USD 6 -18 million). The paper further estimates the average treatment effect of treatment using synthetic difference-in-difference (SDID), which suggests a positive but statistically insignificant difference between FDI from DTA countries (control) and countries without a DTA (treatment). The qualitative assessment shows that policymakers are willing to support DTAs to attract foreign investment. Yet, there seems to be limited capacity to negotiate a new treaty or review an old one. Further, the paper presents an assessment of revenue loss from a single industry (airlines), revealing that the country foregoes an estimated NRs635 million (USD 5 million) annually because of DTAs.</p> <p> <a href="#">Chalise-Impact of Double Taxation Agreement on FDI and Revenue Loss-168.pdf</a></p> <hr/> <tr><td>11:00am - 1:00pm</td><td><p><b>F11: Education and Inequality</b> Location: <b>Room RB 213 (Rajská building)</b></p><p><b>Education, Mobility and Redistribution</b> <b><u>Pierre Pestieau</u>, <u>Maria Racionero</u></b> The Australian National University,</p><p>Recent evidence suggests that social mobility has declined in many developed countries despite some of them pursuing proactive redistribution policies. In this paper we characterize the optimal mix of income tax and education policies that a government should adopt to maximize a long-term social objective that includes considerations for income redistribution and upward mobility. We show that switching from an elitist to a meritocratic education system, or from a short-term to a long-term vision of social welfare, fosters upward mobility but it can sometimes lead to increased inequality.</p><p> <a href="#">Pestieau-Education, Mobility and Redistribution-451.pdf</a></p><hr/><p><b>Inequality and Education Funding: Theory and Evidence from the U.S. School Districts</b> <b><u>Calin Arcalean</u></b><sup>1</sup>, <b><u>Ioana Schiopu</u></b><sup>2</sup> <sup>1</sup>ESADE Business School, Spain; <sup>2</sup>ESADE Business School, Spain</p><p>We investigate the relationship between inequality and public education funding in a model of probabilistic voting where the private option is available and voting participation differs across income groups. A change in inequality can have opposite effects at different income levels: higher inequality decreases public spending per student and increases enrollment in public schools in poor economies, while the opposite holds in the rich ones. A change in the tax base can also have non- monotonic effects. These novel theoretical predictions, with support in U.S. school district-level data, reconcile previous contradictory results in the political economy literature on redistribution and inequality.</p><p> <a href="#">Arcalean-Inequality and Education Funding-606.pdf</a></p><hr/><p><b>Rethinking Wealth Inequality: The Role of Human Capital</b> <b><u>Olle Hammar</u></b><sup>1</sup>, <b><u>Daniel Waldenström</u></b><sup>2</sup> <sup>1</sup>Linnaeus University; <sup>2</sup>Research Institute of Industrial Economics (IFN)</p><p>In this paper, we introduce novel estimates of wealth inequality, integrating the standard household wealth concept with newly assessed individual human capital. Using microdata and national accounts from numerous countries since 1979, we explore the distribution across age, gender, education, and occupation. Our analysis reveals two key findings: human capital is more evenly distributed than financial capital, and total wealth, the sum of human and financial capital, is significantly more equal than financial wealth alone. This study offers a groundbreaking perspective on global wealth dynamics, emphasizing the critical, yet often overlooked, role of human capital in wealth distribution.</p><p> <a href="#">Hammar-Rethinking Wealth Inequality-620.pdf</a></p><hr/><p><b>Optimal Non-linear Tax Schedule With Investment In Education</b> <b><u>Michel Strawczynski</u></b> Hebrew University of Jerusalem, Israel</p><p>Existing literature shows that re-distribution does not play an important role for determining optimal income tax rates when skilled agents invest in education. This paper departs from the literature by adding government policy on subsidies and regulation of higher education. I conclude that in the short run optimal income tax rates are crucially influenced by the re-distribution issue. Moreover, the conclusion about optimal declining or rising marginal tax rates at the top is mostly determined by educational income inequality. For empirically plausible simulations under an inequality averse social planner, a more unequal educational economy justifies rising marginal tax rates at the top.</p><p> <a href="#">Strawczynski-Optimal Non-linear Tax Schedule With Investment In Education-330.pdf</a></p><hr/><tr><td>11:00am - 1:00pm</td><td><p><b>F12: Institutional Frictions &amp; Failures</b> Location: <b>Room RB 113 (Rajská building)</b></p><p><b>Taxation of Public Franchises with Persistent Demand Shocks</b> <b><u>Marco Buso</u>, <u>Cesare Dosi</u>, <u>Michele Moretto</u></b> University of Padova, Italy</p><p>In a continuous-time setting, we study the taxation of a state-sponsored monopolist, granted with the right to use a government-owned facility, when there is asymmetric information of demand parameters hit by imperfectly correlated shocks. We show that optimal taxation requires an appropriate combination of fixed and time-adjusted payments from actual sales. We then analyse how the optimal combination of fixed and variable transfers is impacted by the private revenue potential, by the expected variability of demand and by the importance assigned to tax receipts relative to other welfare concerns.</p><p> <a href="#">Buso-Taxation of Public Franchises with Persistent Demand Shocks-256.pdf</a></p><hr/><p><b>Out of Office, Out of Step? Re-election Concerns and Ideological Shirking in Lame Duck Sessions of the U.S. House of Representatives</b> <b><u>Felix Schönenberger</u></b> Università della Svizzera Italiana, Switzerland</p><p>Do elections constrain incumbent politicians' policy choices? To answer this longstanding question, this paper proposes a novel identification strategy to separate electoral incentives from selection effects. Taking advantage of the unique setup of lame-duck sessions in the U.S. Congress, where lame-duck incumbents who lost re-election vote on the same issues as their re-elected colleagues, I use a close election regression discontinuity design to exploit quasi-random assignment of re-election seeking representatives to lame-duck status. Comparing within-incumbent changes in roll call voting of barely unseated lame ducks to narrowly re-elected co-partisans serving the same congressional term, I find that lame ducks revert to more extreme positions with lame-duck Democrats (Republicans) voting more liberally (conservatively). Consistent with lame ducks' loss of re-election incentives driving</p></td></tr></td></tr>	11:00am - 1:00pm	<p><b>F11: Education and Inequality</b> Location: <b>Room RB 213 (Rajská building)</b></p> <p><b>Education, Mobility and Redistribution</b> <b><u>Pierre Pestieau</u>, <u>Maria Racionero</u></b> The Australian National University,</p> <p>Recent evidence suggests that social mobility has declined in many developed countries despite some of them pursuing proactive redistribution policies. In this paper we characterize the optimal mix of income tax and education policies that a government should adopt to maximize a long-term social objective that includes considerations for income redistribution and upward mobility. We show that switching from an elitist to a meritocratic education system, or from a short-term to a long-term vision of social welfare, fosters upward mobility but it can sometimes lead to increased inequality.</p> <p> <a href="#">Pestieau-Education, Mobility and Redistribution-451.pdf</a></p> <hr/> <p><b>Inequality and Education Funding: Theory and Evidence from the U.S. School Districts</b> <b><u>Calin Arcalean</u></b><sup>1</sup>, <b><u>Ioana Schiopu</u></b><sup>2</sup> <sup>1</sup>ESADE Business School, Spain; <sup>2</sup>ESADE Business School, Spain</p> <p>We investigate the relationship between inequality and public education funding in a model of probabilistic voting where the private option is available and voting participation differs across income groups. A change in inequality can have opposite effects at different income levels: higher inequality decreases public spending per student and increases enrollment in public schools in poor economies, while the opposite holds in the rich ones. A change in the tax base can also have non- monotonic effects. These novel theoretical predictions, with support in U.S. school district-level data, reconcile previous contradictory results in the political economy literature on redistribution and inequality.</p> <p> <a href="#">Arcalean-Inequality and Education Funding-606.pdf</a></p> <hr/> <p><b>Rethinking Wealth Inequality: The Role of Human Capital</b> <b><u>Olle Hammar</u></b><sup>1</sup>, <b><u>Daniel Waldenström</u></b><sup>2</sup> <sup>1</sup>Linnaeus University; <sup>2</sup>Research Institute of Industrial Economics (IFN)</p> <p>In this paper, we introduce novel estimates of wealth inequality, integrating the standard household wealth concept with newly assessed individual human capital. 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This paper departs from the literature by adding government policy on subsidies and regulation of higher education. I conclude that in the short run optimal income tax rates are crucially influenced by the re-distribution issue. Moreover, the conclusion about optimal declining or rising marginal tax rates at the top is mostly determined by educational income inequality. For empirically plausible simulations under an inequality averse social planner, a more unequal educational economy justifies rising marginal tax rates at the top.</p> <p> <a href="#">Strawczynski-Optimal Non-linear Tax Schedule With Investment In Education-330.pdf</a></p> <hr/> <tr><td>11:00am - 1:00pm</td><td><p><b>F12: Institutional Frictions &amp; Failures</b> Location: <b>Room RB 113 (Rajská building)</b></p><p><b>Taxation of Public Franchises with Persistent Demand Shocks</b> <b><u>Marco Buso</u>, <u>Cesare Dosi</u>, <u>Michele Moretto</u></b> University of Padova, Italy</p><p>In a continuous-time setting, we study the taxation of a state-sponsored monopolist, granted with the right to use a government-owned facility, when there is asymmetric information of demand parameters hit by imperfectly correlated shocks. We show that optimal taxation requires an appropriate combination of fixed and time-adjusted payments from actual sales. We then analyse how the optimal combination of fixed and variable transfers is impacted by the private revenue potential, by the expected variability of demand and by the importance assigned to tax receipts relative to other welfare concerns.</p><p> <a href="#">Buso-Taxation of Public Franchises with Persistent Demand Shocks-256.pdf</a></p><hr/><p><b>Out of Office, Out of Step? Re-election Concerns and Ideological Shirking in Lame Duck Sessions of the U.S. House of Representatives</b> <b><u>Felix Schönenberger</u></b> Università della Svizzera Italiana, Switzerland</p><p>Do elections constrain incumbent politicians' policy choices? To answer this longstanding question, this paper proposes a novel identification strategy to separate electoral incentives from selection effects. Taking advantage of the unique setup of lame-duck sessions in the U.S. Congress, where lame-duck incumbents who lost re-election vote on the same issues as their re-elected colleagues, I use a close election regression discontinuity design to exploit quasi-random assignment of re-election seeking representatives to lame-duck status. Comparing within-incumbent changes in roll call voting of barely unseated lame ducks to narrowly re-elected co-partisans serving the same congressional term, I find that lame ducks revert to more extreme positions with lame-duck Democrats (Republicans) voting more liberally (conservatively). Consistent with lame ducks' loss of re-election incentives driving</p></td></tr>	11:00am - 1:00pm	<p><b>F12: Institutional Frictions &amp; Failures</b> Location: <b>Room RB 113 (Rajská building)</b></p> <p><b>Taxation of Public Franchises with Persistent Demand Shocks</b> <b><u>Marco Buso</u>, <u>Cesare Dosi</u>, <u>Michele Moretto</u></b> University of Padova, Italy</p> <p>In a continuous-time setting, we study the taxation of a state-sponsored monopolist, granted with the right to use a government-owned facility, when there is asymmetric information of demand parameters hit by imperfectly correlated shocks. We show that optimal taxation requires an appropriate combination of fixed and time-adjusted payments from actual sales. We then analyse how the optimal combination of fixed and variable transfers is impacted by the private revenue potential, by the expected variability of demand and by the importance assigned to tax receipts relative to other welfare concerns.</p> <p> <a href="#">Buso-Taxation of Public Franchises with Persistent Demand Shocks-256.pdf</a></p> <hr/> <p><b>Out of Office, Out of Step? Re-election Concerns and Ideological Shirking in Lame Duck Sessions of the U.S. House of Representatives</b> <b><u>Felix Schönenberger</u></b> Università della Svizzera Italiana, Switzerland</p> <p>Do elections constrain incumbent politicians' policy choices? To answer this longstanding question, this paper proposes a novel identification strategy to separate electoral incentives from selection effects. 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11:00am - 1:00pm	<p><b>F11: Education and Inequality</b> Location: <b>Room RB 213 (Rajská building)</b></p> <p><b>Education, Mobility and Redistribution</b> <b><u>Pierre Pestieau</u>, <u>Maria Racionero</u></b> The Australian National University,</p> <p>Recent evidence suggests that social mobility has declined in many developed countries despite some of them pursuing proactive redistribution policies. In this paper we characterize the optimal mix of income tax and education policies that a government should adopt to maximize a long-term social objective that includes considerations for income redistribution and upward mobility. We show that switching from an elitist to a meritocratic education system, or from a short-term to a long-term vision of social welfare, fosters upward mobility but it can sometimes lead to increased inequality.</p> <p> <a href="#">Pestieau-Education, Mobility and Redistribution-451.pdf</a></p> <hr/> <p><b>Inequality and Education Funding: Theory and Evidence from the U.S. School Districts</b> <b><u>Calin Arcalean</u></b><sup>1</sup>, <b><u>Ioana Schiopu</u></b><sup>2</sup> <sup>1</sup>ESADE Business School, Spain; <sup>2</sup>ESADE Business School, Spain</p> <p>We investigate the relationship between inequality and public education funding in a model of probabilistic voting where the private option is available and voting participation differs across income groups. A change in inequality can have opposite effects at different income levels: higher inequality decreases public spending per student and increases enrollment in public schools in poor economies, while the opposite holds in the rich ones. A change in the tax base can also have non- monotonic effects. These novel theoretical predictions, with support in U.S. school district-level data, reconcile previous contradictory results in the political economy literature on redistribution and inequality.</p> <p> <a href="#">Arcalean-Inequality and Education Funding-606.pdf</a></p> <hr/> <p><b>Rethinking Wealth Inequality: The Role of Human Capital</b> <b><u>Olle Hammar</u></b><sup>1</sup>, <b><u>Daniel Waldenström</u></b><sup>2</sup> <sup>1</sup>Linnaeus University; <sup>2</sup>Research Institute of Industrial Economics (IFN)</p> <p>In this paper, we introduce novel estimates of wealth inequality, integrating the standard household wealth concept with newly assessed individual human capital. Using microdata and national accounts from numerous countries since 1979, we explore the distribution across age, gender, education, and occupation. Our analysis reveals two key findings: human capital is more evenly distributed than financial capital, and total wealth, the sum of human and financial capital, is significantly more equal than financial wealth alone. This study offers a groundbreaking perspective on global wealth dynamics, emphasizing the critical, yet often overlooked, role of human capital in wealth distribution.</p> <p> <a href="#">Hammar-Rethinking Wealth Inequality-620.pdf</a></p> <hr/> <p><b>Optimal Non-linear Tax Schedule With Investment In Education</b> <b><u>Michel Strawczynski</u></b> Hebrew University of Jerusalem, Israel</p> <p>Existing literature shows that re-distribution does not play an important role for determining optimal income tax rates when skilled agents invest in education. This paper departs from the literature by adding government policy on subsidies and regulation of higher education. I conclude that in the short run optimal income tax rates are crucially influenced by the re-distribution issue. Moreover, the conclusion about optimal declining or rising marginal tax rates at the top is mostly determined by educational income inequality. For empirically plausible simulations under an inequality averse social planner, a more unequal educational economy justifies rising marginal tax rates at the top.</p> <p> <a href="#">Strawczynski-Optimal Non-linear Tax Schedule With Investment In Education-330.pdf</a></p> <hr/> <tr><td>11:00am - 1:00pm</td><td><p><b>F12: Institutional Frictions &amp; Failures</b> Location: <b>Room RB 113 (Rajská building)</b></p><p><b>Taxation of Public Franchises with Persistent Demand Shocks</b> <b><u>Marco Buso</u>, <u>Cesare Dosi</u>, <u>Michele Moretto</u></b> University of Padova, Italy</p><p>In a continuous-time setting, we study the taxation of a state-sponsored monopolist, granted with the right to use a government-owned facility, when there is asymmetric information of demand parameters hit by imperfectly correlated shocks. We show that optimal taxation requires an appropriate combination of fixed and time-adjusted payments from actual sales. We then analyse how the optimal combination of fixed and variable transfers is impacted by the private revenue potential, by the expected variability of demand and by the importance assigned to tax receipts relative to other welfare concerns.</p><p> <a href="#">Buso-Taxation of Public Franchises with Persistent Demand Shocks-256.pdf</a></p><hr/><p><b>Out of Office, Out of Step? Re-election Concerns and Ideological Shirking in Lame Duck Sessions of the U.S. House of Representatives</b> <b><u>Felix Schönenberger</u></b> Università della Svizzera Italiana, Switzerland</p><p>Do elections constrain incumbent politicians' policy choices? To answer this longstanding question, this paper proposes a novel identification strategy to separate electoral incentives from selection effects. Taking advantage of the unique setup of lame-duck sessions in the U.S. Congress, where lame-duck incumbents who lost re-election vote on the same issues as their re-elected colleagues, I use a close election regression discontinuity design to exploit quasi-random assignment of re-election seeking representatives to lame-duck status. Comparing within-incumbent changes in roll call voting of barely unseated lame ducks to narrowly re-elected co-partisans serving the same congressional term, I find that lame ducks revert to more extreme positions with lame-duck Democrats (Republicans) voting more liberally (conservatively). 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	<p>the result, the effect of lame-duck status on roll call extremism is more pronounced among ex-ante more vulnerable legislators.</p> <p> <a href="#">Schönenberger-Out of Office, Out of Step Re-election Concerns and Ideological Shirking-177.pdf</a></p> <hr/> <p><b>The Power of the Pen: Influences of Lobbying on the Legislative Procedure in Europe</b></p> <p><b><u>Emilie Wojcieszynski</u>, Vitezslav Tittl</b> Utrecht University, Netherlands, The</p> <p>We examine the influence of lobbying through meetings, a novel measure of such activity, between members of the European Parliament (MEPs) and interest groups during legislative procedures in Europe. Using the Transparency Register, we use data reported by MEPs on meetings and amendments written during the legislative procedure for a set of regulations to investigate whether a meeting at t-1 influences the writing of the law by the legislator. Using a pre-trained Large Language Model (LLM) as a novel method to quantify change in amendments, preliminary results suggest the writing of a share of amendments in the Digital Services Act (DSA) tends to benefit gatekeepers - defined as a firm with monopolistic behavior - and undermines consumers and other online platforms when written by rapporteurs, although it is not clear if this legal preference is caused by meetings with representatives of gatekeepers.</p> <p> <a href="#">Wojcieszynski-The Power of the Pen-373.pdf</a></p> <hr/> <p><b>“Hands off Cain:” the March 2020 wave of Italian prison riot</b></p> <p><b>Silvia Coretti<sup>1</sup>, <u>Silvia Fedeli</u><sup>1</sup>, Michele Santoni<sup>2</sup>, Giovanni Suriano<sup>3</sup></b> <sup>1</sup>Sapienza, Università di Roma; <sup>2</sup>Università degli Studi di Milano; <sup>3</sup>Garante Nazionale delle Persone Private della Libertà, Roma</p> <p>By employing a unique prison-specific administrative dataset encompassing the universe of 187 Italian public prisons, we analyze the determinants of the prison riot wave of March 2020 at the start of the COVID-19 pandemic. Probit estimates reveal that prison size and the extent of overcrowding positively correlate with the likelihood of riots. In contrast, a criminality index shows a negative impact on riots. Proxies for the effectiveness of prison management, composition of prison population, and level of internal violence exhibit no significant association with riots. Data support emulation effects: the likelihood of riots occurring in a given prison positively correlates with riots in nearby geographical areas. This study highlights the role of prison conditions, notably overcrowding, in the 2020 prison riot surge. We find no evidence supporting the Italian parliamentary Anti-Mafia Commission of Inquiry’s hypothesis that COVID-19-related prison riots were the result of a conspiracy orchestrated by Italian organized crime.</p> <p> <a href="#">Coretti-“Hands off Cain-431.pdf</a></p> <hr/> <p><b>11:00am - 1:00pm</b></p> <p><b>F13: Public Finance During the Pandemic</b> Location: <b>Room RB 114 (Rajská building)</b></p> <p><b>The Dynamics of Formal Employment During and After the Covid-19 Pandemic in Uganda</b></p> <p><b><u>Kyle McNabb</u><sup>1</sup>, Tina Kaidu<sup>2</sup>, Susan Kavuma<sup>3</sup></b> <sup>1</sup>ODI, United Kingdom; <sup>2</sup>Uganda Revenue Authority; <sup>3</sup>Makerere University</p> <p>We study the impact of the COVID-19 pandemic on formal sector employment in Uganda. Utilizing employee-level administrative tax data from the Uganda Revenue Authority, we describe the dynamics of employment as the pandemic evolved, seeking to better understand the various coping strategies undertaken by firms in the face of reduced sales and business activity. We find that over 10% of formally employed workers fully lost their incomes in the immediate aftermath of the onset of the pandemic. Of those remaining employed, ~14% saw their salaries fall in the short term and by March 2021 over 9% were still earning less than pre-pandemic. We match these pay-as-you-earn records with firms’ income tax returns to better understand how firm characteristics affected the likelihood that different coping strategies were undertaken. Larger and more profitable firms pre-pandemic were more likely to retain their workforce and less likely to cut employee salaries.</p> <p> <a href="#">McNabb-The Dynamics of Formal Employment During and After the Covid-19 Pandemic-444.pdf</a></p> <hr/> <p><b>Jobs, Workers, and Firms: Dissecting the Labour Market Effects of Finland's COVID-19 Subsidy Program</b></p> <p><b>Johannes Hirvonen<sup>1,2</sup>, Otto Kässi<sup>1</sup>, <u>Olli Ropponen</u><sup>1</sup></b> <sup>1</sup>Eta Economic Research, Finland; <sup>2</sup>Northwestern University, USA</p> <p>This paper examines the labour market impacts of Finland's initial COVID-19 subsidy program, designed to mitigate the economic fallout of the pandemic. Utilising a novel and comprehensive dataset and a judge-leniency instrumental variables design, we analyse the effects of these subsidies at both the firm and worker levels. Our findings reveal nuanced effects: the program increased the wage sum in the treated firms and decreased the risk of unemployment. On the other hand, the subsidies reduced labour productivity in treated firms, potentially hindering creative destruction. At the worker level, subsidised employees fared better in subsequent years than workers in non-subsidised firms, with slight increases in annual salaries and a higher likelihood of being employed. However, these workers were more likely to be employed in lower-productivity firms. This paper contributes to our understanding of the implications of fiscal interventions during crises and provides critical insights for shaping future economic policies.</p> <p> <a href="#">Hirvonen-Jobs, Workers, and Firms-179.pdf</a></p> <hr/> <p><b>Adverse Effects of Targeted Income Support for Self-Employed During the COVID-19 Pandemic</b></p> <p><b>Benedikt Vogt<sup>2</sup>, Kim Van Berkel<sup>3</sup>, Leonie Gercama<sup>2</sup>, <u>Egbert Lothar Wolfgang Jongen</u><sup>1</sup></b> <sup>1</sup>Leiden University, Netherlands, The; <sup>2</sup>CPB; <sup>3</sup>SEO</p> <p>We estimate the effects of a large targeted income support for the self employed during the COVID-19 pandemic in the Netherlands. We leverage administrative data on all self-employed with survey data on hours worked and tax records on revenue. Using dynamic differences-in-differences models and quarterly data for the period 2018-2021, we exploit differences in eligibility based on whether or not the self-employed had a partner before the pandemic. We find an intention-to-treat effect of -12% for hours worked and -7% for revenue, compared to pre-pandemic levels. Hence, our results suggest that the targeted program can have adverse effects on the work effort of the self-employed.</p> <p> <a href="#">Vogt-Adverse Effects of Targeted Income Support for Self-Employed During the COVID-19-462.pdf</a></p> <hr/> <p><b>Covid-19 Income Support Measures and Their Income Stabilising Effect for Employees and the Self-employed in 2021</b></p> <p><b><u>Michael Christl</u><sup>1</sup>, Silvia De Poli<sup>2</sup>, Viginta Ivaškaitė-Tamošiūnė<sup>3</sup></b> <sup>1</sup>Universidad Loyola Andalucia and Global Labor Organization; <sup>2</sup>Universidad Complutense de Madrid; <sup>3</sup>Oxford Brookes University</p> <p>The paper discusses the economic impacts of the COVID-19 pandemic in the EU, focusing on monetary compensation schemes aimed at preserving household income in 2021 and comparing them with 2020. It examines how these schemes absorbed income shock for employees and the self-employed. Utilizing microsimulation techniques and EUROMOD, it simulates labor market conditions and assesses the role of compensation schemes in stabilizing incomes, reducing inequality, and alleviating poverty across EU Member States. Compared to 2020, we find a decrease in the cushioning effect of monetary compensation schemes and an increased role of unemployment benefits. The overall stabilizing effect at the EU level was progressive, cushioning the shock for lower-income households more than for richer households. Without schemes, income inequality and poverty would have been higher, but their effect was relatively small overall due to limited usage in 2021 compared to 2020.</p> <p> <a href="#">Christl-Covid-19 Income Support Measures and Their Income Stabilising Effect-491.pdf</a></p> <hr/> <p><b>11:00am - 1:00pm</b></p> <p><b>F14: Optimal Taxation: Cities</b> Location: <b>Room RB 115 (Rajská building)</b></p> <p><b>Beyond Geography: Optimal Spatial Policies and Local Labour Supply</b></p> <p><b>Marcel Henkel<sup>1</sup>, <u>Fabian Bald</u><sup>2</sup></b> <sup>1</sup>University of Bern, Switzerland; <sup>2</sup>Europa-Universität Viadrina, Germany</p> <p>We examine the role of spatial policies on employment, location choices, and labour force participation in markets marked by labour market frictions and spatial externalities. We compare the outcomes of competitive markets with those of a welfare-maximising social planner. Our findings indicate that including local labour force participation as a key component in our model significantly alters optimal spatial policies. This adjustment affects the spatial distribution of workers, labour supply, and overall welfare. Using data from Germany, we show that these optimal policies could increase the labour force, especially among women, by about 2% and improve aggregate welfare by 5%. Ignoring the extensive labour supply margin leads to a substantial underestimation of the effects of fiscal redistribution and the benefits derived from spatial policies.</p> <p> <a href="#">Henkel-Beyond Geography-610.pdf</a></p> <hr/>
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## What if Commuting Has Demerit Properties?

**Bart Defloor, Dirk Van de gaer**

Ghent University, Belgium

Research in health economics indicates that spending time in traffic has long run adverse consequences for health. Literature suggests that, when making decisions about commuting, workers underestimate the consequences for their long run health. For this reason, we argue that commuting has demerit properties. From a welfare perspective, on top of the demerit aspect, commuting is also associated with an externality. We derive marginal cost of funds (MCF) expressions incorporating externalities and demerit aspects. We calculate the MCF for the 51 US states, for a tax on commuting, income taxation, and a poll transfer. We show that both the externality and the demerit considerations cause rank switches in over half of the States and that an increase in the taxes on commuting accompanied by a decrease in other taxes benefits social welfare.

 Defloor-What if Commuting Has Demerit Properties-234.pdf

## The Welfare Impact Of Using Second-Best Uniform Taxes To Address Traffic Congestion

**Johanna Brigitte Arlinghaus<sup>1,2</sup>, Nicolas Koch<sup>2,3</sup>**

<sup>1</sup>University of Oxford, United Kingdom; <sup>2</sup>Mercator Research Institute on Global Commons and Climate Change;

<sup>3</sup>Potsdam Institute for Climate Impact Research

This paper uses a novel GPS-coded dataset for more than three million car trips in the four largest German cities to measure the efficiency losses from using uniform fuel taxes as a second-best optimal tax to reduce traffic congestion. We estimate the short-run price elasticity of vehicle-kilometres travelled (VKT) across different hours of the day from a panel gravity equation. Identification of the price elasticity relies on comparing VKT changes between granular trip origin and destination pairs within each city. We find that the VKT price elasticity differs strongly across trips taken at different hours of the day, and that this elasticity correlates with contributions to the congestion externality. Using a policy simulation, we show that 52% of the deadweight loss of the congestion externality remains after levying a uniform fuel tax.

 [Arlinghaus-The Welfare Impact Of Using Second-Best Uniform Taxes-522.pdf](#)

## Tax Treatment of Commuter Cost

**Odd Erik Nygård<sup>1</sup>, Vidar Christiansen<sup>2</sup>**

<sup>1</sup>Statistics Norway, Norway; <sup>2</sup>University of Oslo

The paper discusses the tax treatment of commuting where wages and housing cost vary across locations. An income tax distorts the locational choices of agents, who dislike commuting and have preferences for place of residence. Further distortion issues arise where housing is tax favoured, as is often the case. Wages, housing cost and commuting cost determine how subsidising or taxing commuting affects behaviour and social efficiency. A subsidy encourages commuting and induces agents to choose a more favourable living place. The analysis clarifies the circumstances in which the subsidy alleviates or exacerbates the tax distortions. The distributional impact depends on the effects of wages on commuting. An empirical illustration based on Norwegian data supplements the theoretical analysis and shows how one can infer efficiency effects of responses to subsidies on commuting.

 Nygård-Tax Treatment of Commuter Cost-222.pdf

**11:00am - 1:00pm**

### F15: Firms' Elasticity of Taxable Income

Location: **Room RB 211 (Rajská building)**

## The Elasticity of Taxable Income Across Countries

**Katarzyna Anna Bilicka<sup>1</sup>, Nathan Seegert<sup>2</sup>, Elena Patel<sup>2</sup>**

<sup>1</sup>Utah State University, United States of America; <sup>2</sup>University of Utah, United States of America

We use administrative tax data from 10 different developed and developing countries to calculate the within-country corporate elasticity of taxable income and investigate differences between these estimates. Our estimates exploit the differential tax treatment of business income for firms earning positive and negative taxable income in a bunching framework. We develop two new estimators to overcome several challenges that are unique to the business context. We find meaningful differences in the elasticity, with Greece having the largest (1.2) and Guatemala having the smallest (0.09). The differences we find, however, are much smaller than the range found in the literature (0 to 5). This suggests that some of the difference in the estimates in the literature may be due to differences in method rather than fundamental firm-specific characteristics, e.g., industry or tax system-specific characteristics, e.g., level of credits and enforcement.

 Bilicka-The Elasticity of Taxable Income Across Countries-281.pdf

## Corporate Income Taxation and Small Firms' Responses

**Théo Valentin**

CREST ENSAE, France

This paper estimates the elasticity of taxable income to the corporate income tax (CIT) using a 20-years panel of tax administrative data on French companies. I leverage the implementation of a kink at 38.120AC in the CIT in 2001 under which the tax rate is reduced from 33.3% to 15%. I find large and dynamic bunching at the kink, up to 17% of the normal number of firms in 2012. This allows me to compute the elasticity of taxable income to the CIT rate, which ranges from -0.05 the first year of the reform to -0.23 ten years after. From 2013 onward, the bunching mass decreases which coincides with the introduction of a new payroll tax credit. Firms in the bunching mass come from below the kink and for some of them, far from it: more than 6.5 times below the kink, suggesting that they have very heterogeneous elasticities.

Valentin-Corporate Income Taxation and Small Firms' Responses-257.pdf

## Dividend Tax Credits, Corporate Taxes And The Elasticity Of Taxable Income Under Double Taxation: Evidence From Small Businesses

**Javier Cortes Orihuela, Pablo Gutierrez Cubillos**

Universidad de Chile, Chile

We assess firms' taxable income response to a dividend tax credit increase when corporate and personal taxes are integrated. First, we theoretically show that, in an integrated tax system, welfare changes stemming from a rise in corporate taxes depend on two parameters: the elasticity of taxable income with respect to the corporate tax rate and with respect to the dividend tax credit. Second, to estimate both parameters, we propose an identification strategy that relies on the bunching methodology and the excess bunching difference before and after a tax reform that increased the dividend tax credit. Using Canadian administrative tax data and the presence of a kink in the corporate tax system, we estimate these elasticities and empirically show that the increase in the dividend tax credit reduced the deadweight loss associated with an increase in the corporate tax by more than 50%.

 Cortes Orihuela-Dividend Tax Credits, Corporate Taxes And The Elasticity-546.pdf

## Back to the Future: Macro-data in Profit Shifting Research

**Tibor Paul Hanappi, Sebastian Beer, Jan Loeprick**

IMF, United States of America

We explore factors that contributed to a recent increase in macro-based profit shifting analyses, summarize the methods, and provide a meta-analysis of recent revenue loss estimates. We find a consensus estimate for tax revenue losses in the US of around 0.3 percent of GDP in 2022, which amounts to around 18 percent of total CIT collections. The meta-analysis reveals that double counting of income increases estimated revenue losses as does the use of statutory tax rates. The identification approach does not help explain variation in estimates. An important advantage of macro-data is its wider country coverage, enabling estimation of global revenue losses. A simple average of existing studies suggests that these amount to around 0.34 % of GDP or 12 percent of global CIT collections. The revenue potential from more effective measures to combat tax evasion, in the order of USD 200 billion annually, is significant and potentially larger than expected.

 Hanappi-Back to the Future-487.pdf

**11:00am - 1:00pm**

## F16: Carbon & Fuel Taxes














Location: **Room RB 116 (Rajská building)**

## Carbon Taxation In Emerging Economies







Johannes Gallé<sup>1</sup>, Daniel Overbeck<sup>2</sup>, Nadine Riedel<sup>3</sup>, Edson Severnini<sup>4</sup>, Rodrigo Oliveria<sup>5</sup>









<sup>1</sup>MCC Berlin, Germany; <sup>2</sup>University of Mannheim; <sup>3</sup>University of Münster; <sup>4</sup>Carnegie Mellon University; <sup>5</sup>UNU-WIDER

This paper delivers the first comprehensive analysis of how firms respond to carbon taxation in emerging economies. Our evidence builds on exhaustive administrative data from South Africa, the 13th largest emitter worldwide. The presented results are twofold. First, we establish stylized facts on the types of firms that are affected, how much revenue is generated from which sector and which share of national emissions the tax is able to capture. Second, we study the dynamic impact of the carbon tax on firm-level outcomes such as sales, profits, capital and labor inputs. We show that the design of the South African Carbon Tax leads to substantial heterogeneity across








	<div>sectors in terms of how strongly firms are affected. Contrary to the concern that carbon taxes may impede economic growth we measure no negative effects on firm performance on average.</div> <div> <a href="#">Gallé-Carbon Taxation In Emerging Economies-503.pdf</a></div> <hr/> <div><b>Carbon Costs And Industrial Firm Performance: Evidence From International Microdata</b> <b>Arjan Trinks<sup>1</sup>, Erik Hille<sup>2</sup></b> <sup>1</sup>CPB Netherlands Bureau for Economic Policy Analysis, The Netherlands; <sup>2</sup>HHL Leipzig Graduate School of Management, Germany A central concern in climate policy making is that increasing carbon costs unilaterally would impair economic activity and competitiveness. Using comprehensive microdata, this paper provides first international firm-level evidence on the joint performance effects of carbon policies. Shadow prices of fossil energy sources are employed as an integral and internationally comparable measure of carbon costs. We evaluate the impact of carbon costs on various dimensions of economic activity for up to 3.1 million firms from 32 countries and 15 competitiveness-prone industrial sectors in the period 2000-2019. Carbon costs hardly hurt most industrial firms and predominantly elicited adaptation rather than relocation responses. Economically modest employment reductions were concentrated in capital-intensive firms and small firms in emissions-intensive, trade-exposed sectors, particularly in the EU. In these sectors, large and capital-intensive firms ramped up domestic investments in response to carbon cost increases, and small firms improved productivity. Profitability and exit probabilities were hardly affected.</div> <div> <a href="#">Trinks-Carbon Costs And Industrial Firm Performance-276.pdf</a></div> <hr/> <div><b>Fuel Economy Standards and Public Transport</b> <b>Julius Berger<sup>1</sup>, Waldemar Marz<sup>1,2,3</sup></b> <sup>1</sup>ifo Institute for Economic Research, Germany; <sup>2</sup>LMU Munich; <sup>3</sup>CESifo We identify and examine a novel welfare channel of fuel economy standards through the interaction with public transit and households' location choices. A stricter emission standard for cars decreases the marginal cost of driving and triggers a shift in modal choice from public to private transport and a rise in carbon emissions. In the long run, the modal shift exacerbates the increase in the average commute length that results from lower driving costs, as well as traffic congestion. The annual welfare cost for a 50 percent emission reduction turns out 3.7 percent (24 USD p.c.) higher than when neglecting public transport. With a larger role of public transport as in Europe, this effect rises to 11.4 percent (72 USD p.c.). An alternative fuel tax policy, by contrast, induces a modal shift towards public transport and reduces the average commute, urban congestion and the welfare cost of emission reductions.</div> <div> <a href="#">Berger-Fuel Economy Standards and Public Transport-649.pdf</a></div> <hr/> <div><b>Fuel Taxes, Driving, and Co2 Emissions: Quasi-experimental Evidence</b> <b>Satu Maria Kuitunen<sup>1,3,5</sup>, Tuomas Kosonen<sup>3,5</sup>, Jarkko Harju<sup>2,3,5</sup>, Marita Laukkanen<sup>2,3,5</sup>, Kimmo Palanne<sup>2,4,5</sup></b> <sup>1</sup>University of Helsinki, Finland; <sup>2</sup>Tampere University; <sup>3</sup>VATT Institute for Economic Research; <sup>4</sup>Aalto University; <sup>5</sup>Finnish Centre of Excellence in Tax Systems Research This paper studies the effects of a significant fuel tax increase on driving and CO2 emissions. Despite the prevalence of fuel taxes, causal evidence of the effect of fuel taxes on driving and emissions is limited, and the reasons why existing estimates vary remain unexplored. Our research directly addresses these gaps in the literature by exploiting exogenous variation provided by Finland's 2012 energy tax reform. The reform increased the tax on diesel by almost 12 euro cents per litre, while the tax on gasoline was increased by less than 3 euro cents per litre. The reform allows us to utilize a quasi-experimental setting and compare the kilometers travelled by diesel and gasoline-powered cars to identify the impacts of fuel taxes. We employ a large data set of over 2.2 million cars and their odometer readings. Our credibly causal estimates indicate a clear reduction in the kilometers driven by diesel cars.</div> <div> <a href="#">Kuitunen-Fuel Taxes, Driving, and Co2 Emissions-482.pdf</a></div> <hr/> <tr><td><b>11:00am - 1:00pm</b></td><td><div><b>F17: Special Session: Taxation of Wealth in Low- and Middle-Income Countries: What Does the Evidence Tell Us, and What Are the Gaps?</b> Location: <b>Room RB 203 (Rajská building)</b> Session Chair: <b>Laura Fernanda Abramovsky</b>, ODI and Institute for Fiscal Studies Discussant 1: <b>Arun Advani</b>, University of Warwick Discussant 2: <b>Dario Tortarolo</b>, World Bank Discussant 3: <b>Diana Hourani</b>, OECD Organized by <a href="#">TaxDev</a></div></td></tr> <tr><td><b>1:00pm - 2:00pm</b></td><td><b>Lunch III</b></td></tr> <tr><td><b>2:00pm - 4:00pm</b></td><td><div><b>G01: Global Minimum Tax</b> Location: <b>Room RB 103 (Rajská building)</b></div><div><b>The Global Minimum Tax and the Taxation of MNE Profit</b> <b>Felix Hugger<sup>1</sup>, Ana Cinta Gonzalez Cabral<sup>1</sup>, Massimo Bucci<sup>2</sup>, Maria Gesualdo<sup>2</sup>, Pierce O'Reilly<sup>1</sup></b> <sup>1</sup>OECD, France; <sup>2</sup>Ministry of Economy and Finance, Italy The Global Minimum Tax (GMT) introduces significant changes to the taxation of large multinational enterprises. This paper assesses the impact of the GMT using new and unique data on MNE activity and has four main findings. First, the GMT reduces the incentives to shift profits, resulting in an estimated fall in global shifted profits by around half. Second, the GMT will reduce low-taxed profit worldwide through reduced profit shifting and top-up taxation. The global amount of MNE profit taxed below the 15% minimum effective rate is estimated to fall by more than two thirds. Third, the GMT is estimated to increase CIT revenues by USD 155-192 billion per year. The distribution of these gains across jurisdictions strongly depends on implementation choices of governments. 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	<p>productivities and faced fixed costs of setting up a tax haven affiliate, so that only the most productive firms will choose to have a tax haven affiliate. We examine how the existence of an intensive and extensive margins of profit shifting affect the tax competition between the tax haven and non-haven countries.</p> <p> <a href="#">Bond-The Threshold Effect In The Global Minimum Tax-468.pdf</a></p>
2:00pm - 4:00pm	<p><b>G02: Transfer Pricing</b> Location: <a href="#">Room RB 104 (Rajská building)</a></p> <p><b>Transfer Pricing Strictness and the Demand for Tax Advisors</b></p> <p><b><u>Julie Brun Bjørkheim</u><sup>1</sup>, Johannes Scheuerer<sup>2</sup></b> <sup>1</sup>Norwegian School of Economics, Norway; <sup>2</sup>Norwegian University of Life Sciences, Norway</p> <p>Drawing on administrative tax return and trade data linked with employment records, this paper looks into how multinational enterprises (MNEs) in Norway responded to an increase in transfer pricing (TP) strictness. We analyze the amount of money MNEs spent on tax compliance - both on external consultants and in-house lawyers and accountants - after the reform. Difference-in-differences event study designs show that the regulation significantly impacted tax payments, reported profits, and spending on tax advisors. On average, MNEs spent an extra NOK 4.64 million on tax compliance services in the subsequent year. This includes a 12.5% increase in spending on consultants and a 150% increase in spending on in-house advisors. We also found evidence that stricter TP regulations in countries where affiliates locate raised the demand for tax advisors for firms in Norway.</p> <p> <a href="#">Bjørkheim-Transfer Pricing Strictness and the Demand for Tax Advisors-301.pdf</a></p>
	<p><b>Transfer (Mis)pricing Of Multinational Enterprises: Evidence From Finland</b></p> <p><b><u>Marika Sofia Viertola</u><sup>1,2,3,4</sup></b> <sup>1</sup>VATT Institute For Economic Research; <sup>2</sup>Aalto University; <sup>3</sup>Helsinki GSE; <sup>4</sup>Finnish Centre Of Excellence In Tax Systems Research</p> <p>This paper studies how firms manipulate their transfer prices to shift profit from high tax countries to low tax countries. Using detailed transaction-destination level firm data for years 2013-2019, I find evidence of Finnish multinational enterprises underpricing their exports to low tax destinations. By exploiting variation in corporate income tax rate differences and differences in the ownership of affiliates, I apply a triple difference estimation strategy. I find that a 1 percentage point increase in tax rate difference decreases export unit value by 1.2% among multinational firms exporting to low tax countries. My results suggest firms use transfer pricing as a complement channel, as firms more prone to other profit shifting mechanisms also underprice their exports more. Also, I provide evidence that transfer mispricing is concentrated in exports destined to countries where the multinational's affiliate has a higher level of economic activity.</p> <p> <a href="#">Viertola-Transfer (Mis)pricing Of Multinational Enterprises-459.pdf</a></p>
	<p><b>Tax Avoidance in Digital Economy: Network Externalities and Transfer Pricing Regulations</b></p> <p><b><u>Hiroshi Mukunoki</u><sup>1</sup>, Hirofumi Okoshi<sup>2</sup></b> <sup>1</sup>Gakushuin University; <sup>2</sup>Okayama University</p> <p>The development of digital technologies allows multinational enterprises (MNEs) to operate online platforms and supply network products for their platform. Although improving their platform by investing in online technologies benefits consumers and service providers in platforms, it also helps platform MNEs manipulate transfer prices and save taxes because new technology makes applying the arm's length principle difficult. This study investigates the effects of tightening transfer pricing regulations in two-sided markets. We show that stricter transfer pricing regulations reduce an MNE's tax avoidance gain from investing in online technologies and an investment level. Besides that, one of the main findings is that a tighter transfer pricing regulation harms a high-tax country when transfer pricing regulations are loosely enforced, and the marginal impacts of online technology investments on network externality are larger than that on profit shifting. This finding provides an important policy implication for international taxation under the digital economy.</p> <p> <a href="#">Mukunoki-Tax Avoidance in Digital Economy-344.pdf</a></p>
2:00pm - 4:00pm	<p><b>G03: Housing Markets</b> Location: <a href="#">Room RB 105 (Rajská building)</a></p> <p><b>Affordable Housing and Labor Supply</b></p> <p><b><u>Wolfgang Dauth</u><sup>1</sup>, Andreas Mense<sup>1</sup>, <u>Matthias Wrede</u><sup>2</sup></b> <sup>1</sup>Institute for Employment Research Nuremberg (IAB), Germany; <sup>2</sup>FAU Erlangen-Nürnberg, Germany</p> <p>In this paper, we investigate the labor supply effects of living in affordable housing. We develop a new and unique administrative data set of individual labor market biographies linked to subsidized housing projects in five German cities, allowing us to follow individuals over almost 20 years after having moved into the affordable housing unit. Using an event study design, we find that access to affordable housing increases total labor income and decreases the likelihood to be unemployed. We explain these results by four complimentary mechanisms: First, the affordable housing policy reduces negative labor supply incentives of housing benefits. Second, the affordable housing units are considerably closer to the city center and better connected to the urban labor market. Third, the rent subsidy allows workers to invest in their labor-related skills. Fourth, the residential stability provided by affordable housing in Germany likely induces workers and firms to invest in specific human capital.</p> <p> <a href="#">Dauth-Affordable Housing and Labor Supply-239.pdf</a></p>
	<p><b>Zooming Ahead: The Future of Work and Urban Real Estate</b></p> <p><b><u>Simon Krause</u>, Jean-Victor Alipour</b> LMU Munich &amp; ifo Institute</p> <p>This paper presents novels evidence regarding the persistent impact of working from home (WFH) on urban real estate. Leveraging data encompassing nearly all property offerings between 2014 and 2023 and WFH potential at the postcode level in 50 German metropolitan regions, we observe a gradual and sustained decrease in price premiums for proximity to urban centers since the onset of the pandemic. Our identification strategy exploits the spatially differential exposure to the WFH shock induced by Covid-19, finding that WFH significantly contributes to the observed decline in premiums. The impact is more pronounced in larger metropolitan areas. Our analysis shows that demand-side mechanisms drive the WFH effect, encompassing out-migration to remote areas, increased employment growth in the periphery, and higher valuations of larger properties. Our findings underscore the substantial implications of WFH for future urban planning and housing policies, particularly in city centers.</p> <p> <a href="#">Krause-Zooming Ahead-628.pdf</a></p>
	<p><b>What's In A Label? On Neighbourhood Labelling, Stigma And Housing Prices</b></p> <p><b><u>Henrik Andersson</u><sup>1,2</sup>, Ina Blind<sup>3</sup>, Fabian Brunåker<sup>1</sup>, Matz Dahlberg<sup>1,2</sup>, Greta Fredriksson<sup>1,2</sup>, <u>Jakob Granath</u><sup>1</sup>, Che-Yuan Liang<sup>1,2</sup></b> <sup>1</sup>Uppsala University, Sweden; <sup>2</sup>Institute for Housing and Urban Research, Sweden; <sup>3</sup>Kristianstad University, Sweden</p> <p>Place-based policies that allocate resources to specific areas inadvertently also designate these areas as needing assistance, potentially leading to the development of neighbourhood stigma. The common coupling of resource allocation and area designation makes it difficult to measure the stigma effect. However, the Swedish police's listing of "vulnerable" neighbourhoods, introduced in 2015, lacked accompanying resources, offering a unique opportunity to examine the isolated impact of place-based policies on stigma. We study the stigma from unfavourable area labels through an analysis of how the police list affected housing prices - a reliable measure of location value. Employing the synthetic control method, we find that the list resulted in an average price decrease of 3.7% within one year and 6.5% within six years in the designated neighbourhoods. In line with ideas of racial stigma, we also find that areas with a higher proportion of minority residents before classification experienced more pronounced negative effects.</p> <p> <a href="#">Andersson-What's In A Label On Neighbourhood Labelling, Stigma And Housing Prices-476.pdf</a></p>
2:00pm - 4:00pm	<p><b>G04: Behavioral Tax Compliance</b> Location: <a href="#">Room RB 106 (Rajská building)</a></p> <p><b>The Determinants of Tax Morale in India</b></p> <p><b><u>Pooja Mohanlal Bhatia</u>, Sthanu Nair</b> Indian Institute of Management Kozhikode, India</p> <p>India's tax revenue performance remains sub-optimal despite several tax reforms initiated by the government. One aspect of low tax compliance that policymakers in India have overlooked is the taxpayers' moral sentiments towards tax payment, which is captured through the tax morale concept. Tax morale helps in explaining why taxpayers voluntarily pay taxes even when standard deterrent factors such as audits or penalties are absent. Therefore, understanding the factors influencing tax morale can help implement appropriate policies to improve tax revenue productivity by better understanding tax compliance behaviour. In this context, this paper aims to examine the factors determining tax morale in India using an independent survey. The results reveal that tax morale in India is shaped by</p>









	<p>age, participation in groups or associations, employment and income status, level of financial satisfaction, tax burden, trust in government, national pride, efficiency of public spending, and level of corruption.</p> <p> <a href="#">Bhatia-The Determinants of Tax Morale in India-552.pdf</a></p> <hr/> <p><b>You've Got Mail: The Specific Deterrence Implications of Increased Reliance on Correspondence Audits</b></p> <p><b>Sebastian Beer, Brian Erard, <u>Matthias Kasper</u>, Erich Kirchler</b> Walter Eucken Institut, Germany</p> <p>This study investigates how the two main types of risk-based audits (face-to-face examinations and audits conducted by mail) impact future taxpayer reporting behavior using a large and unique data base that includes granular tax return information as well as risk indicators used for audit selection on audit and comparison samples of self-employed US taxpayers. We employ difference-in-differences estimation with entropy balancing to assess effects on the distribution of reported taxes, as well as mean dollar and percentage changes. We find that face-to-face audits are consistently effective in improving post-audit compliance. However, the impact of audits conducted by mail (correspondence audits) is more nuanced and depends on the timing of the audit. This pattern persists even after controlling for key differences in tax issues subject to examination at different points in the audit cycle, suggesting a need for further investigation into the optimal balance between face-to-face and correspondence audits.</p> <p> <a href="#">Beer-You've Got Mail-527.pdf</a></p> <hr/>
2:00pm - 4:00pm	<p><b>G05: Tax Havens</b> Location: <b>Room RB 109 (Rajská building)</b></p> <p><b>Tax Haven Welfare and the Crackdown on Secrecy: Evidence from Night Light Emissions</b></p> <p><b>Hoang Ha Nguyen Thi, <u>Alfons Weichenrieder</u></b> Goethe University Frankfurt, Germany</p> <p>We analyse whether agreements on information exchange had measurable effects on the economy of tax havens. As GDP data are missing for many small tax haven jurisdictions, we use night light data as a proxy for economic activity. Using this proxy allows us to increase the number of tax haven jurisdictions by up to 25 percent compared to using GDP. We find that tax havens which have signed more tax information exchange agreements experienced a significantly higher economic activity, as proxied by the sum of night light emissions. When we use GDP as a measure of economic activity, tax information exchange agreements are not associated with a differential development of economic activity. Both observations suggest that information exchange treaties so far have not reduced economic growth in more cooperative tax havens.</p> <p> <a href="#">Nguyen Thi-Tax Haven Welfare and the Crackdown on Secrecy-355.pdf</a></p> <hr/> <p><b>The Market for Tax Havens</b></p> <p><b><u>Sebastien Laffitte</u></b> Cy Cergy-Paris University, France</p> <p>I investigate the determinants and consequences of the rise of tax havens using a novel database that tracks the creation and development of offshore legal institutions in 48 tax havens. After describing the evolution of tax havens in the 20th century, I explore the causal determinants of their emergence. Building on the idea that tax havens are the suppliers in the market for offshore services, I show that offshore services demand shocks explain why countries become tax havens. I also find that competition shocks explain why tax havens update their regulations. This reaction is facilitated by the diffusion of legal technologies across tax havens. Finally, I show that a country's becoming a tax haven generates per-capita GDP gains and domestic sectoral reallocation. In turn, nonhaven countries' tax structure is affected by the rise of tax havens, resulting in an increased tax burden on labor relative to that on capital.</p> <p> <a href="#">Laffitte-The Market for Tax Havens-510.pdf</a></p> <hr/> <p><b>Measuring Firm Activity from Outer Space</b></p> <p><b>Katarzyna Bilicka<sup>1</sup>, <u>André Seidel</u><sup>2</sup></b></p> <p><sup>1</sup>Western Norway University of Applied Sciences, Norway; <sup>2</sup>Utah State University</p> <p>To understand how global firm networks operate, we need consistent information on their activities, unbiased by their reporting choices. In this paper, we collect a novel dataset on the light that factories emit at night for a large sample of car manufacturing plants. We show that nightlight data can measure activity at such a granular level, using annual firm financial data and high-frequency data related to Covid-19 pandemic production shocks. We use this data to quantify the extent of misreported global operations of these car manufacturing firms and examine differences between sources of nightlight.</p> <p> <a href="#">Bilicka-Measuring Firm Activity from Outer Space-137.pdf</a></p> <hr/> <p><b>The Rise Of Conduit Countries Due To Unilateral Anti-BEPS Policies</b></p> <p><b><u>Arjan Lejour</u><sup>1,2</sup></b></p> <p><sup>1</sup>Tilburg University, Netherlands, The; <sup>2</sup>CPB Netherlands Bureau for Economic Policy Analysis</p> <p>Forty percent of the global FDI stock is hosted in tax havens and nearly all of them are concentrated in 6 conduit countries, while their share in the world economy is hardly 4%. These abnormal FDI patterns suggest that FDI and international corporate tax avoidance are closely related. The conduit countries benefit from stringent anti-BEPS policies by high tax countries towards traditional tax havens, such as CFC-policies and withholding taxes on international income flows. Multinational firms can escape these unilateral policies by establishing intermediate holdings in conduit countries without or more lax anti-BEPS policies. The regression analysis shows that the rise in unilateral CFC-policies the last decade has stimulated FDI to conduit countries, and this process slowed down in Europe after the implementation of EU-wide CFC-policies included in the ATAD1-directive.</p> <p> <a href="#">Lejour-The Rise Of Conduit Countries Due To Unilateral Anti-BEPS Policies-362.pdf</a></p> <hr/>
2:00pm - 4:00pm	<p><b>G06: Climate Policy</b> Location: <b>Room RB 107 (Rajská building)</b></p> <p><b>The Political Economy of Stranded Assets</b></p> <p><b><u>Gilbert Kollenbach</u><sup>1</sup>, Achim Hagen<sup>2</sup></b> <sup>1</sup>University of Hagen, Germany; <sup>2</sup>Humboldt University Berlin, Germany</p> <p>We study the interaction of climate policies and investments into black and green energy generation capacity if policies are set by elected governments and can lead to stranded assets. Within an overlapping generations model, elections determine carbon taxation and green investment subsidies, and individuals make investments into energy capacity given an uncertain election outcome. Some black investments become stranded assets, if the party offering the higher carbon tax is unexpectedly elected. If the party representing the young generation is in power, it can use a high subsidy to reduce or even avoid potentially stranded assets in the next period. With endogenous reelection probability, we show that this party can also use investment subsidies strategically to influence the elections. The party that represents the old generation abstains from both types of climate policies to avoid a redistribution of income towards the young generation.</p> <p> <a href="#">Kollenbach-The Political Economy of Stranded Assets-657.pdf</a></p> <hr/> <p><b>Elections, Political Polarisation and Environmental Agreements</b></p> <p><b><u>Sarah Spycher</u></b> University of Bologna, Italy</p> <p>This paper investigates the role that domestic elections play for IEAs and to what extent they might be an explanatory factor for the modest success of international cooperation on climate change mitigation. Agents involved in international negotiations are often subject to domestic electoral concerns and therefore, policy decisions might affect their chances of reelection in upcoming elections. Also, international treaties usually last beyond a governments' incumbency, which implies that the negotiation and ratification decision might be made by two different entities. I formulate a 4-stage game in order to analyse the arising strategic incentives depending on the level of political polarisation. I find that incumbent governments mostly choose suboptimal treaties compared to if there was no election in order to boost their chances of reelection. Additionally, I find that increased political polarisation generally leads to more distorted treaties and worse outcomes from the perspective of the median voter.</p> <p> <a href="#">Spycher-Elections, Political Polarisation and Environmental Agreements-231.pdf</a></p> <hr/> <p><b>Self-enforcing Climate Coalitions for Farsighted Countries: Integrated Analysis of Heterogeneous Countries*</b></p> <p><b>Sareh Vosooghi<sup>1</sup>, <u>Maria Arvaniti</u><sup>2</sup>, Rick Van der Ploeg<sup>3</sup></b> <sup>1</sup>KU Leuven, Belgium; <sup>2</sup>University of Bologna, Greece; <sup>3</sup>University of Oxford</p>











	<p>We study the formation of international climate coalitions. Countries are farsighted and rationally predict the consequences of their membership decisions in climate negotiations. We offer an approach to characterise the equilibrium number of coalitions and their number of signatories independent of their heterogeneity, and we suggest a tractable algorithm to fully characterise the equilibrium. In a dynamic game analysis of an integrated assessment model of the economy and the temperature dynamics, if the policymakers are patient enough and the number of countries is not too large, the number of signatories in all climate treaties is a Tribonacci number. In general, we investigate possible coalition structure outcomes for a calibrated model. In contrast to earlier approach based on internal and external stability, much larger coalitions can be sustained in equilibrium and coalitions of different sizes can co-exist alongside each other.</p> <p> <a href="#">Vosooghi-Self-enforcing Climate Coalitions for Farsighted Countries-166.pdf</a></p> <hr/> <p><b>Self-enforcing International Environmental Agreements and Altruistic Preferences</b> <b>Mark Schopf</b> University of Hagen</p> <p>This paper analyses the effects of altruism on the formation of climate coalitions in the standard two-stage game of self-enforcing international environmental agreements with identical countries. Altruism implies that each country values, to some extent, every other country's welfare when deciding on its coalition membership and emissions policy. In the Nash [Stackelberg] game, altruism decreases [increases] the coalition size. In any case, global emissions and global welfare are close to the non-cooperative values. However, altruism narrows the gap between the individually optimal emissions and the socially optimal emissions, so altruism increases global welfare.</p> <p>The effects of altruism on the formation of climate coalitions crucially depends on its modelling: If altruism affects the membership decision but not the policy decision, or if each coalition country is more altruistic toward other coalition countries than toward fringe countries, altruism can stabilise large coalitions up to the grand coalition...</p> <p> <a href="#">Schopf-Self-enforcing International Environmental Agreements and Altruistic Preferences-296.pdf</a></p> <hr/>
2:00pm - 4:00pm	<p><b>G07: Decomposing Inequality</b> Location: <b>Room RB 112 (Rajská building)</b></p> <p><b>Subgroup Decomposition of the Gini Coefficient: A New Solution to an Old Problem</b> <b>Matthias Schief<sup>1</sup>, Vesa-Matti Heikkuri<sup>2</sup></b> <sup>1</sup>OECD, France; <sup>2</sup>Tampere University</p> <p>We study inequality decomposition by population subgroups. We define properties of a satisfactory decomposition and derive the implied decomposition formulas for well-known inequality indices. We find that the Gini coefficient, the generalized entropy indices, and the Foster-Shneyerov indices all admit satisfactory decomposition formulas derived from a common set of axioms. While our axiomatic approach recovers the established decomposition formulas for the generalized entropy and the Foster-Shneyerov indices, it leads us to a novel decomposition formula for the Gini coefficient. The decomposition of the Gini coefficient is unique given our axioms, easy to compute, and has both a geometric and an arithmetic interpretation.</p> <p> <a href="#">Schief-Subgroup Decomposition of the Gini Coefficient-422.pdf</a></p> <hr/> <p><b>The Marriage Earnings Gap</b> <b>Elena Herold<sup>1</sup>, Luisa Wallossek<sup>2</sup></b> <sup>1</sup>ifo Institute, Germany; <sup>2</sup>LMU Munich, Germany</p> <p>What happens to earnings upon marriage? Linking administrative and survey data from Germany, we show that there is a marriage earnings gap. Even after accounting for the child penalty, women's earnings drop by 19% after marriage.</p> <p>We show that the marriage earnings gap results from both the extensive margin (women stop working) and the intensive margin (women work fewer hours), but not from a decrease in hourly wages.</p> <p>We then study mechanisms behind the observed spousal behavior. Labor supply disincentives from joint taxation can explain about one third of the marriage earnings gap, while we find no effect for labor supply incentives from changes in divorce law. Leveraging variation in norms created by the German separation, we find that gender norms are another important driver behind the marriage earnings gap.</p> <p> <a href="#">Herold-The Marriage Earnings Gap-192.pdf</a></p> <hr/> <p><b>Income Persistence at the Top in Finland, 1995–2018</b> <b>Marja Riihelä<sup>1,3</sup>, Matti Tuomala<sup>2,3</sup>, Elina Tuominen<sup>2,3</sup></b> <sup>1</sup>VATT Institute for Economic Research; <sup>2</sup>Tampere University, Finland; <sup>3</sup>Finnish Centre of Excellence in Tax Systems Research (FIT)</p> <p>We study top-income persistence in Finland using detailed full-population register data spanning over 20 years. During this period Finland has experienced significant increase in top income shares, particularly within the top percentile. This raises interesting questions: How persistent are the top positions, and do we observe changes in persistence over time? We find that top-income persistence has increased, being more pronounced than the growth of the top income shares. Moreover, our data enable the study of different income concepts such as gross income vs. disposable income and the importance of capital-income components, which allows discussion on the role of our dual income tax system. We provide average income tax rates at the very top of the distribution to illustrate the decrease in income tax progressivity over this period. In addition, we also characterize the evolution of top-income persistence for the self-employed, males and females, and persons of different ages.</p> <p> <a href="#">Riihelä-Income Persistence at the Top in Finland, 1995–2018-567.pdf</a></p> <hr/> <p><b>The Anatomy of the Global Saving Glut</b> <b>Luis Bauluz<sup>1</sup>, Filip Novokmet<sup>2</sup>, Moritz Schularick<sup>3,4</sup></b> <sup>1</sup>CUNEF Universidad; <sup>2</sup>University of Zagreb; <sup>3</sup>Kiel Institute; <sup>4</sup>Sciences Po</p> <p>This paper provides a household-level perspective on the rise of global saving and wealth since the 1980s. We calculate asset-specific saving flows and capital gains across the wealth distribution for the G3 economies -- the U.S., Europe, and China. In the past four decades, global saving inequality has risen sharply. The share of household saving flows coming from the richest 10% of household increased by 60% while saving of middle-class households has fallen sharply. The most important source for the surge in top-10% saving was the secular rise of global corporate saving whose ultimate owners the rich households are. Housing capital gains have supported wealth growth for middle-class households despite falling saving and rising debt. Without meaningful capital gains in risky assets, the wealth share of the bottom half of the population declined substantially in most G3 economies.</p> <p> <a href="#">Bauluz-The Anatomy of the Global Saving Glut-596.pdf</a></p> <hr/>
2:00pm - 4:00pm	<p><b>G08: Responses to Information Disclosure</b> Location: <b>Room RB 113 (Rajská building)</b></p> <p><b>The Effect Of Enhanced Financial Transparency On Aid Diversion</b> <b>Jan Žalman</b> Faculty of Social Sciences, Institute of Economic Studies, Charles University, Prague, Czech Republic</p> <p>Illicit financial flows, including aid diversion, remain a critical challenge for developing countries, draining vital resources and impeding sustainable development. With a considerable number of aid-receiving nations facing high corruption levels, concerns arise about the aid reaching its intended destination. In this paper, we study the impact of enhanced financial transparency on aid diversion induced by global efforts advocating for greater transparency in the financial system of tax havens since 2009. We examine the relationship between changes in foreign bank deposits linked to aid disbursements in aid-dependent countries. Our results indicate that the global push to end bank secrecy positively influenced the diminishing effect of aid capture, particularly after 2008, coinciding with the initial release of customer information from tax havens. The findings have significant implications for the allocation of foreign aid, especially in aid-dependent countries involved in offshore leaks and with high degree of corruption.</p> <p> <a href="#">Žalman-The Effect Of Enhanced Financial Transparency On Aid Diversion-332.pdf</a></p> <hr/> <p><b>The Effects of Earnings Disclosure by Politicians</b> <b>Nils Wehrhöfer<sup>1</sup>, Carina Neisser<sup>2</sup></b> <sup>1</sup>Deutsche Bundesbank, Germany; <sup>2</sup>University of Cologne</p> <p>We analyze the impact of public disclosure of politicians' outside income on their income, following the implementation of disclosure regulations for German federal MPs. We use administrative tax return data and a difference-in-differences design with unaffected state MPs serving as the control group. We show that MPs increased their outside income once this information became publicly available. Using a proxy for party membership, we find evidence that right-wing MPs drive the effect. To explain this finding, we conducted a survey experiment among German voters, which revealed that the interpretation of moderate outside income varies along party lines. Specifically, right-wing voters perceive outside income as a sign of competence, whereas left-wing voters believe that such politicians are less likely to represent their constituents effectively.</p>














	<div>Wehrhöfer-The Effects of Earnings Disclosure by Politicians-116.pdf</div> <div>Salary Disclosure and The Value of Tax Privacy: Evidence from U.S. Nonprofits Gerardo Roberto Sanz-Maldonado<sup>1</sup>, Stephanie Karol<sup>2</sup> <sup>1</sup>University of Michigan, Ann Arbor; <sup>2</sup>U.S. Treasury Office of Tax Analysis Non-profit entities that meet certain earnings and asset thresholds are required to publicly disclose the compensation of certain employees whose taxable earnings exceed \$100,000. We use empirical bunching techniques and administrative data to estimate the behavioral response of taxpayers to this transparency threshold. We bound the willingness to pay to avoid salary transparency between \$173 and \$3,695 of pre-tax earnings. These results suggest that taxpayers and firms are likely to value salary confidentiality. <div>Sanz-Maldonado-Salary Disclosure and The Value of Tax Privacy-280.pdf</div></div>
	<div>Impact of Offshore Financial Document Leaks on Affected Companies' Stock Prices Zuzana Odvárková Charles University, Czech Republic This paper studies the effect of leaks of confidential offshore documents on the value of the implicated firms. Using the International Consortium of Investigative Journalists' Offshore Leak Database, I identify 206 publicly traded firms connected to the implicated offshore firms. I use propensity score matching to identify similar non-implicated companies and assess the leaks' impact on the stock prices of both groups using an event study methodology. I find that implicated firms have 1.5% lower cumulative abnormal returns during the event window compared to similar non-implicated firms. I estimate that the implicated firms lost an average of USD 105 million in stock market value following the leaks. <div>Odvárková-Impact of Offshore Financial Document Leaks on Affected Companies' Stock-463.pdf</div></div>
2:00pm - 4:00pm	<div>G09: Incidence of Tax Avoidance Location: Room RB 114 (Rajská building) Incidence Of The Value Added Tax In The Context Of High Informality Luciana Maria Galeano, Ana Paula Franco University of Michigan, United States of America This paper conducts an incidence analysis of the value-added tax (VAT) in high-informality countries. While consumption taxes have traditionally been considered regressive, recent research suggests they might be progressive under specific assumptions regarding pass-through of taxes to prices and household shopping behavior. We use high-frequency price data from partially informal markets in Peru and a temporary VAT exemption to calculate pass-through in the informal sector, and household survey data to analyze consumption patterns across the income distribution. Results show pass-through in informal markets varies by product (from 0% to 100%), and that households in the bottom 10% of the income distribution spend about 34 percentage points more on informal markets than the top 10%. We use these findings to recalculate VAT incidence in high-informality countries and develop a model to explain this. <div>Galeano-Incidence Of The Value Added Tax In The Context Of High Informality-569.pdf</div></div> <div>Guess Who's Evading on Dinner: Experimental Evidence on the Incidence of Evasion Albrecht Bohne<sup>1</sup>, Giacomo Brusco<sup>2,3</sup>, Leonardo M. Giuffrida<sup>1,4,5</sup> <sup>1</sup>ZEW; <sup>2</sup>University of Tuebingen, Germany; <sup>3</sup>RSIT; <sup>4</sup>MaCCI; <sup>5</sup>CESifo While distributional tax incidence has been frequently studied in the literature, little is known about how the rents of evasion are split between consumers and producers. While some theoretical general-equilibrium models would predict factor prices adjust so that firm owners do not benefit from evasion in equilibrium, we have very limited empirical evidence, which so far has only been based on online surveys or imperfect natural experiments. This project aims to quantify the incidence of evasion by conducting an innovative, face-to-face, survey-based field experiment in Italy. Thanks to a randomized treatment design, we elicit average price differentials by the method of payment in order to back out what portion of evaded taxes are passed on to consumers. <div>Bohne-Guess Whos Evading on Dinner-261.pdf</div></div> <div>Incidence and Avoidance Effects of Spatial Fuel Tax Differentials: Evidence using Regional Tax Variation in Spain Ander Iraizoz<sup>1</sup>, Jose Maria Labeaga<sup>2</sup> <sup>1</sup>University of Oxford, United Kingdom; <sup>2</sup>UNED, Spain In this paper, we study the effect of cross-border tax differentials on fuel tax pass-through and sales responses. Using regional variations in diesel taxes and a comprehensive dataset of diesel prices for all petrol stations in Spain, we find that diesel tax pass-through is asymmetric depending on the sign of tax differentials relative to cross-border competitors. Our estimates reveal that petrol stations on the high-tax side of borders only shift 56% of fuel taxes into prices, while those on the low-tax side exhibit a pass-through of 120% of fuel taxes. In line with spatial pass-through responses, we find substantial spatial fuel tax avoidance responses to cross-border tax differentials. Our findings suggest that spatial fuel tax differentials play a significant role on the geographical distribution of the burden of fuel taxes and contribute to substantial fuel tax avoidance behavior, which may pose challenges to the effectiveness of fuel taxation to reduce CO2 emissions. <div>Iraizoz-Incidence and Avoidance Effects of Spatial Fuel Tax Differentials-544.pdf</div></div> <div>Supplier Salience: Incidence, Market Entry &amp; Welfare Elisa Yu-Chun Cheng, Yeliz Kacamak, Eleanor Wilking Cornell University, United States of America This paper explores how optimization frictions in supplier price-setting affect tax incidence. We use a natural experiment that varied the effective hotel tax rate in certain cities at different times to document heterogeneity in tax pass-through using multiple proxies for price-setting acumen. Pass-through is lowest for sophisticated hosts whose prices before the policy closely follow local hotels. In contrast, less sophisticated hosts are much less likely to adjust their pre-tax price, passing the entire tax burden onto consumers. Further investigation suggests that the behavior of these hosts can be delineated into inattention (failure to change price) or lack of skill in price setting which have distinct consequences for demand. Finally, we find that this policy affected market composition, with net entry skewing toward more sophisticated hosts after the policy. We develop a model for welfare analysis which incorporates supplier salience and other price setting optimization failures. <div>Cheng-Supplier Salience-629.pdf</div></div>
2:00pm - 4:00pm	<div>G10: Mayors Location: Room RB 115 (Rajská building) Public Administrators as Politicians and Policy Outcomes Zohar Hessami<sup>1,2,3</sup>, Timo Häcker<sup>4,5</sup>, Maximilian Thomas<sup>1</sup> <sup>1</sup>Ruhr-University Bochum; <sup>2</sup>CESifo Munich; <sup>3</sup>IZA Bonn; <sup>4</sup>LSE; <sup>5</sup>civity Management Consultants We analyze whether mayors' prior occupation in the local public administration matters for their performance. In theory, mayors' professional background may shape their competence in bureaucratic tasks. We use the example of grant receipts for visible investment projects for which mayors must submit an extensive application to the state government. Our dataset includes 1,933 mayor elections (1993-2020) in the German state of Hesse to which we apply a sharp RD design for close mixed-background races. Mayors' background on average has no effect on grant receipts. Yet, public administrator mayors do attract more grants than outsider mayors when they are ideologically aligned with the council, raising the motivation to apply for grants in the first place. We conclude that the competence of public administrator mayors only matters when they are motivated to use it, i.e. this is an example where incentives are necessary for the effects of political selection to materialize. <div>Hessami-Public Administrators as Politicians and Policy Outcomes-318.pdf</div></div> <div>Networks and Yardstick Competition in the Digital Age: Evidence from Italy Ben Lockwood<sup>1</sup>, Francesco Porcelli<sup>2</sup>, Michela Redoano<sup>3</sup>, Antonio Schiavone<sup>4</sup> <sup>1</sup>University of Warwick, UK; <sup>2</sup>Università degli Studi di Bri, Italy; <sup>3</sup>University of Warwick, UK; <sup>4</sup>Univeristà degli Studi di Bologna, Italy We analyze the impact of Italy's OpenCivitas data disclosure program on mayoral behavior. Utilizing the program's website, we construct a network of mayors accessing expenditure data. Results show that younger, educated mayors from larger cities in northern regions, affiliated with traditional parties, are more likely to engage. Using directed dyadic models, we find mayors tend to link with similar-aged peers managing similar-sized cities in their region. Unlike neighboring municipalities, mayors within this network compete internally rather than engage in yardstick competition. We observe this network predates the website's launch, but after data disclosure, yardstick</div>



	<p>competition intensifies for re-election-seeking mayors within the network, contrasting with unaffected neighboring municipalities.</p> <p> <a href="#">Lockwood-Networks and Yardstick Competition in the Digital Age-269.pdf</a></p> <hr/> <p><b>Clever Politicians: Evidence from strategic bankruptcies in Italian municipalities</b> <b>Massimo Bordignon, Davide Cipullo, Gilberto Turati</b> Università Cattolica del Sacro Cuore, Italy</p> <p>We study the reaction of low vs. high-skilled politicians - proxied by their educational attainments - to a reform that introduces financial and career penalties in case the local administration is deemed co-responsible for the bankruptcy of the municipality. We leverage plausibly exogenous variation induced by close elections between a mayoral candidate who holds a college degree and a mayoral candidate who did not attend college. To start, we document that graduate mayors on average implement a more responsible fiscal policy and are more capable of attracting external resources to the municipality's budget. Upon the introduction of penalties, however, skilled politicians tend to declare bankruptcy with a higher probability than low-skilled politicians. The effect is concentrated in the first year of the term.</p> <p> <a href="#">Bordignon-Clever Politicians-436.pdf</a></p> <hr/> <p><b>Social Media, Political Accountability and Local Support for National Policies: Evidence from Italian Municipalities during Covid-19 Pandemic</b> <b>Eleonora Alabrese<sup>1</sup>, Federica Liberini<sup>2</sup>, Francesco Porcelli<sup>3</sup>, Michela Redoano<sup>4</sup>, Antonio Russo<sup>5</sup></b> <sup>1</sup>University of Bath, United Kingdom; <sup>2</sup>QMUL, United Kingdom; <sup>3</sup>University of Bari, Italy; <sup>4</sup>University of Warwick, United Kingdom; <sup>5</sup>Imt-bs Paris, France</p> <p>We study the provision of information by local governments that supports individual compliance with nationwide regulation, and how this provision relates to the electoral process. We study this question using information about individual mobility (compliance with the lockdown) and Facebook posts by Italian local governments during the Covid 19 pandemic. We show that in municipalities where mayors were up for re-election, local governments provided significantly more covid-related information. This information caused a significant decrease in mobility and excess mortality. However, these effects seem to arise only in the northern regions of the country, where the impact of the pandemic was more severe.</p> <p> <a href="#">Alabrese-Social Media, Political Accountability and Local Support-284.pdf</a></p> <hr/>
2:00pm - 4:00pm	<p><b>G11: Optimal Taxation: Wealth, Capital, Regulations</b> Location: <a href="#">Room RB 209 (Rajská building)</a></p> <p><b>It Is Optimal To Tax Capital Income If People Get Utility From Wealth</b> <b><u>Leslie J. Reinhorn</u></b> University of Durham, United Kingdom</p> <p>This paper introduces wealth into the utility function in an otherwise standard dynamic optimal taxation framework. The optimal tax on capital income is positive in steady state. This stands in contrast to the classic results of Chamley (1986) and Judd (1985) where the optimal steady state capital tax rate is zero. When consumers get direct utility from their holdings of wealth, they are willing to accept a lower rate of return on those holdings: their intertemporal marginal rate of substitution (IMRS) is reduced. It is this reduction in the IMRS that drives the positive optimal capital tax rate in steady state.</p> <p> <a href="#">Reinhorn-It Is Optimal To Tax Capital Income If People Get Utility-159.pdf</a></p> <hr/> <p><b>Tax Arbitrage Through Closely-held Businesses: Implications for OECD Tax Systems</b> <b>Tom Zawisza, Sarah Perret, Pierce O'Reilly, Antonia Ramm</b> OECD, France</p> <p>This paper explores tax arbitrage incentives and behaviours in OECD countries, and their implications for tax systems more broadly. It focuses on how OECD tax systems might encourage business owners, in particular owners of unincorporated businesses and owner-managers of closely held incorporated businesses, to minimise their tax burdens through tax arbitrage. The paper finds that tax incentives to incorporate and earn capital income through corporations have increased in the last two decades. It shows that there has been an increase in incorporated businesses in many OECD countries, and that this has at least partly been driven by widening PIT-CIT differentials. The paper also finds that, in many countries, a combination of tax system features – related to corporate, dividend, capital gains and inheritance taxation – provide particularly strong incentives to retain earnings inside corporations.</p> <p> <a href="#">Zawisza-Tax Arbitrage Through Closely-held Businesses-313.pdf</a></p> <hr/> <p><b>Banks and Tax-Exempt Debt Arbitrage</b> <b>James R. Hines Jr., Emily Horton</b> University of Michigan, United States of America</p> <p>Interest paid by U.S. state and local bonds is tax-exempt, making these bonds attractive to investors – though a tax rule limits arbitrage opportunities by restricting associated interest expense deductions. Prior to 1986, U.S. banks were not subject to the interest deduction limitation, making banks preferred holders of tax-exempt debt. U.S. banks used tax-exempt debt to reduce their tax liabilities by roughly 20% in the 1950s and 45% in the 1960s, rising to as much as 80% by the early 1980s. Despite their special exemption, and in part because of their widespread holdings, banks did not benefit from investing in tax-exempt bonds, as competition between banks reduced bond yields to the point of investor indifference.</p> <p> <a href="#">Hines Jr.-Banks and Tax-Exempt Debt Arbitrage-385.pdf</a></p> <hr/>
2:00pm - 4:00pm	<p><b>G12: Taxing Travellers</b> Location: <a href="#">Room RB 116 (Rajská building)</a></p> <p><b>Taxing Paradise: Optimal Commodity Taxation with Tourists</b> <b><u>Dylan T Moore</u></b> University of Hawaii at Manoa, United States of America</p> <p>I develop a theory of the jointly optimal choice of nonlinear income taxes and commodity taxes which accounts for the presence of tourists. If commodity taxes are uniform, the Pareto efficient rate is the one that maximizes revenue from tourists. Impacts of a uniform commodity tax on residents are irrelevant, as they can always be compensated through income tax changes. However, the presence of tourists in the tax base overturns the classic Atkinson-Stiglitz result justifying uniform commodity taxation. Efficient rate differentiation is characterized by a Corlett–Hague-style rule which requires placing lower taxes on goods which tourists can more easily substitute for expenditures outside of the destination economy. Notably, the impact of commodity taxes on residents do not influence the pattern of efficient differentiation nor of the overall level of commodity taxation. Taxes should also be lower on goods consumed by tourists who are highly responsive at the extensive margin.</p> <p> <a href="#">Moore-Taxing Paradise-651.pdf</a></p> <hr/> <p><b>Taxing Secondary Residents</b> <b>Tommy Krieger<sup>1,2</sup>, Jan Kemper<sup>1,3</sup>, Lukas Tohoff<sup>5</sup>, Enzo Brox<sup>4</sup></b> <sup>1</sup>Centre for European Economic Research (ZEW); <sup>2</sup>University of Konstanz; <sup>3</sup>University of Mannheim; <sup>4</sup>University of St. Gallen; <sup>5</sup>Humboldt University</p> <p>We study the behavioral responses, fiscal consequences, and housing market reactions that result from raising a tax on second homes. To this end, we compile data on German municipalities and apply staggered difference-in-differences methods. Our results suggest that people (massively) avoid the second home tax by changing their status of registration. As a consequence, we observe a rise in the number of primary residents registrations, which in turn increases formula-based intergovernmental transfers. We do not find evidence for housing market responses.</p> <p> <a href="#">Krieger-Taxing Secondary Residents-357.pdf</a></p> <hr/> <p><b>The Effects of Holiday Vouchers on Domestic tourism: Evidence from a Public Sector Voucher Program in Romania</b> <b>Smaranda Pantea<sup>1</sup>, Ioana Ortan<sup>2</sup>, Madalina Zamfir<sup>2</sup></b> <sup>1</sup>Prague University of Economics and Business, Czech Republic; <sup>2</sup>Ministry of Finance of Romania</p> <p>This study provides new econometric evidence on the effects of holiday vouchers on the development of the domestic tourism sector and on their advantages and disadvantages. We use an unexpected policy change that took place in Romania and made mandatory the provision of holiday vouchers for all public sector employees, which increased eight-fold the value of holiday vouchers used. Using novel firm level data on payments in holiday vouchers and difference-in-differences methods, we show that this policy significantly increased the revenues and employment of firms in tourism sector that used holiday vouchers compared to similar firms that did not use them. Regarding the underlying channels, we show that holiday vouchers increased tourism related economic activity in</p>

	<p>less touristic regions, but in the most touristic regions, they, mainly, increased prices and prolonged the touristic season. They also increased income declaration of the firms most exposed to informal economy.</p> <p> <a href="#">Pantea-The Effects of Holiday Vouchers on Domestic tourism-237.pdf</a></p> <hr/> <p><b>Taxing Travellers: Quasi-Experimental Evidence from Germany</b></p> <p><b>Sebastian Blesse<sup>1</sup>, Jan Kemper<sup>2</sup>, Valentin Kissmann<sup>3</sup></b></p> <p><sup>1</sup>ifo Institut - Leibniz-Institut für Wirtschaftsforschung an der Universität München e.V. Niederlassung Fürth, Germany; <sup>2</sup>ZEW Mannheim; <sup>3</sup>University of Göttingen</p> <p>Tourism is a key income source for many businesses and policy makers alike while also exerting negative externalities to local economies. We provide novel causal evidence on how local taxation of overnight stays among German local governments affects tourist flows. Using event study analysis and synthetic differences in differences we show that taxing overnight rates of hotels decreases hotel occupancy rates at the municipality level. Touristic towns, however, have less elastic demand responses to tourist taxes. Exploiting large-scale scraped hotel price data from booking.com, we show that there is indeed substantial pass-through of tourist taxes on hotel overnight rates.</p> <p> <a href="#">Blesse-Taxing Travellers-247.pdf</a></p> <hr/>
2:00pm - 4:00pm	<p><b>G13: Taxes and Labor Supply</b> Location: <a href="#">Room RB 203 (Rajská building)</a></p> <p><b>Labor Responses and Asymmetric Effects of Transitioning from Flat to Progressive Taxation</b></p> <p><b>Marcelo Bergolo<sup>1</sup>, Mathias Fondo<sup>1,2</sup></b></p> <p><sup>1</sup>Instituto de Economía, Universidad de La Republica, Uruguay; <sup>2</sup>University of Bologna</p> <p>Governments grapple with the intricate task of designing income tax systems that balance various trade-offs. Concerns about distortionary impacts on labor supply, tax evasion, and income redistribution have prompted many countries to abolish progressive income taxes, introduce flat-rate systems, and reintroduce graduated tax schemes over the last few decades. This paper investigates the effects of transitioning from a flat to a progressive income tax system, utilizing a significant 2007 tax reform in Uruguay. Our research design employs cross-sectional variation in tax changes and administrative records to implement a difference-in-difference approach. Results reveal asymmetric responses to tax rate changes, with workers who experienced tax reductions (winners) reporting increases in labor earnings, while those who faced tax increases (losers) exhibited declines in earnings. We find indicative evidence that changes in labor earnings reflect reporting responses rather than real labor supply adjustments, particularly for winners.</p> <p> <a href="#">Bergolo-Labor Responses and Asymmetric Effects of Transitioning-197.pdf</a></p> <hr/> <p><b>Recent Trends in Labour Supply Elasticities in Germany</b></p> <p><b>Maximilian Blömer</b> ifo Institute, Germany</p> <p>In order to analyse recent trends in labour supply in Germany, I estimate a static discrete choice model of unitary household labour supply for each year 1998 to 2018. I find that the own-wage labour supply elasticities implied by the models have increased over the last two decades, especially for couples around the turn of the century and for single males. While females became less sensitive to their partner's wage, the responsiveness of males to the partner's wage slightly increased. In a decomposition analysis, using counterfactual model-data combinations, I find that compositional changes in demographics play only a minor role in the shift in males' own- and cross-wage elasticities, since most of the change in elasticities is driven by preferences or labour market restrictions. For females, changes in composition play a bigger role in the rise of elasticities.</p> <p> <a href="#">Blömer-Recent Trends in Labour Supply Elasticities in Germany-429.pdf</a></p> <hr/> <p><b>Transitions between Employment and Self-Employment in Response to Differential Taxation</b></p> <p><b>Justyna Klejdysz<sup>1</sup>, Tomasz Zawisza<sup>2</sup></b></p> <p><sup>1</sup>ifo Institute, LMU; <sup>2</sup>OECD, IFS</p> <p>This study examines how differential tax treatment affects the transition from employment to self-employment, using administrative data from Poland. In 2004, a significant tax cut for business owners reduced their top marginal rate from 40% to 19%, while employees remained subject to a progressive schedule with a 40% top rate. The reform led to a 17% increase in high-income employees switching to self-employment within five years, particularly among the highest earners. The transitions were mainly to long-term solo self-employment in high-skilled service industries. A subsequent 2009 reform reducing the tax differential temporarily decreased entries to self-employment, but those who had already switched did not return to employment. These findings suggest that large tax differentials increased self-employment's attractiveness as an alternative to employment, but also increased the proportion of self-employed who do not hire workers.</p> <p> <a href="#">Klejdzysz-Transitions between Employment and Self-Employment-556.pdf</a></p> <hr/> <p><b>Tax Cuts and Economic Activity: Does it Matter Where in the Income Distribution the Cuts are Targeted?</b></p> <p><b>Byron Lutz<sup>1</sup>, John Juneau<sup>2</sup></b></p> <p><sup>1</sup>Federal Reserve Board, United States of America; <sup>2</sup>University of California, San Diego, United States of America</p> <p>How does economic activity respond to tax shocks and how do these responses depend on the distributional targeting of the tax change? We shed light on the potentially stimulative effects of tax cuts using thirty years of US tax filing data. Focusing on state income taxes, we show that state-level measures of employment respond positively to tax cuts targeted at the bottom of the income distribution, but find no evidence that economic activity responds to tax shocks aimed at the highest earning households.</p> <p> <a href="#">Lutz-Tax Cuts and Economic Activity-653.pdf</a></p> <hr/>
2:00pm - 4:00pm	<p><b>G14: Fiscal Policy &amp; Development</b> Location: <a href="#">Room RB 204 (Rajská building)</a></p> <p><b>Do Federal Transfers Stimulate Regional Economic Growth? Evidence from India</b></p> <p><b>Kiran Kumar Kakarlapudi<sup>1</sup>, Athira Karunakaran<sup>1</sup>, Md Zakaria Siddiqui<sup>2</sup></b></p> <p><sup>1</sup>Gulati Institute of Finance and Taxation, India; <sup>2</sup>Jamia Millia Islamia, New Delhi, India</p> <p>This paper analyses the impact of intergovernmental transfers on economic development in Indian states from 1990 to 2020 using panel fixed effects models. Our analysis challenges the conventional belief that transfers promote economic growth. Instead, our findings reveal a counterintuitive result: transfers may hinder economic development, particularly in special category states. This suggests that rather than fostering economic convergence, transfers have a growth-depressing effect on these regions. There are differences between general and special category states, with transfers having no significant impact on economic growth in the former and adverse consequences in the latter. It emphasizes the importance of understanding the relationship between fiscal transfers and economic development, particularly in transfer-dependent regions. As India continues to evolve its policies, our findings call for a closer examination of how states utilize transfers. These insights are crucial for policymakers to foster balanced and sustainable growth and reduce regional disparities.</p> <p> <a href="#">Kakarlapudi-Do Federal Transfers Stimulate Regional Economic Growth Evidence-225.pdf</a></p> <hr/> <p><b>Decentralization and Development</b></p> <p><b>Traviss Cassidy<sup>1</sup>, Tejaswi Velayudhan<sup>2</sup></b></p> <p><sup>1</sup>University of Alabama, United States of America; <sup>2</sup>University of California Irvine</p> <p>We estimate the impact of expenditure decentralization on economic activity and public service delivery in the context of a nationwide reform in Indonesia. The Village Law of 2014 empowered one type of villages (desa) to provide health, education, and infrastructure services while providing unconditional fiscal transfers to fund these services. The other type of villages (kelurahan) saw no change in responsibilities or resources. Using a semiparametric difference-in-differences design, we find that decentralization temporarily disrupted economic activity but eventually led to modest gains, as measured by nighttime luminosity. Future drafts will examine the impacts on public service delivery, as well as heterogeneous effects according to local administrative capacity.</p> <p> <a href="#">Cassidy-Decentralization and Development-618.pdf</a></p> <hr/>
2:00pm - 4:00pm	<p><b>G15: Public Finance &amp; Industrial Organization</b> Location: <a href="#">Room RB 205 (Rajská building)</a></p> <p><b>Assessing the Impacts of Alcohol Sales Restrictions</b></p> <p><b>Tuomas Kosonen<sup>1,2</sup>, Sami Jysmä<sup>2,3,5</sup>, Arnaldur Stefansson<sup>4</sup>, Lukas Worku<sup>2,5</sup></b></p> <p><sup>1</sup>VATT Institute for Economic Research; <sup>2</sup>Finnish Centre of Excellence in Tax Systems Research; <sup>3</sup>Labour Institute for Economic Research; <sup>4</sup>University of Iceland; <sup>5</sup>Tampere University</p>



	<p>We examine the impacts of alcohol sales restrictions on alcohol sales and broader welfare implications. We focus on the role of government alcohol monopolies in an environment where limited alcohol sales are allowed outside of the monopolies. We utilize a reform that relaxed the restriction on alcohol sales outside of the monopoly and smaller changes in alcohol tax rates. We study the impact of the reform on total sales as well as substitution and spillover patterns across product categories and different types of stores. Our results indicate very large substitution between different product categories and also between the state monopoly and private stores. We also find evidence of spillover effects to the sales of more distant product categories that are not directly affected by the reform. The total alcohol consumption does not seem to increase during the reform. These effects entail a welfare loss originating from alcohol sales restrictions.</p> <p> <a href="#">Kosonen-Assessing the Impacts of Alcohol Sales Restrictions-550.pdf</a></p> <hr/> <p><b>Tax Incentives for Innovation: Yes, but how?</b> <b><u>Tibor Paul Hanappi</u></b>, Li Liu IMF, United States of America</p> <p>A strong economic case can be made for public support for research. In this paper, which is work in progress, we focus on expenditure- and income-based tax incentives, which have both been used increasingly in OECD countries and elsewhere since the early 2000s. We use macrodata-based analyses to make three contributions. First, we bring together recently published data on expenditure- and income-based tax incentives regimes within a common empirical framework. Second, we analyze the impacts of income-base tax incentives regimes on R&amp;D activity, as opposed to patent applications. Third, we present an evaluation of the impacts of BEPS Action 5 on the effectiveness of IBR, notably compared to XBR.</p> <p> <a href="#">Hanappi-Tax Incentives for Innovation-537.pdf</a></p> <hr/> <p><b>Public Funding And Financial Constraints - Evidence From A Quasi-Natural Experiment</b> <b><u>Nadine Weuschek</u></b> University of Muenster, Germany</p> <p>I show that public funding significantly improves the financing situation of young firms by exploiting variation in access to public funding under the largest German regional policy scheme. My results based on a shock-based difference-in-differences research design indicate that the probability of experiencing financial constraints decreases by about 10% to 19% for treatment firms relative to control firms, depending on whether the funding instrument is a subsidized loan, a public loan guarantee, or a grant. The effect is heterogeneous not only across instruments but also across capital providers. In addition, I find that public funding is associated with higher employment and revenue growth, as well as higher research and development expenditures and, for recipient firms of grants, higher investment.</p> <p> <a href="#">Weuschek-Public Funding And Financial Constraints-211.pdf</a></p> <hr/> <p><b>Mind the Tap – How Volumetric Pricing Affects Residential Hot Water Consumption</b> <b><u>Mikael Elinder</u></b><sup>1</sup>, <b><u>Xiao Hu</u></b><sup>2</sup>, <b><u>Che-Yuan Liang</u></b><sup>3</sup>, <b><u>Shane Minckley</u></b><sup>4</sup> <sup>1</sup>Uppsala University, Sweden; <sup>2</sup>Swedish University of Agricultural Sciences; <sup>3</sup>Uppsala University, Sweden; <sup>4</sup>Independent</p> <p>Water is an increasingly scarce resource. However, in many multi-family buildings, water is included in the rent and tenants can consume an unlimited amount at a fixed cost, with no monetary incentives for saving water. Using high-frequency data over multiple years and a staggered implementation of apartment-level billing, we investigate the effects of volumetric pricing on hot water use. Our results show that individual billing decreases hot water consumption by 18%. The response is rather immediate and appears to be permanent. Additionally, estimated effects are remarkably homogeneous across different consumption quartiles, apartments with varying characteristics, and days of the week, and evenly distributed between bathroom and kitchen usage. Our cost-benefit analysis indicates that price interventions can cost-effectively reduce the consumption of hot water. Moreover, the effect of individual billing is of an order of magnitude higher than previously estimated effects of non-pecuniary incentives and providing more information about water consumption.</p> <p> <a href="#">Elinder-Mind the Tap – How Volumetric Pricing Affects Residential Hot Water Consumption-416.pdf</a></p> <hr/> <tr><td><b>2:00pm - 4:00pm</b></td><td><p><b><a href="#">G16: Macro Public Finance: Reduced-Form Empirical Approaches</a></b> Location: <a href="#">Room RB 211 (Rajská building)</a></p><p><b>The Effect Of Unconventional Fiscal Policy On Consumption - New Evidence Based On Transaction Data</b> <b><u>Winfried Koeniger</u></b>, <b><u>Peter Kreß</u></b> University of St. Gallen, Switzerland</p><p>We use transaction-level card expenditures to estimate the effect of Germany's temporary value-added tax (VAT) in 2020. We use card expenditures in Austria as control because no analogous VAT cut was implemented in Austria and spending of Austrian households provides a stable benchmark to compare spending of German households against. As predicted by consumption theory, we find the VAT cut in-creased consumption growth more for durable goods, with a stronger effect close to the end of the cut. The annualized growth rate of expenditures for durables increased by 7.5 percentage points (pp), with a particularly strong increase of up to 23.6 pp for consumer electronics. The consumption growth rate for semi-durables increased by 5.6 pp, and for non-durables by 2.6 pp. The implied effect on durable spend-ing is four times smaller compared to survey-based estimates in Bachmann et al. (2023), and a fiscal shortfall that is 23 bn larger.</p><p> <a href="#">Koeniger-The Effect Of Unconventional Fiscal Policy On Consumption-472.pdf</a></p><hr/><p><b>Tax Loss Carry-backs as Fiscal Stimulus: Evidence from Small Corporations</b> <b><u>Gabriella Massenz</u></b> Research Institute of Industrial Economics, Sweden</p><p>Changes to loss offset rules are often used as a fiscal stimulus measure in times of crisis to alleviate firms' constraints and support the economy. The effect of these measures has been assessed in the literature using large listed firms, but there is no evidence on the effect of these policies on small private firms. I study a temporary change in the loss carry-back period implemented in the Netherlands over 2009-2011 using administrative and tax return data on small private corporations. Using a difference-indifference set up and matching techniques, I show that an additional year of carry-back has a significant effect on treated firms' investments, but no significant effect on firms' survival, employment and profits. The effect on investments is not driven by equity injections but rather by debt increases. Crucially, the significance of the effect on investments is conditional on the size of the additional carry-back.</p><p> <a href="#">Massenz-Tax Loss Carry-backs as Fiscal Stimulus-324.pdf</a></p><hr/><p><b>Household Debt and Government Spending Multipliers: Evidence from the UK</b> <b><u>Sam van de Schootbrugge</u></b>, <b><u>Atsuyoshi Morozumi</u></b> University of Nottingham</p><p>Using quarterly data on UK government spending forecasts alongside the household surveys dating back to 1977, we provide new evidence on heterogeneous effects of government spending policies on household consumption. Specifically, while at an aggregate level the on-impact consumption multiplier is about 0.5 and the effect fades only gradually, the consumption effects of spending shocks are substantially greater for (1) households with mortgage debt and (2) households in the left tail of the income distribution. As is well known, mortgagors, unlike outright homeowners, tend to have large illiquid assets, but little liquid wealth. Our results thus suggest that household balance sheets, together with their income levels, play a key role in the transmission of government spending policies in the UK.</p><p> <a href="#">van de Schootbrugge-Household Debt and Government Spending Multipliers-525.pdf</a></p><hr/></td></tr> <tr><td><b>4:00pm - 4:30pm</b></td><td><b>Coffee Break V</b></td></tr> <tr><td><b>4:30pm - 5:30pm</b></td><td><p><b><a href="#">Plenary IV: Lisa De Simone on "Multinational Corporate Income Shifting"</a></b> Location: <a href="#">Vencovského Aula</a> Session Chair: <b><u>Nadine Riedel</u></b>, University of Münster</p></td></tr> <tr><td><b>5:30pm - 6:00pm</b></td><td><p><b><a href="#">Closing</a></b> Location: <a href="#">Vencovského Aula</a></p></td></tr> <tr><td><b>7:00pm - 10:00pm</b></td><td><p><b><a href="#">Social Program III: Conference Dinner (incl. Awards)</a></b> Location: <a href="#">Cubex Conference Centrum Praha</a></p></td></tr>	<b>2:00pm - 4:00pm</b>	<p><b><a href="#">G16: Macro Public Finance: Reduced-Form Empirical Approaches</a></b> Location: <a href="#">Room RB 211 (Rajská building)</a></p> <p><b>The Effect Of Unconventional Fiscal Policy On Consumption - New Evidence Based On Transaction Data</b> <b><u>Winfried Koeniger</u></b>, <b><u>Peter Kreß</u></b> University of St. Gallen, Switzerland</p> <p>We use transaction-level card expenditures to estimate the effect of Germany's temporary value-added tax (VAT) in 2020. We use card expenditures in Austria as control because no analogous VAT cut was implemented in Austria and spending of Austrian households provides a stable benchmark to compare spending of German households against. As predicted by consumption theory, we find the VAT cut in-creased consumption growth more for durable goods, with a stronger effect close to the end of the cut. The annualized growth rate of expenditures for durables increased by 7.5 percentage points (pp), with a particularly strong increase of up to 23.6 pp for consumer electronics. The consumption growth rate for semi-durables increased by 5.6 pp, and for non-durables by 2.6 pp. The implied effect on durable spend-ing is four times smaller compared to survey-based estimates in Bachmann et al. (2023), and a fiscal shortfall that is 23 bn larger.</p> <p> <a href="#">Koeniger-The Effect Of Unconventional Fiscal Policy On Consumption-472.pdf</a></p> <hr/> <p><b>Tax Loss Carry-backs as Fiscal Stimulus: Evidence from Small Corporations</b> <b><u>Gabriella Massenz</u></b> Research Institute of Industrial Economics, Sweden</p> <p>Changes to loss offset rules are often used as a fiscal stimulus measure in times of crisis to alleviate firms' constraints and support the economy. The effect of these measures has been assessed in the literature using large listed firms, but there is no evidence on the effect of these policies on small private firms. I study a temporary change in the loss carry-back period implemented in the Netherlands over 2009-2011 using administrative and tax return data on small private corporations. Using a difference-indifference set up and matching techniques, I show that an additional year of carry-back has a significant effect on treated firms' investments, but no significant effect on firms' survival, employment and profits. The effect on investments is not driven by equity injections but rather by debt increases. Crucially, the significance of the effect on investments is conditional on the size of the additional carry-back.</p> <p> <a href="#">Massenz-Tax Loss Carry-backs as Fiscal Stimulus-324.pdf</a></p> <hr/> <p><b>Household Debt and Government Spending Multipliers: Evidence from the UK</b> <b><u>Sam van de Schootbrugge</u></b>, <b><u>Atsuyoshi Morozumi</u></b> University of Nottingham</p> <p>Using quarterly data on UK government spending forecasts alongside the household surveys dating back to 1977, we provide new evidence on heterogeneous effects of government spending policies on household consumption. Specifically, while at an aggregate level the on-impact consumption multiplier is about 0.5 and the effect fades only gradually, the consumption effects of spending shocks are substantially greater for (1) households with mortgage debt and (2) households in the left tail of the income distribution. As is well known, mortgagors, unlike outright homeowners, tend to have large illiquid assets, but little liquid wealth. Our results thus suggest that household balance sheets, together with their income levels, play a key role in the transmission of government spending policies in the UK.</p> <p> <a href="#">van de Schootbrugge-Household Debt and Government Spending Multipliers-525.pdf</a></p> <hr/>	<b>4:00pm - 4:30pm</b>	<b>Coffee Break V</b>	<b>4:30pm - 5:30pm</b>	<p><b><a href="#">Plenary IV: Lisa De Simone on "Multinational Corporate Income Shifting"</a></b> Location: <a href="#">Vencovského Aula</a> Session Chair: <b><u>Nadine Riedel</u></b>, University of Münster</p>	<b>5:30pm - 6:00pm</b>	<p><b><a href="#">Closing</a></b> Location: <a href="#">Vencovského Aula</a></p>	<b>7:00pm - 10:00pm</b>	<p><b><a href="#">Social Program III: Conference Dinner (incl. Awards)</a></b> Location: <a href="#">Cubex Conference Centrum Praha</a></p>
<b>2:00pm - 4:00pm</b>	<p><b><a href="#">G16: Macro Public Finance: Reduced-Form Empirical Approaches</a></b> Location: <a href="#">Room RB 211 (Rajská building)</a></p> <p><b>The Effect Of Unconventional Fiscal Policy On Consumption - New Evidence Based On Transaction Data</b> <b><u>Winfried Koeniger</u></b>, <b><u>Peter Kreß</u></b> University of St. Gallen, Switzerland</p> <p>We use transaction-level card expenditures to estimate the effect of Germany's temporary value-added tax (VAT) in 2020. We use card expenditures in Austria as control because no analogous VAT cut was implemented in Austria and spending of Austrian households provides a stable benchmark to compare spending of German households against. As predicted by consumption theory, we find the VAT cut in-creased consumption growth more for durable goods, with a stronger effect close to the end of the cut. The annualized growth rate of expenditures for durables increased by 7.5 percentage points (pp), with a particularly strong increase of up to 23.6 pp for consumer electronics. The consumption growth rate for semi-durables increased by 5.6 pp, and for non-durables by 2.6 pp. The implied effect on durable spend-ing is four times smaller compared to survey-based estimates in Bachmann et al. (2023), and a fiscal shortfall that is 23 bn larger.</p> <p> <a href="#">Koeniger-The Effect Of Unconventional Fiscal Policy On Consumption-472.pdf</a></p> <hr/> <p><b>Tax Loss Carry-backs as Fiscal Stimulus: Evidence from Small Corporations</b> <b><u>Gabriella Massenz</u></b> Research Institute of Industrial Economics, Sweden</p> <p>Changes to loss offset rules are often used as a fiscal stimulus measure in times of crisis to alleviate firms' constraints and support the economy. The effect of these measures has been assessed in the literature using large listed firms, but there is no evidence on the effect of these policies on small private firms. I study a temporary change in the loss carry-back period implemented in the Netherlands over 2009-2011 using administrative and tax return data on small private corporations. Using a difference-indifference set up and matching techniques, I show that an additional year of carry-back has a significant effect on treated firms' investments, but no significant effect on firms' survival, employment and profits. The effect on investments is not driven by equity injections but rather by debt increases. Crucially, the significance of the effect on investments is conditional on the size of the additional carry-back.</p> <p> <a href="#">Massenz-Tax Loss Carry-backs as Fiscal Stimulus-324.pdf</a></p> <hr/> <p><b>Household Debt and Government Spending Multipliers: Evidence from the UK</b> <b><u>Sam van de Schootbrugge</u></b>, <b><u>Atsuyoshi Morozumi</u></b> University of Nottingham</p> <p>Using quarterly data on UK government spending forecasts alongside the household surveys dating back to 1977, we provide new evidence on heterogeneous effects of government spending policies on household consumption. Specifically, while at an aggregate level the on-impact consumption multiplier is about 0.5 and the effect fades only gradually, the consumption effects of spending shocks are substantially greater for (1) households with mortgage debt and (2) households in the left tail of the income distribution. As is well known, mortgagors, unlike outright homeowners, tend to have large illiquid assets, but little liquid wealth. Our results thus suggest that household balance sheets, together with their income levels, play a key role in the transmission of government spending policies in the UK.</p> <p> <a href="#">van de Schootbrugge-Household Debt and Government Spending Multipliers-525.pdf</a></p> <hr/>										
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