

Conference Agenda

Session Overview

Date: Tuesday, 17/Aug/2021

10:45am - 2:00pm	IIPF Board of Management meeting (on invitation only)
2:15pm - 3:45pm	IIPF General Assembly of members (on invitation and registration only)

Date: Wednesday, 18/Aug/2021

9:00am - 10:30am Opening and Plenary I: Keynote - Jérôme Frans Adda (Bocconi University) on "Preventing the Spread of Antibiotic Resistance"

Session Chair: Clemens Fuest, ifo Institute and IIPF **10:45am - 12:15pm**

A01: COVID and Health

10:45am - 11:07am

Food Insecurity in the US During the Pandemic: What Can We Learn from Real-time Data?

Sara Ayllón, Samuel Lado

University of Girona, Spain; _____

We study the potential effect of the declaration of the state of emergency, the beginning and end of the stay-at-home orders, and the Economic Impact (one-time) Payments on food insecurity in the United States during the first wave of the coronavirus pandemic. We use daily data from Google Trends for the search term "foodbank" and document the development of a hunger crisis as indicated by the number of individuals needing to locate a food pantry through the internet. The demand of charitable food decreases once families start receiving the stimulus payments but, mostly, once the economic activity resumes with the lifting of the lockdown orders. Our estimates indicate that the increased need of emergency help among vulnerable families lasted at least ten weeks during the first wave of the pandemic and we argue that real-time data can be useful to predict such urgency.

[\[PDF\] Ayllón-Food Insecurity in the US During the Pandemic-446.pdf](#)

11:07am - 11:30am

Living at the Peak: Health and Public Finance during the COVID-19 Pandemic

Dirk Foremny¹, Pilar Sorribas-Navarro², Judit Vall Castello²

¹Universitat de Barcelona / I.E.B., Spain and Cesifo; ²Universitat de Barcelona / I.E.B., Spain;

This paper provides novel evidence for the determinants of preferences for public health and the willingness to pay for health services using a survey experiment implemented during the third week of the lock-down in Spain. Results show a substantial deterioration of mental health, which is more pronounced in groups of the population with less stable income sources. We implement two information treatments about the fatality rate across age groups and the incidence rate across regions. In the first case, the treatment is stronger for those in, or with relatives in the risk group. Results suggest that preferences for health care expenditures have almost doubled. Furthermore, we ask respondents about their willingness to pay for one out of three randomly assigned health care improvements. Contributions for more ICU beds are significantly higher compared to medical treatments and a vaccine.

[\[PDF\] Foremny-Living at the Peak-452.pdf](#)

11:30am - 11:52am

Fighting the Spread of Covid-19: was the Swiss Lockdown worth it?

Beatrice Retali, Nicolò Gatti

Università Della Svizzera Italiana, Switzerland;

The implementation of lockdowns to control the Covid-19 pandemic has led to a strong economic and political debate. To shed light on the actual benefits of such policy, we focus on the Swiss lockdown during the first wave of infections and estimate the number of potentially saved lives. To predict the number of deaths in absence of restrictive measures, we develop a novel age-structured SIRDC model which accounts for age-specific endogenous behavioral responses and for seasonal patterns in the spread of the virus. Including the additional fatalities due to the potential shortage of healthcare resources, our estimates suggest that the lockdown prevented more than 11,200 deaths between March and the beginning of September 2020. Using the value of statistical life, we compute the corresponding monetary benefits, which exceed 32 billion francs (4.34% of the Swiss GDP) and are mainly concentrated among people older than 65.

[\[PDF\] Retali-Fighting the Spread of Covid-19-321.pdf](#)

11:52am - 12:15pm

Does Re-opening Schools Contribute to the Spread of SARS-CoV-2? Evidence from Staggered Summer Breaks in Germany

Ingo E. Isphording¹, Marc Lipfert², Nico Pestel¹

¹IZA - Institute of Labor Economics, Germany; ²University of Bonn;

We study the effect of the end of school summer breaks on SARS-CoV-2 cases in Germany. The staggered timing of summer breaks across federal states allows us to implement an event study design. We base our analysis on official daily counts of confirmed coronavirus infections by age groups across all 401 German counties. We consider an event window of two weeks before and four weeks after the end of summer breaks. We do not find evidence of a positive effect of school re-openings on case numbers. For individuals aged between 5-59 years, which comprise school-aged children and their parents, the end of summer breaks had a negative but insignificant effect on the number of new confirmed cases. Our results are not explained by changes in mobility patterns around school re-openings. Analyses of Google Trends data suggest that behavioral changes of parents have contributed to the containment after school reopenings.

10:45am - 12:15pm A02: Intergenerational Mobility and Student Performance

10:45am - 11:07am

Intergenerational Transmission of Welfare: Evidence from Germany

Jennifer Feichtmayer, Regina T. Riphahn

FAU Erlangen-Nürnberg, Germany;

We study the intergenerational transmission of welfare receipt in Germany. We first describe the correlation of welfare receipt experienced in the parental household and subsequent own welfare receipt of young adults. In a second step, we pursue several strategies to determine whether the observed correlations reflect causal effects. We take advantage of the long running German Socio-Economic Panel Survey (1984-2019) and contribute to a very sparse literature for the German case. We apply the Gottschalk (1996) estimation approach, look at sibling fixed effects, and use instrumental variables techniques. While our finding of strong positive correlations between parental and own welfare receipt confirm the international literature first results suggest that these correlations are spurious and do not hold up to controls for unobserved heterogeneities.

[Feichtmayer-Intergenerational Transmission of Welfare-307.pdf](#)

11:07am - 11:30am

Multigenerational Mobility in India

Anustup Kundu^{1,2}, Kunal Sen^{2,3}

¹University of Helsinki, Finland; ²UNU-WIDER, Finland; ³University of Manchester, UK;

Most studies of intergenerational mobility focus on adjacent generations, and there is limited knowledge about multigenerational mobility—that is, status transmission across three generations. We examine multigenerational educational and occupational mobility in India, using a nationally representative data-set the IHDS which contains information about education and occupation for three generations. We find that mobility has increased over generations for education, but not for occupation. We also find that there are stark differences across social groups, with individuals belonging to socially disadvantaged communities in India lagging behind in social progress. Multigenerational mobility for Muslims in education and occupation have decreased in comparison to Hindus over the three generations. While we find that there is an increase in educational mobility for other disadvantaged groups such as Scheduled Castes, Scheduled Tribes, and Other Backward Classes compared to General Castes, we do not find evidence of increased occupational mobility over the three generations.

[Kundu-Multigenerational Mobility in India-305.pdf](#)

11:30am - 11:52am

Effects of Cooperative Learning on Student Performance: Evidence from Southern Thailand

Piyakul Somsiriwong

National Graduate Institute for Policy Studies, Japan;

This study evaluates the effects of the Active Learning School (ALS) Project in the south of Thailand on national test scores during the period 2017–2019. Instruction in the project combines two interventions, the cooperative learning approach (CL) and professional development (PD), to improve the academic performance of students. The study provides regression discontinuity (RD) results on student performance pooled across years, grades and subjects. The results estimated from subsamples pooled across either subject and grade or subject and year are consistent with the main results. All results suggest that the project did not substantially improve student performance as measured by national test scores, since the effect sizes are very small with the 95 percent confidence interval estimates between -0.1 and 0.1 test score standard deviation. The major factors that prohibit the success of district-wide interventions are inadequate teacher training, imperfect classroom implementation, and lack of administrative support and follow-up.

[Somsiriwong-Effects of Cooperative Learning on Student Performance-422.pdf](#)

11:52am - 12:15pm

Does Reducing Income Inequality Prevent Residential Segregation?

Che-Yuan Liang¹, Xiao Hu²

¹Uppsala University; ²Swedish University of Agricultural Sciences;

We analyze how income inequality affects residential income segregation using Swedish population data for 1991–2014. Our exceptionally extensive data allows better inference on how to prevent segregation. We find that increasing pre-tax income inequality accounts for the entire dramatic segregation surge. In particular, growing shares of low-income residents can explain rising neighborhood concentration of such residents. Our results also indicate that raising the education levels of low-income residents is effective for fighting segregation. Moreover, residential preferences for similar neighbors could rationalize segregation patterns. However, disposable income inequality, which can be affected through public redistribution, only had limited segregation effects.

[Liang-Does Reducing Income Inequality Prevent Residential Segregation-114.pdf](#)

10:45am - 11:07am

Tax Transparency and Social Welfare: The Role of Government Commitment**Chishio Furukawa**

Yokohama National University, Japan;

Although transparency has long been held as the key principle of taxation, recent behavioral public finance theory has shown that it may reduce social welfare as inattention can alleviate behavioral distortions. This paper extends this analysis for Ramsey taxation by modeling inattention as a noise in the tax rate signal received by Bayesian citizens. In equilibrium, we find that transparency will improve social welfare by ensuring the government's ability to commit to a fairly low tax rate that is socially optimal. Moreover, this model yields a new sufficient statistics formula. Based on typical estimates of attention parameters and marginal cost of public funds, this formula suggests that ensuring tax transparency is worth incurring approximately 10 percent of the revenue currently estimated for the U.S. tax system. [\[PDF\] Furukawa-Tax Transparency and Social Welfare-301.pdf](#)

11:07am - 11:30am

Supply of Segregation, Inequality and Welfare**Lisa Windsteiger**

Max Planck Institute for Tax Law and Public Finance, Germany;

Why is an increase in income inequality often accompanied by an increase in socio-economic segregation? And what are the welfare implications of this co-movement? This paper uses a theoretical model to analyze the relationship between income inequality and socio-economic segregation. It shows that rising inequality can trigger sorting according to income, as a monopolist's profits from offering sorting increase with income inequality. It also examines the relationship between sorting and social welfare and shows that profit-maximizing sorting patterns are not necessarily optimal from a welfare perspective. In fact, for a broad field of income distributions (monopolist) profits increase with inequality, while at the same time total welfare from sorting decreases.

[\[PDF\] Windsteiger-Supply of Segregation, Inequality and Welfare-225.pdf](#)

11:30am - 11:52am

The Effects of Numeracy, Overconfidence and Risk Aversion of the Aged and Their Implications to Capital Income Tax Policy in Japan**Shigeki Kunieda**

Chuo University, Japan;

Using a new comprehensive internet survey of aged male and female respondents in Japan, we consider the relationship of numeracy, overconfidence, risk aversion and risk asset investment and its implications for capital income tax policy in Japan. Numeracy decreases with age after early 60s. Educated older men tend to be overconfident about their numeracy. Numeracy and overconfidence reduce absolute risk aversion. Individuals with higher numeracy, more overconfidence and higher education tend to have risk assets in their household portfolio.

With consideration to the decline of numeracy of the aged and possible excess risk taking due to overconfidence, it is not desirable to encourage risk asset investment of the aged by special preferred tax treatment in Japan.

[\[PDF\] Kunieda-The Effects of Numeracy, Overconfidence and Risk Aversion of the Aged and Their Implications-436.pdf](#)

11:52am - 12:15pm

Redistribution, Distortion and Implementation: Unpacking the Optimal Two-Dimensional Tax Schedule**Kevin Spiritus¹, Floris Zoutman²**¹Erasmus University Rotterdam, The Netherlands; ²NHH Norwegian School of Economics, Norway;

We analyze the optimal marginal excess burdens for the nonlinear taxation of two-dimensional incomes when households have multidimensional characteristics. We show that the optimal marginal excess burdens can be decomposed into two terms. The first component is a distributional characteristic for the income under consideration: the larger is the (negative) local covariance between the income and the welfare weights, the higher will be the optimal marginal excess burden. This component guarantees that the combination of marginal excess burdens is among the many to comply to the divergence equation found by Golosov et al. (2015). The second component guarantees that the combination of marginal excess burdens is the unique solution that can be implemented using a tax function. This term also captures the further distortions caused by the reform used to construct the distributional characteristic. We use simulations to show the relative importance of each term.

[\[PDF\] Spiritus-Redistribution, Distortion and Implementation-239.pdf](#)

10:45am - 12:15pm

A04: Corporate Tax and Investment

10:45am - 11:07am

Tax Depreciation and Investment Decisions: Evidence from the Leasing Sector**Lisa Hillmann, Andreas Oestreicher**

University of Goettingen, Germany;

This paper examines the investment response of finance lease firms to a change in tax depreciation rules. Using an exogenous shock in Germany, our results suggest that finance lease companies, the only organisations affected by such a change, reduce their investments following the abolition of a beneficial and long-standing tax depreciation method. We provide evidence that the exposure of finance lease firms to regulatory requirements moderates the investment effect. Additional cross-sectional tests indicate a larger investment response for finance lease firms with a product portfolio specialised in mobile assets and, in particular, office and IT assets. Our findings add to the existing contributions on the effect of tax depreciation on investment decisions and to the limited literature looking into the effect of taxation on financial institutions.

[\[2\] Hillmann-Tax Depreciation and Investment Decisions-382.pdf](#)

11:07am - 11:30am

Direct, Spill-Over and Welfare Effects of Place-Based Policies: Evidence from Investment Subsidies in East Germany

Nils Wehrhöfer^{1,2}, Sebastian Siegloch^{1,2}, Tobias Etzel³

¹University of Mannheim; ²ZEW; ³Bundesbank;

We study the effects of investment subsidies targeted at East German manufacturing firms post reunification. Exploiting quasi-experimental variation in the regional subsidy rates and administrative employer-employee data, we estimate the causal reduced-form policy effects. We show that a 1 percentage point decrease in the subsidy rate leads to 1 percent decrease in manufacturing employment and an increase in local unemployment. Moreover, we analyze various spill-over effects. While we do not find significant regional spill-overs within the commuting zone, we demonstrate significant local multiplier effects as the untreated construction and retail sectors are also negatively affected by the subsidy cut. Last, we assess the welfare implications of the policy by calculating the marginal value of public funds. The specific place-based policy is comparable to policies targeted at similar age groups, like unemployment insurance. Without accounting for spill-overs, the welfare effects of the policy are significantly lower.

[\[2\] Wehrhöfer-Direct, Spill-Over and Welfare Effects of Place-Based Policies-341.pdf](#)

11:30am - 11:52am

Take-Up of Investment Incentives in the Euro-Area: Evidence from Finland

Elina Berghäll

VATT, Finland;

To reinvigorate sluggish economic growth, the Finnish government readopted investment incentives allowing for accelerated depreciation of productive investments in 2013 – 2016. With access to detailed comprehensive firm balance sheet data on Finnish firms, the YRTTI database, I explore take-up of the accelerated depreciation allowances (ADA) on machinery and equipment investments in manufacturing. Relative to most results reported in the literature, my results show very low take-up reaching at most 5 % of the number of investments. Nevertheless, instrumental variables regressions show the ADA to have significantly raised investment. ADA has been used for large investments especially by profitable, large, exporting and/or high value-added firms. Hence, there appears to be a threshold to the ADA take-up, unrelated to awareness but rather to firm tax and financial capabilities and the effective size of the incentive.

[\[2\] Berghäll-Take-Up of Investment Incentives in the Euro-Area-398.pdf](#)

11:52am - 12:15pm

The Effect of Foreign Dividend Exemption on Profit Repatriation through Dividends, Royalties, and Interest: Evidence from Japan

Makoto Hasegawa¹, Michi Kakebayashi²

¹Kyoto University, Japan; ²Policy Research Institute, Ministry of Finance, Japan;

In 2009, Japan introduced a foreign dividend exemption system (or so-called territorial tax system) that exempted dividends received by Japanese firms from their foreign affiliates from home-country taxation. This paper examines the effects of this tax reform on profit repatriation through dividends, royalties, and interest. Under the foreign dividend exemption system, Japanese multinationals can save the tax costs of profit repatriation by repatriating dividends from foreign affiliates located in countries that impose low withholding tax rates on dividends. We find that, in response to the 2009 tax reform, Japanese-owned foreign affiliates subject to lower withholding tax rates on dividends increased dividend payouts, reduced royalties, and did not change interest payments to their parent companies. Those affiliates increased total payments to their parents. These results suggest that the affiliates partly switched their means of profit repatriation from royalties to dividends with the enactment of the foreign dividend exemption system.

[\[2\] Hasegawa-The Effect of Foreign Dividend Exemption on Profit Repatriation through Dividends, Royalties, and.pdf](#)

10:45am - 12:15pm

A05: Interjurisdictional Taxation

10:45am - 11:07am

Anthropogeography And Taxation

David Agrawal¹, Mohammed Mardan²

¹University of Kentucky, USA; ²Norwegian School of Economics (NHH), Norway;

The common view is that bigger jurisdictions set higher tax rates than smaller jurisdictions. Most tax competition models assume that the cost of tax arbitrage is uniformly distributed and the tax base is only mobile between two jurisdictions. We overturn this conventional result by relaxing these (unrealistic) assumptions, but still assuming that the only source of heterogeneity is due to population differences. Applied to a model of commodity taxes, we show that the more people are living near borders, the lower will be a jurisdiction's tax rate. Empirically, we exploit changes over time and space of the population of a jurisdiction. Increases in the number of people living near borders lowers tax rates, and after accounting for this, changes in total population have little effect on tax rates. Our application extends to capital tax competition or profit taxation when moving costs are not uniformly distributed across firms. [\[Agrawal-Anthropogeography And Taxation-372.pdf\]](#)

11:07am - 11:30am

Quality Upgrading for Tax Avoidance

Hirofumi Okoshi

Okayaya University, Japan;

Governments sometimes incentive firms to upgrade their quality of goods but such a policy makes it difficult to collect tax revenue from multinational enterprises (MNEs) because the application of the arm's length principle is hard. Thus, with tax avoidance opportunities, results of the optimal policy for R&D is in question. This paper links the innovation for quality upgrading with profit shifting. As the opportunities of tax avoidance increases gains from an MNE's investment in quality, it contributes to quality upgrading, which spillovers to a local firm. Moreover, the optimal policy for firms' investment is to give subsidy without profit shifting, which is in line with Toshimitsu (2003). However, the optimal policy is to impose tax on R&D activities if profit shifting is easy and does not cost the MNE a lot. [\[Okoshi-Quality Upgrading for Tax Avoidance-296.pdf\]](#)

11:30am - 11:52am

The Anatomy of a Global Network of Multinationals: The Case of Japan

Kozo Kiyota

Keio University, Japan;

Multinational enterprises (MNEs) control their foreign subsidiaries not only directly from their headquarters but also indirectly through other foreign subsidiaries. To investigate potential investment and profit flows between countries, it is essential to capture the global network of MNEs. However, little is known about the network structure {it within a firm between countries}. In this paper, we first theoretically characterize PageRank centrality in an economic analysis. Then using unique comprehensive data on Japanese companies ranked in the top 100 nonfinancial MNEs in the world, we empirically show that simple measures of network analysis help us to identify the degree of indirect foreign direct investment (FDI), potential special purpose entities, and the potential channels of investment and profit flows between countries.

[\[Kiyota-The Anatomy of a Global Network of Multinationals-155.pdf\]](#)

11:52am - 12:15pm

Minimum Tax Standards for International Corporate Taxation and Tax Enforcement

Jean Hindriks¹, Yukihiro Nishimura^{2,3}

¹CORE (LIDAM) and Economics School of Louvain, Universite catholique de Louvain; ²Osaka University, Japan; ³CESifo, Germany;

Minimum taxation means that if a multinational enterprise (MNE) declares its operations in a jurisdiction taxing less than the minimum tax, the countries where the real economic activity takes place would have the right to tax the difference. There is a revival of the minimum tax standard for two reasons. First, there is concern about the complexity of assigning taxing rights and the effectiveness of profit-splitting rules in eliminating profit shifting. Second, the minimum tax standard has the merit of tackling multinational tax avoidance at its root. However, this argument ignores the interaction between minimum taxation and tax enforcement incentive. Building upon Hindriks and Nishimura (2021), we develop a framework in which effective tax compliance requires enforcement cooperation between countries (e.g. exchange of information). We show that under certain circumstances, minimum taxation may induce the low tax countries to abandon enforcement cooperation unilaterally.

[\[Hindriks-Minimum Tax Standards for International Corporate Taxation and Tax Enforcement-161.pdf\]](#)

10:45am - 12:15pm

A06: Retirement and Disability Insurance

10:45am - 11:07am

Welfare Effects of Pension Reforms

Andreas Haller

Norwegian School of Economics, Norway;

In almost all developed countries, policy makers have implemented pension reforms by increasing statutory retirement ages, lowering pension levels and/or adjusting pension formulas to address demographic change. This paper provides a novel, unifying framework to evaluate the welfare effects of such pension reforms. I show that the welfare effect of a pension reform crucially depends on the fiscal multiplier -- the total fiscal effect divided by the mechanical fiscal effect. Empirically, I exploit a series of pension reforms in Austria. I find that increasing the early retirement age has a multiplier of 1 while reducing pension levels generates a

¹ Norges Bank, Norway; ²Statistics Norway;

multiplier of 1.5. Based on my estimates, a social planner with preferences for redistribution clearly favors reducing pension levels over increasing the early retirement age.

[Haller-Welfare Effects of Pension Reforms-320.pdf](#)

11:07am - 11:30am

Saving For Retirement Through The Public Pension System: Evidence From The SelfEmployed In Spain

Ander Iraizoz

Paris School of Economics, France;

Using the fact that the Spanish self-employed voluntarily choose their contributions to Social Security, I study the effect of financial incentives on public pension savings for self-employed workers in Spain. For this, I implement a difference-in-differences approach exploiting the change in public pension saving incentives induced by the 1997 pension reform. I find that the Spanish self-employed significantly respond to the financial incentives for public pension savings. However, the estimated response could be considered modest relative to the magnitude of the return to contributions provided by pension formulas in Spain. I provide evidence suggesting that the lack of salience of the return to contributions could be one of the main drivers of such a modest response, highlighting the importance of information and salience on the responsiveness of self-employed workers to saving incentives.

[Iraizoz-Saving For Retirement Through The Public Pension System-107.pdf](#)

11:30am - 11:52am

Spousal Spillovers in Retirement: A Structural Assessment

Sigurd Galaasen¹, Herman Kruse²

This paper provides a quantitative analysis of the impact of joint retirement on aggregate labor supply elasticities. We extend a standard life-cycle retirement model by incorporating dual-earner households with heterogeneous age gaps and non-separable leisure preferences. To structurally estimate the degree of non-separability we exploit recent quasi-experimental reduced form evidence of spousal retirement spillover effects, from a major Norwegian pension reform. We find evidence of considerable leisure complementarities. Despite large age disparity between spouses, the estimated model importantly generates a high degree of joint retirement, in line with the pattern observed in the data. By solving for the long-run impact of the Norwegian reform we show that leisure complementarity is also quantitatively important. Comparing our estimated model to a model with separability in leisure we find that complementarity accounts for one-third of the reform-induced long-run increase in old-age labor supply. [Galaasen-Spousal Spillovers in Retirement-508.pdf](#)

11:52am - 12:15pm

Privatizing Disability Insurance

Arthur Seibold¹, Sebastian Seitz¹, Sebastian Siegloch^{1,2}

¹University of Mannheim, Germany; ²ZEW Mannheim, Germany;

In light of rising expenditure, social insurance programs face pressure to cut back their generosity to remain sustainable. Such reforms are often accompanied by the idea that individuals can obtain private insurance. In this project, we investigate how the private disability insurance (DI) market responds to a large change in public DI in Germany. Using a combination of administrative data on public DI claims and data from a large private insurance provider, we analyze the reform of 2001, which abolished a type of public DI for younger birth cohorts. We document that the private DI market multiplies in size after the reform. Results from a difference-in-difference strategy suggest a significant causal effect on private DI coverage among affected individuals. Yet, the estimated post-reform coverage rate remains modest. Moreover, we find that the share of privately insured individuals is lower among those with higher occupational disability risk and with lower income.

[Seibold-Privatizing Disability Insurance-387.pdf](#)

10:45am - 12:15pm

A07: Behavioral Public Economics

10:45am - 11:07am

Can Moral Reminders Curb Corruption? Evidence from an Online Classroom Experiment

Corinna Claus¹, Ekkehard Koehler², Tim Krieger¹

¹University of Freiburg, Germany; ²Walter Eucken Institute;

Using an incentivized online classroom experiment, we assess the effectiveness of deontological vs. consequentialist moral reminders. Participants were told to be the responsible public servant for acquiring Covid-19 vaccine, providing them with the opportunity to generate some extra private income by accepting

¹ University of Verona, Italy; ²University of York;

This paper empirically evaluates the impact of accountability on fiscal capacity. We maintain that if the average citizen speaks a language different from the central government and the elite, she will find it difficult/impossible to hold the government to account. As a result, this will negatively affect fiscal capacity. We adopt an instrumental variable approach using, as an instrument, the measure of how far the official language differs from ordinary language. The first stage results suggest that this instrument is strong and reliable and is negatively correlated with our measure of accountability in line with the hypothesis. The

a bribe. Our findings indicate that a deontological moral reminder ("corruption is immoral!") leads to a significant reduction of accepting bribes. A consequentialist moral reminder, pointing out that bribes are costly to taxpayers, has no significant effect. Our experiment was conducted before and after the announcement of BioNTech/Pfizer on November 9, 2020 that they will be able to provide an effective Covid-19 vaccine. This announcement correlates with a higher level of bribe-taking.

[\[2\] Claus-Can Moral Reminders Curb Corruption Evidence from an Online Classroom Experiment-427.pdf](#)

11:07am - 11:30am

Is Meat Too Cheap? Towards Optimal Meat Taxation

Franziska Funke¹, Linus Mattauch², Inge van den Biggelaar³, Charles Godfray², Cameron Hepburn², David Klenert⁴, Marco Springmann², Nicolas Treich⁵

¹Potsdam Institute for Climate Impact Research and TU Berlin; ²University of Oxford; ³University of Gothenburg; ⁴Joint Research Centre of the European Commission; ⁵Université Toulouse Capitole, Toulouse School of Economics;

Advances in environmental science and economics permit us to conclude that meat is significantly underpriced. While livestock plays a significant role in climate change and negatively impacts global nitrogen cycles and ecosystem biodiversity, economically efficient policies for regulating meat production and consumption are under-researched. In the absence of first-best policy instruments for the livestock sector, meat taxes can address multiple environmental externalities simultaneously, while improving diet-related public health. We review the empirical basis for the 'social costs of meat' and study several elements from public, behavioural and welfare economics, which could motivate regulatory efforts to tax meat in high-income countries: (i) multiple environmental externalities, (ii) adverse effects on one's own health, (iii) animal welfare, (iv) learning curves for 'alternative protein technologies', and (v) distributional effects.

[\[2\] Funke-Is Meat Too Cheap Towards Optimal Meat Taxation-485.pdf](#)

11:30am - 11:52am

The Words that Keep People Apart. Official Language, Accountability and Fiscal Capacity

Adelaide Baronchelli¹, Alessandra Foresta², Roberto Ricciuti¹

results in the second stage support our hypothesis. The results are robust to plausible exogeneity tests and different specifications.

[\[2\] Baronchelli-The Words that Keep People Apart Official Language, Accountability and Fiscal Capacity-241.pdf](#)

11:52am - 12:15pm

Fear and Loathing in Times of Distress: Causal Impact of Social and Economic Insecurity on Anti-Immigration Sentiment

Willem Sas^{1,6}, Gianmarco Daniele^{2,3}, Francesco Passarelli^{2,4}, Andrea Martinangeli⁵, Lisa Windsteiger⁵

¹University of Stirling; ²Bocconi University; ³University of Turin; ⁴University of Milan; ⁵Max Planck Institute for Tax Law and Public Finance; ⁶KU Leuven;

The causal nexus between socio-economic stressors and anti-immigration sentiments remains unclear despite increasing evidence over their correlation. We exploit the social and economic disruptions brought about by the epidemic outbreak in March 2020 to randomly provide survey respondents with, at the time of the online survey, pessimistic information about the economic and health consequences of the epidemic. Both economic and social stressors causally induce upsurges in anti-immigration sentiment and the perception of being overtaxed. However, radicalised attitudes are accompanied by political radicalisation only when the negative economic consequences of the epidemic are highlighted. Our theoretical model unpacks our findings alongside the health- and economic dimensions of the crisis. The probabilities of contagion and injury are proposed as the main channels driving our results, which is also confirmed by our survey experiment.

[\[2\] Sas-Fear and Loathing in Times of Distress-318.pdf](#)

12:30pm - 2:00pm **B01: Political Economy I**

12:30pm - 12:52pm

Public Goods and Diversity in Democracies and Non-Democracies

Roxanne Raabe¹, Christian J. Sander¹, Andrea Schneider²

¹University of Münster, Germany; ²Jönköping International Business School, Sweden;

This paper analyzes how ethnic diversity affects the provision of public goods in democratic and nondemocratic societies where political parties compete for voters' support by offering a mix of private and public goods. We show that increasing ethnic diversity reduces the provision of public goods in democracies but has no similar effect in non-democracies. We can confirm our hypothesis measuring the provision of public goods with government expense, expenditure for health and life expectancy. Other proxies measuring the provision of public goods (e.g., infant mortality or safe water) do not provide evidence that the link between ethnic diversity and public good provision depends on the political regime. [\[2\] Raabe-Public Goods and Diversity in Democracies and Non-Democracies-291.pdf](#)

12:52pm - 1:15pm

Democratic Redistribution with Plutocratic Feedback Loops

Dylan T. Moore

University of Michigan;

In a democratic society where economic inequality and political inequality are mutually reinforcing, is plutocracy inevitable? I explore this question using a simple dynamic model of democratic redistribution. Two candidates iteratively compete in elections fought over redistributive policy. Campaign spending is financed by citizen political donations, creating a feedback loop through which the current distribution of income affects the future distribution. The impact of these plutocratic feedback loops depends on assumptions about citizen political and economic behavior, as well as campaign spending technology. Long run convergence to a plutocratic equilibrium can occur for arbitrarily small levels of initial economic inequality. However, the opposite scenario is also possible: a society which is initially extremely unequal may nonetheless be destined for egalitarianism. The long run distribution of income may also exhibit extreme sensitivity to initial conditions. Tiny differences in initial inequality can determine whether democratic redistribution induces or prevents plutocracy.

[□ Moore-Democratic Redistribution with Plutocratic Feedback Loops-381.pdf](#)

1:15pm - 1:37pm

Protectionism and Economic Growth: Causal Evidence from the First Era of Globalization

Fabian Ruthardt¹, Niklas Potrafke¹, Kaspar Wüthrich²

¹ifo Institute, Germany; ²University of California San Diego;

We investigate how protectionist policies influence short-run economic growth. Our empirical strategy exploits an extraordinary tax scandal that gave rise to an unexpected change of government in Sweden. A free-trade majority in parliament was overturned by a protectionist majority in 1887. We employ the synthetic control method to select control countries against which economic growth in Sweden can be compared. We do not find evidence suggesting that protectionist policies influenced economic growth and examine channels why. Tariffs increased government revenue. However, the results do not suggest that the protectionist government stimulated the economy by increasing government expenditure. [□ Ruthardt-Protectionism and Economic Growth-375.pdf](#)

1:37pm - 2:00pm

Impact of European Cohesion Policy on regional growth: _When time isn't money_

Benoit Dicharry

University of Strasbourg, France;

This paper contributes to the literature discussing the effects of the EU Funds on GDP growth by revealing the causal impact of regional absorption's speed. The analysis is conducted using a regression discontinuity design approach with heterogeneous treatment on NUTS-2 regions during the period 2000-2016. We show that a faster absorption, especially in the Mediterranean regions, is associated with worse economic outcomes of the Objective 1 treatment. These estimation results are robust to changes in specifications, sample compositions and outcome variables. Our results imply that the incentives provided by the European Commission to fasten absorption have a counter-productive impact.

[□ Dicharry-Impact of European Cohesion Policy on regional growth-118.pdf](#)

12:30pm - 2:00pm **B02: Inequality**

12:30pm - 12:52pm

Wealth and its Distribution in Germany, 1895-2018

Charlotte Bartels¹, Thilo Albers², Moritz Schularick³

¹German Institute for Economic Research (DIW), Germany; ²Humboldt University, Germany; ³University of Bonn, Germany;

This paper presents the first comprehensive study of the long-run evolution of wealth inequality in Germany combining tax data, surveys, national accounts and rich lists. We show that the concentration of wealth in the hands of the top 1% has fallen by half, from close to 50% in 1895 to less than 25% today. Since unification, two off-setting trends have shaped the German wealth distribution. Households at the top made substantial capital gains from rising equity valuations that were counterbalanced by large middle-class capital gains from rising house prices and high middle class savings. However, these asset price induced gains in business and housing wealth almost entirely bypassed households in the bottom half of the wealth distribution so that the wealth gap between the bottom and the upper half has widened significantly. Finally, we also show that official statistics underestimate privately held German business wealth and real estate wealth.

[□ Bartels-Wealth and its Distribution in Germany, 1895-2018-383.pdf](#)

12:52pm - 1:15pm

A Safe Harbor: Wealth-Income Ratios in Switzerland over the 20th Century and the Role of Housing Prices

Enea Baselgia¹, Isabel Z. Martinez²

¹University of St.Gallen, Switzerland; ²ETH Zurich, Switzerland;
We estimate the ratio of private wealth to national income, β_{pt} , for Switzerland over the period 1900–2018. Our results indicate that the development of β_{pt} in Switzerland did not follow a U-shaped pattern as in most European countries, but that the evolution was extraordinarily stable, with β_{pt} oscillating around 500% over most of the 20th century. However, the wealth-income ratio has been on the rise since the turn of the century to reach 721% in 2017—an unprecedented level in the past. This considerable increase is mainly driven by large capital gains in housing wealth since 2010. We present new crosscountry evidence that capital gains in housing wealth have become an important driver of rising wealthincome ratios in a series of developed economies.

[\[pdf\] Baselgia-A Safe Harbor-469.pdf](#)

1:15pm - 1:37pm

Redistribution of Return Inequality

Karl Schulz

University of Mannheim, Germany;

The rich obtain higher returns than the poor. How should the tax system account for this return inequality? I study capital taxation in an economy in which returns correlate with ability and wealth, giving rise to type and scale dependence. Whereas an increase in type dependence raises optimal capital taxes, more scale dependence provides a rationale for lower tax rates, making the policy implications of return inequality non-trivial. Aside from amplifying capital inequality, scale dependence generates an inequality multiplier effect between wealth and its returns, raising standard capital elasticity measures. At an aggregate level, a rise in redistribution induces a compression effect on the distribution of pre-tax returns. In a financial market microfoundation, I identify general equilibrium trickle-up externalities that call for more redistribution relative to the partial equilibrium. Finally, I provide macro and micro estimates of the novel sufficient statistics and demonstrate their quantitative importance.

[\[pdf\] Schulz-Redistribution of Return Inequality-159.pdf](#)

1:37pm - 2:00pm

Homoploutia: Top Labor and Capital Incomes in the United States, 1950—2020

Yonatan Berman^{1,2}, Branko Milanovic^{2,3}

¹London Mathematical Laboratory; ²Stone Center on Socio-Economic Inequality, The Graduate Center, CUNY; ³International Inequalities Institute, London School of Economics;

Homoploutia describes the situation in which the same people have both high capital and labor income in some country. It can be quantified by the share of capital-income rich who are also labor-income rich. We combine several datasets covering different time periods to document the evolution of homoploutia in the United States from 1950 to 2020. We find that homoploutia was low after World War II, has increased by the early 1960s, and then decreased until the mid-1980s. Since 1985 it has been sharply increasing: In 1985, about 17% of adults in the top decile of capital-income earners were also in the top decile of laborincome earners. In 2018 this indicator was about 30%. This makes the traditional division to capitalists and laborers less relevant today. We also find that rising homoploutia accounts for about 20% of the increase in total income inequality in the United States since 1986.

[\[pdf\] Berman-Homoploutia-128.pdf](#)

12:30pm - 2:00pm

B03: Tax Havens

12:30pm - 12:52pm

Tax Haven Activities and Tax Liabilities of Multinational Firms in a Cross-country Setting

Henrik Svensli

NHH Norwegian School of Economics, Norway;

This paper investigates the effect of tax haven activities on the effective tax burden of corporate groups in a cross-country setting. Using consolidated accounting data and ownership records from the historical Orbis database between 2007 and 2016, we find that taxes paid at the consolidated firm-level decreases with tax haven activities. Measuring tax haven activities as the percentage of tax haven affiliates to the total amount of foreign affiliates, a one percentage point increase in tax haven activities reduces the ratio of tax liabilities to pre-tax earnings (total assets) by 2.37 (0.07) percentage points. However, after controlling for firm-specific fixed effects the results are no longer significant. These results shed an interesting light on the previous literature that have neglected such unobserved firm characteristics. When using dummy variables to capture the extent of tax haven activities we find that firms benefit from a considerable presence in tax havens.

[\[pdf\] Svensli-Tax Haven Activities and Tax Liabilities of Multinational Firms-346.pdf](#)

12:52pm - 1:15pm

Who Benefits From Domestic Firms' Use Of Tax Havens?

Annette Alstadsæter¹, Julie Brun Bjørkheim¹, Ron Davies², Johannes Scheuerer²

¹Norwegian University of Life Sciences, Norway; ²University College Dublin, Ireland;

Although tax-motivated profit shifting reduces the corporate tax base in high-tax countries and impacts government revenues, it is unlikely that this is the only significant impact profit shifting has. This paper focuses on the relationship between the utilization of tax havens and employee compensation. Put bluntly, if a firm saves money by not paying taxes, whose pocket is that money ending up in? We investigate this

issue from multiple directions using data from Statistics Norway from 2008 onwards, where we match employee, firm, and international transactions. We define a tax haven firm in three different ways: i) cash transactions to a tax haven, ii) import of services from a tax haven, including rent payment for IP, iii) being majority-owned by a foreign shareholder. Preliminary results suggest that tax haven firms pay overall higher wage compensation to all employees but that the effect is most substantial among the already high earners.

[Alstadsæter-Who Benefits From Domestic Firms' Use Of Tax Havens-218.pdf](#)

1:15pm - 1:37pm

Tax Haven, Pollution Haven or Both ?

Emmanuelle Taugourdeau¹, Thierry Madiès², Tarola Ornella³

¹CNRS, CREST, France; ²University of Fribourg; ³University of Rome La Sapienza;

This paper studies the interplay between a poor and a rich country when they compete sequentially over corporate taxes and environmental regulations to attract imperfectly mobile firms. Generally, the poor country undercuts the rich country in terms of corporate taxes and chooses to be both a tax and pollution haven when it is less concerned about the environment than the rich country is and capital integration is low. However, it rarely does better in terms of welfare than the rich country. Finally we find that tax competition immunizes countries against the detrimental effect of globalization on environmental standards.

[Taugourdeau-Tax Haven, Pollution Haven or Both -156.pdf](#)

1:37pm - 2:00pm

The Role of Conduit Countries and Tax Havens in Corporate Tax Avoidance

Arjan Lejour^{1,2}

¹Tilburg University, Netherlands, The; ²CPB Netherlands Bureau for Economic Policy Analysis;

Reviewing the most important studies on global revenue losses of corporate tax avoidance, I assess that a median estimate is about 150 billion dollars. This includes the quantitative effects of debt and IP-shifting and transfer pricing. Treaty shopping could lead to lower tax revenues on dividends, interest, and royalties by about 45 billion dollars. Moreover, I will show that traditional tax havens and conduit countries have different economic and tax characteristics (to some extent). This also requires different (international) policy solutions. Finally, I assess quantitatively the role of tax havens and conduit countries in international corporate tax avoidance taking account of phantom investment. Tax havens are responsible for a substantial part of corporate tax avoidance, but an even larger part is due to different tax arrangements between 'normal' countries. Conduit countries facilitate tax avoidance but are often only one link in the country chain of international tax planning.

[Lejour-The Role of Conduit Countries and Tax Havens in Corporate Tax Avoidance-226.pdf](#)

12:30pm - 2:00pm **B04: Enforcement**

12:30pm - 12:52pm

Do Think Twice, it's Alright: Effects and Mechanisms of Tax Enforcement Policies

Andreas Kotsadam¹, Knut Løyland², Oddbjørn Raaum¹, Gaute Torsvik³, Arnstein Ørvrum²

¹The Frisch Centre, Norway; ²Norwegian Tax Authorities; ³University of Oslo;

Audits have lasting effects on subsequent behavior among audited tax payers but there is limited empirical evidence on why that is. Using a large scale randomized controlled trial with 15.000 high risk tax filers we compare the effectiveness of a desk based correspondence audit and a letter encouraging tax filers to take a second look at their self-reported deductions. We find that both interventions lower deductions and the effects are both large and lasting. We subsequently sent out a survey to the tax filers and find that only the audits affect the perceived risk of future audits, and even for that group, the increase in perceived audit risk is too small to explain the effect of the audit. Hence, a substantial part of the treatment effect goes via other channels such as improved knowledge about tax rules.

[Kotsadam-Do Think Twice, its Alright-169.pdf](#)

12:52pm - 1:15pm

Do Collateral Sanctions Work?: Evidence from the IRS' Passport Certification and Revocation Process

Paul R. Organ¹, Alex Ruda², Joel Slemrod¹, Alex Turk²

¹University of Michigan, United States of America; ²Internal Revenue Service;

According to Allingham and Sandmo (1972), tax evasion is constrained by the threat of detection and punishment. Traditionally, the punishment for evasion has been financial and, occasionally, imprisonment. But there is a third tool, collateral sanction, which to date has received little attention. We address that gap by examining a new U.S. initiative restricting passport access to tax debtors. Focusing first on taxpayers denied a passport-related request, we examine behavior before and after request denial, compared to a control group, to estimate the direct effect of the denial. We then use an RCT embedded in the program rollout to identify the effect of certification on the larger set of taxpayers subject to passport certification. We also consider the potential for additional indirect effects. We find that denied passport requests have an immediate positive effect on compliance actions for many individuals. We find smaller but still meaningful effects of certification overall.

1:15pm - 1:37pm

Reporting Under Ignorance - Is It A Lie If I Don't Know?

Sven Arne Simon

Max Planck Institute for Tax Law and Public Finance, Germany;

We study self-serving reporting behavior when people are ignorant on whether they are dishonest or telling the truth. We argue that the costs of making a (potentially) dishonest report under ignorance are smaller than the behavioral costs of a deliberate lie. In our laboratory reporting task, subjects are either eligible to a high payoff or a low payoff. One dimension varies the available information on the eligibility to payoffs, and the other dimension the ex-ante probability distribution of payoffs. Ignorance on the eligibility to payoffs leads to a pronounced increase in the fraction of unjustified claims of the high payoff. While the probability dimension has only a small effect per se, the combination with ignorance is detrimental for truthful reporting. Further results indicate that most subjects are information seeking when having the opportunity to choose the preferred information regime and that social norms for reporting under ignorance are highly controversial.

[Simon-Reporting Under Ignorance-539.pdf](#)

1:37pm - 2:00pm

Threshold Targeting, Misreporting and Adjustment Costs: Evidence from a Third-Party Reporting Policy

Panayiotis Nicolaides

Hertie School, Berlin, Germany;

I study the behaviour of taxpayers in response to a novel third-party reporting policy that incentivises electronic spending in the entire population. In 2017, the personal tax allowance in Greece became conditional on spending by electronic means, up to a maximum threshold determined by taxable income. I develop a labour supply model, which predicts threshold-targeting either by increasing electronic consumption or by misreporting. Using a unique administrative dataset, I document (a) 92% reporting on or beyond threshold, (b) evidence of misreporting through bunching at round numbers, (c) economically and statistically significant increases in electronic consumption, as taxpayers attempt to reach their thresholds. I propose an explanation for this pattern of behaviour: an interplay of policy inattention, liquidity constraints and perceived audit costs shapes the final outcome. The results provide insights regarding taxpayers' responses to third-party reporting policies, the role of adjustment costs and the use of information technology in taxation.

[Nicolaides-Threshold Targeting, Misreporting and Adjustment Costs-406.pdf](#)

12:30pm - 2:00pm

B05: Strategic Interactions

12:30pm - 12:52pm

A Race to the Top? Staggered Electoral Cycles and Strategic Interactions in Business Taxes

Sebastian Garmann

Bundesrechnungshof, Germany;

Many theories predict strategic interactions in setting taxes across neighboring jurisdictions, but few papers use quasi-experimental settings for causal empirical evidence. This paper exploits staggered elections, which create variation in neighbor's tax rates that is driven by election-year manipulations rather than reverse causality or spatially correlated omitted variables. Municipalities only mimic the tax rate increases that occur in their neighbor's post-election years, but not the tax rate decreases that occur in election years. Consistent with yardstick competition, tax increases in neighboring municipalities create a window of opportunity for politicians to implement fiscally necessary tax increases in their own municipalities.

[Garmann-A Race to the Top Staggered Electoral Cycles and Strategic Interactions-294.pdf](#)

12:52pm - 1:15pm

Vertical Fiscal Imbalance and Regional Competition: A spatial data analysis

Jiakai Zhang¹, Timothy Goodspeed^{1,2}

¹The Graduate Center, The City University of New York; ²Hunter College, The City University of New York; This paper adds to the literature by examining fiscal competition and deficit financing by local governments in a developing country, China. We examine a unique revenue source in China, land-use premiums (a type of property tax), in a panel dataset consolidated at the prefectural level from 2006 to 2016. Our results indicate that fiscal competition in land-use premiums exists and is stronger among wealthier than poorer local governments, a result that supports the view of Cai and Triesman (2005) that competition among asymmetrically endowed regions can lead to less discipline. Moreover, we find higher local deficits are associated with lower land-use premiums, a result that suggests that the local government does not fill any fiscal gap with own revenues.

[Zhang-Vertical Fiscal Imbalance and Regional Competition-360.pdf](#)

1:15pm - 1:37pm

Taxes, Commuting and Spillover in the Metropolis

Tidiane Ly

Universita della Svizzera italiana, Switzerland;

This paper studies local governments' public policies in a metropolitan area plagued by commuting-induced congestion, where both residents and workers consume local public goods. We develop a new spatial sub-metropolitan tax competition model which features a central city surrounded by suburban towns linked by mobile capital and mobile residents who commute to work. We show that Pareto efficiency is achieved if towns can retain their workers using labor subsidies. Otherwise, traffic congestion in the city is inefficiently high and local governments respond by setting inefficient public policies:

- (i) the city over-taxes capital and under-taxes residents, which leads to too little capital and too many residents in the city;

- (ii) local public goods are under-provided in the city and over-provided in the towns.

[Ly-Taxes, Commuting and Spillover in the Metropolis-447.pdf](#)

1:37pm - 2:00pm

Tax Competition Effects Of A Minimum Tax Rate: Empirical Evidence From German Municipalities

Thiess Büttner^{1,2}, Maximilian Pöhllein¹

¹Friedrich-Alexander Universität Erlangen-Nürnberg, Germany; ²CESifo;

This paper explores the effects of a minimum tax rate on the tax rate distribution of a local business tax. We test whether and how competing municipalities responded to the introduction of a federal law that required low-tax municipalities in Germany to set a tax rate of at least 10% on firms' taxable profits. We use a spatial econometric approach that enables us to distinguish treated and not-treated municipalities based on the distance to jurisdictions that were forced to increase their tax rate. Our results show that most municipalities did not change their tax policy in response to a law-induced tax rate change in their local neighborhood. Significant treatment effects are only found for high-tax municipalities which responded by setting lower tax rates.

[Büttner-Tax Competition Effects Of A Minimum Tax Rate-419.pdf](#)

12:30pm - 2:00pm

B06: Issues in International Taxation

12:30pm - 12:52pm

Investing in Tax Avoidance

Katarzyna Bilicka¹, Michael P. Devereux², Irem Guceri³

¹Utah State University; ²Oxford University, United Kingdom; ³Oxford University, United Kingdom;

This paper studies the optimisation frictions that affect the cost of profit shifting for multinational companies. Using confidential UK corporate tax returns data for the years 2000 to 2015, we analyse the effects of foreign tax rate cuts on the extensive and intensive margins of profit reporting in the UK. We show that profits of multinational firms operating in the UK do not react to tax rate changes in their home countries at the intensive margin. Instead, our reduced form evidence shows large extensive margin responses, providing evidence for the presence of fixed costs related to profit shifting. We build a model which accounts for those fixed costs and we estimate the extent of shifting frictions alongside the intensive and extensive margin elasticities of taxable profit.

[Bilicka-Investing in Tax Avoidance-184.pdf](#)

12:52pm - 1:15pm

Tax-Induced Transfer Pricing and Corporate Agency Costs

Michael Stimmelmayr¹, Marko Kothenbuerger²

¹University of Bath, United Kingdom; ²D-MTEC, ETH Zurich;

Corporate agency conflicts are widespread, but their relations to taxation are rarely explored. The paper analyzes the implications of tax-induced transfer pricing when corporate agency problems between the headquarter and division managers of a multinational enterprise (MNE) exist. Possibly surprisingly, tax and incentive considerations might not be conflicting in the choice of transfer prices. Compared to divisional bargaining, a centralized choice of transfer prices, where tax savings considerations are dominant, might not dilute, but strengthen incentives of managers to provide essential inputs to local production. The tax-related incentive effects spill over to government incentives to compete for MNE profits. We relate the analysis to the current OECD initiatives on transfer pricing regulation and identify welfare effects of regulatory measures hitherto unnoticed.

[Stimmelmayr-Tax-Induced Transfer Pricing and Corporate Agency Costs-460.pdf](#)

1:15pm - 1:37pm

Organizational Capacity and Profit Shifting

Katarzyna Anna Bilicka¹, Daniela Scur²

¹Utah State University, United States of America; ²Cornell University, United States of America;

This paper analyses the effect of firm's organizational capacity on reported profitability of multinational enterprises (MNEs). Better organizational practices improve productivity and, in principle, increase potential

taxable profits of firms. However, higher adoption of these practices may also enable more efficient reallocation of profits across tax jurisdictions. We find that subsidiaries of MNEs located in high tax countries report significantly lower profits and have higher incidence of bunching around zero returns on assets, if they have better organizational practices. This is especially true for more tax-aggressive MNEs. Using an event study design, we find that firms with better practices are more responsive to corporate tax rate changes. These responses are also driven by more tax aggressive MNEs. These patterns are consistent with organizational capacity partially driving profit shifting behavior. [Bilicka-Organizational Capacity and Profit Shifting-124.pdf](#)

1:37pm - 2:00pm

Investment and Global Intangible Low-Taxed Income

Jennifer Blouin, Nathan Born

University of Pennsylvania, United States of America;

The Tax Cuts and Jobs Act of 2017 introduced Global Intangible Low-Taxed Income (GILTI), which is a minimum tax on the foreign earnings of US-based companies. In this paper, we model investment incentives for multinational firms and, in particular, how GILTI alters foreign activity in low-tax and high-tax jurisdictions. We find that GILTI creates differing tax regimes depending on the foreign tax rate. In high-tax countries, US firms face a territorial regime. However, in low-tax countries, US firms face a regime that resembles a worldwide tax system. In our model, GILTI incentivizes tangible capital investment in low-tax countries, thereby altering the capital intensity of those subsidiaries. The new US system also eliminates the incentive for firms to hold foreign passive investment. We test these inferences empirically, finding mixed evidence in support of our theoretical predictions.

[Blouin-Investment and Global Intangible Low-Taxed Income-547.pdf](#)

12:30pm - 2:00pm

B07: Unemployment Benefits and Paycheck Protection Programs

12:30pm - 12:52pm

Entitled to Leave: the Impact of Unemployment Insurance Eligibility on Employment Duration and Job Quality

Laura Khoury¹, Clément Brebion², Simon Briole³

¹Norwegian School of Economics, Norway; ²Copenhagen Business School, Denmark; ³Paris School of Economics, JPAL, France;

In this paper, we provide a comprehensive evaluation of a reform that softened the minimum employment record to qualify for UI benefits in France after 2009. Using administrative panel data matching employment and unemployment spells, we first provide clear evidence that the reform induced a separation response at the eligibility threshold. The jump in transitions from employment to unemployment is partly explained by the scheduling of shorter contracts, in line with the new eligibility condition. Exploiting the reform as well as relevant sample restrictions, we then estimate the effects of receiving UI benefits on subsequent labor market outcomes using a regression discontinuity design. Our findings point to a large negative impact of UI benefits receipt on employment probability up to 21 months after meeting the eligibility condition, which is not counterbalanced by an increase in job quality.

[Khoury-Entitled to Leave-482.pdf](#)

12:52pm - 1:15pm

Multigenerational Spillover Effects of Unemployment Insurance Reform: Grandparents' Labour Supply and Grandchildren's Educational Outcomes

Jim Been¹, Anne Gielen², Marike Knoef³, Gloria Moroni⁴

¹Leiden University; ²Erasmus School of Economics, Netherlands, The; ³Leiden University; ⁴Erasmus School of Economics, Netherlands, The;

The 2004 unemployment insurance reform introduced in the Netherlands increased the labour supply of individuals above 57.5 years old - age when individuals are likely to be grandparents (generation 1). Using unique administrative data covering three generations in families, we investigate the spillover effect of this reform on their grandchildren (generation 3). We implement an IV strategy which exploits exogenous variation yielded by the policy introduction date and the age eligibility criteria to instrument for grandparents being active on the labour market. We find a positive impact of grandfathers' activity on the grandchildren's educational outcomes. We provide evidence on potential direct mechanisms driving this relationship - i.e. going directly from grandfathers to grandchildren - as well as potential indirect mechanisms - i.e. mediated by changes in mothers' (generation 2) labour supply and fertility. [Been-Multigenerational Spillover Effects of Unemployment Insurance Reform-237.pdf](#)

1:15pm - 1:37pm

The Impact Of A European Unemployment Benefit Scheme On Labour Supply And Income Distribution

Agathe Simon

BETA STRASBOURG UNISTRA, France;

This paper investigates the effect of the introduction of a European unemployment insurance (EMU-UI) on the labour supply for the Eurozone countries. Based on a structural estimation of labour supply and using the European tax-benefit microsimulation model EUROMOD, we simulate various scenarios of reform.

The results show that the labour supply response to the reform differs substantially across countries. The strongest labour supply reaction to the introduction of a EMU-UI are found in Italy, Portugal, Latvia and

Lithuania regardless of EMU-UI design. We find higher disincentive to work effects for women in couple and single men. The EMU-UI characteristics affect differently labour supply as our third scenario tends to imply stronger labour supply reaction, however it would perform better against poverty and income inequality in many countries. An EMU-UI with floor and ceiling amounts tends to limit labour supply distortions while reducing inequalities and poverty.

[Simon-The Impact Of A European Unemployment Benefit Scheme-411.pdf](#)

1:37pm - 2:00pm

An Evaluation of the Paycheck Protection Program Using Administrative Payroll Microdata

David Autor¹, David Cho², Leland Crane², Mita Goldar³, Byron Lutz², Joshua Montes², William Peterman², David Ratner², Daniel Villar², Ahu Yildirmaz³

¹Massachusetts Institute of Technology; ²Federal Reserve Board, United States of America; ³ADP; The Paycheck Protection Program (PPP) was intended to assist small businesses to maintain employment and wages during the COVID-19 crisis, as well as cover other expenses. We use administrative, high-frequency employment data from ADP---one of the world's largest payroll processing firms---to estimate the causal effect of the PPP on the evolution of payroll employment at PPP-eligible firms relative PPP-ineligible firms. Our estimates indicate that the PPP boosted employment at eligible firms by between 2 percent to 5 percent at its peak effect around mid-May 2020. We find that the boost to employment waned thereafter and ranged from no effect to a 3 percent boost at the end of 2020. Overall, while the PPP appears to have substantially boosted employment during the worst months of the pandemic, we conclude that the cost per job saved was substantial.

[Autor-An Evaluation of the Paycheck Protection Program Using Administrative Payroll Microdata-129.pdf](#)

2:15pm - 3:45pm

C01: Tax Havens

2:15pm - 2:37pm

Tax Competition on the Extensive and Intensive Margins

David R Agrawal¹, Tidiane Ly², Raphaël Parchet²

¹University of Kentucky; ²Università della Svizzera italiana (USI), Switzerland; This paper studies the welfare implications of strategic tax setting in the presence of tax havens. We develop a tax competition model in which jurisdictions first decide whether or not to levy a tax and then decide the optimal tax rate to compete for mobile factors. We show that decentralized tax rates can be too low or too high depending on the number of non-adopting jurisdictions. In particular, taxes are too low if the number of tax havens is low and too high if the number of tax haven is high. We apply our model to U.S. county sales taxes where 40% jurisdictions do not levy a sales tax. We find that tax rates are up to \$33% too low and the number of tax havens is up to \$47% too high compared to the social optimum. [Agrawal-Tax Competition on the Extensive and Intensive Margins-154.pdf](#)

2:37pm - 3:00pm

Effects of International Tax Provisions on Domestic Labor Markets

Daniel Garrett¹, Eric Ohrn², Juan Carlos Suarez Serrato³

¹Wharton School, United States of America; ²Grinnell College, United States of America; ³Duke University, United States of America;

We study the domestic labor markets effects of two historical, but highly applicable, US international tax provisions. The first provision, "check-the-box," (CTB) decreased effective tax rates abroad by increasing the ability of MNEs to avoid taxation on passive income. The second provision, the 2004 repatriation "holiday," (RH) decreased the tax costs of repatriating foreign earnings by 85%. To study the effects of each provision, we use a difference-in-differences event study framework to compare employment, earnings, and earnings per worker in the US counties most exposed to MNEs that benefited from CTB and most exposed to repatriations made under the holiday to the same outcomes in counties exposed to two matched control groups of US corporations, one for each policy.

[Garrett-Effects of International Tax Provisions on Domestic Labor Markets-364.pdf](#)

3:00pm - 3:22pm

Tax Competition in Presence of Profit Shifting.

Steeve Mongrain¹, David Oh², Tanguy van Ypersele³

¹Simon Fraser University, Canada; ²Canada Mortgage and Housing Corporation; ³Aix-Marseille University;

The popular view is that governments should crack down on tax avoidance by multinational firms. In this paper, we analyze how anti-profit-shifting policies influence fiscal competition. Governments commit to profit shifting control effort and then set taxes on capital. Equilibrium tax rates are determined by the elasticities of the two components: profit shifting and capital mobility. Anti-profit-shifting policies decrease the elasticity of the first but increase the elasticity of the second, so that the impact of these policies on the equilibrium of the tax game is ambiguous. We show that there are cases in which laxer policies increase all equilibrium tax rates and that the country announcing laxer profit shifting policies may gain. It appears that there is not

always a pure strategy equilibrium in such a fiscal competition game. We construct a mixed strategy equilibrium when the pure strategy equilibrium does not exist.

[\[PDF\] Mongrain-Tax Competition in Presence of Profit Shifting-283.pdf](#)

3:22pm - 3:45pm

Do Multinational Firms use Tax Havens to the Detriment of Other Countries?

Dhammadika Dharmapala

University of Chicago, United States of America;

The use of tax havens by multinational corporations (MNCs) has attracted increasing attention and scrutiny in recent years. This paper provides an exposition of the academic literature on this topic. It begins with an overview of the basic facts regarding MNCs' use of havens, which are consistent with the location of holding companies, intellectual property, and financial activities in havens. However, there is also evidence of significant frictions that limit MNCs' use of havens. These limits can be attributed to nontax frictions (such as the legal and business environment in different jurisdictions), to tax law provisions limiting profit shifting, and to the costs of tax planning. There is evidence consistent with the relevance of each of these channels. The paper also argues that nonhaven countries have available a range of powerful tax law instruments to neutralize the impact of MNCs' use of havens.

[\[PDF\] Dharmapala-Do Multinational Firms use Tax Havens to the Detriment-207.pdf](#)

2:15pm - 3:45pm

C02: Labor Supply, Immigration, and Welfare Programs

2:15pm - 2:37pm

Continued Education in Germany: The Roles of Culture and Institutions

Jasmin Vietz

University of Hohenheim, Germany;

I study the effect of culture and institutions on continued education activities of immigrants in Germany. To identify a causal effect, I rely on two different sources of variation: (i) differences in immigrants' cultural backgrounds and (ii) differences in educational leave policies at the federal state level. I find that immigrants from more patient cultures are more likely to engage in continued education as adults. Introducing a legal claim on educational leave also has a positive impact on engagement in continued education. This impact is smaller for individuals from more patient cultures suggesting that culture substantially impacts how individuals respond to educational policies.

[\[PDF\] Vietz-Continued Education in Germany-277.pdf](#)

2:37pm - 3:00pm

Broadband Internet and Business Activity

Richard Huntley Beem

University of Tennessee, United States of America;

Does the diffusion of broadband-capable networks enhance business activity and entrepreneurship? Does the narrowing of the Digital Divide spur rural economic growth? To answer these questions empirically, I examine one of the Federal Communication Commission's largest broadband deployment programs to date — Phase II of the Connect America Fund. Exploiting plausibly exogenous variation in the deployment of wired broadband connections during the 2015-18 period, my county-level difference-in-differences results produce persistent gains in the number of firms, establishments, employment, wages, and the number of entrepreneurs in treated counties. Exploring sources of heterogeneity reveals that firm growth is driven by small firms, rural firms, and young firms. Finally, a simple cost-benefit analysis reveals that the CAF II program likely generated a net benefit measuring \$236 million.

[\[PDF\] Beem-Broadband Internet and Business Activity-143.pdf](#)

3:00pm - 3:22pm

Who Benefits From Job Training Programs? Evidence From a High-dosage Program in Brazil

Daniel Da Mata¹, Rodrigo Oliveira², Diana Silva²

¹Sao Paulo School of Economics - FGV, Brazil; ²Federal University of Bahia, Brazil;

Using admission lotteries and registry data linking labor market outcomes, we study the effect of a vocational training program focused on disadvantaged individuals in Brazil. The intensive program is an 18-month classroom training coupled with a 6-month on-the-job training provided by governmentsponsored training centers. When assessing the impacts on 15,000 winners and 200,000 nonwinners who graduated in different business cycle moments, we show that female students fare better than their male counterparts. Results are driven by courses in services and those located in faster-growing local labor markets. Investigating outcomes beyond employment and earnings, we do not find an impact on entrepreneurship or university admission.

[\[PDF\] Da Mata-Who Benefits From Job Training Programs Evidence From a High-dosage Program-518.pdf](#)

3:22pm - 3:45pm

The Fiscal Effect of Immigration: Reducing Bias in Accounting Estimates

Michael Andrew Clemens

Center for Global Development and IZA, United States of America;

Immigration policy can have important net fiscal effects that vary by immigrants' skill level. But mainstream methods to estimate these effects are problematic. Methods based on cashflow accounting offer precision at the cost of bias; methods based on general equilibrium modeling address bias with limited precision and transparency. A simple adjustment greatly reduces bias in the most influential and precise estimates: conservatively accounting for capital taxes paid by the employers of immigrant labor. The adjustment is required by firms' profit-maximizing behavior, unconnected to general equilibrium effects. Adjusted estimates of the positive net fiscal impact of average recent U.S. immigrants rise by a factor of 3.2, with a much shallower education gradient. They are positive even for an average recent immigrant with less than high school education, whose presence causes a present-value subsidy of at least \$89,000 to all other taxpayers collectively.

[✉ Clemens-The Fiscal Effect of Immigration-496.pdf](#)

2:15pm - 3:45pm C03: College Education

2:15pm - 2:37pm

University Openings and their Long-term Impact on Regional Wages: Evidence from West Germany

Lea Immel¹, Clemens Fuest^{1,2,3}

¹ifo Institute, Germany; ²LMU Munich; ³CESifo;

This paper investigates the long-term effect of university openings on regional wages in West Germany. We combine geo-coded data on the universe of German universities with information on individual wages from social security records to estimate the impact of university openings on different wage percentiles of the county wage distribution. We find that establishing a new university has a positive effect on wages in nearby counties. This effect differs in terms of size and timing along the wage distribution as well as between different employee subgroups. Moreover, the effect is driven by establishing universities of applied sciences and by universities in urban regions.

[✉ Immel-University Openings and their Long-term Impact on Regional Wages-298.pdf](#)

2:37pm - 3:00pm

College Openings and Local Economic Development

Matthias Quinckhardt¹, Christina Gathmann^{1,2}, Francesco Berlingieri³

¹University of Heidelberg; ²Luxembourg Institute for Socio-Economic Research; ³Center for European Economic Research;

We study the effect of universities and colleges on the local economy using administrative data from Germany. Our empirical approach proceeds in two steps: first, we exploit college openings in order to identify the short- and medium-run effects on regional development. Second, we combine a matching procedure with a time-varying difference-in-differences approach to find suitable control regions for regions with a college opening. The results indicate that the opening of a college increases the share of high-skilled workers without reducing high-skilled wages which is consistent with shifts on the demand side. We do not find evidence that new college graduates replace older or low-skilled workers, but rather that total employment increases. Most of the adjustments happen in incumbent firms either through changes in the output mix or in technology.

[✉ Quinckhardt-College Openings and Local Economic Development-420.pdf](#)

3:00pm - 3:22pm

College Education and Income Contingent Loans in Equilibrium: Theory and Quantitative Evaluation

Karol Mazur¹, Kazushige Matsuda²

¹University of Oxford, United Kingdom; ²Hitotsubashi University;

We investigate the welfare implications of income-contingent loans (ICLs) used for financing college education in presence of the dropout risk that depends on unobservable effort. Using a simple model, we show that the laissez-faire enrollment is inefficiently low due to missing insurance against dropping out. However, providing this insurance generates a moral hazard cost of lowering effort. We show that ICLs can implement the second best allocation. Then, we construct a heterogeneous agent OLG life-cycle model, calibrate it to the US and show that ICLs significantly increase welfare and that their non-linear structure is essential to delivering high welfare gains.

[✉ Mazur-College Education and Income Contingent Loans in Equilibrium-235.pdf](#)

3:22pm - 3:45pm

Opportunity Unraveled: Private Information and the Missing Markets for Financing Human Capital Investments

Daniel Herbst¹, Nathaniel Hendren²

¹University of Arizona, United States of America; ²Harvard University, United States of America;

Investing in college carries high returns, but comes with considerable risk. Financial products like equity contracts can mitigate this risk, yet college is typically financed through non-dischargeable, government-backed student loans. This paper argues that adverse selection has unraveled private markets for college-financing contracts that mitigate risk. We use survey data on students' expected post-college outcomes to estimate their knowledge about future outcomes, and we translate these estimates into their implication for adverse selection of equity contracts and several state-contingent debt contracts. We find students hold significant private knowledge of their future earnings, academic persistence, employment, and loanrepayment likelihood, beyond what is captured by observables. Our empirical results imply that a typical college-goer must pay back \$1.64 plus interest for every \$1 of equity financing to cover the financier's costs of covering those who would adversely select their contract. We quantify significant welfare gains from government subsidies to these missing markets.

[Herbst-Opportunity Unraveled-349.pdf](#)

2:15pm - 3:45pm

C04: Health and Fertility

2:15pm - 2:37pm

Doing Good rather than Doing Well: What Stimulates Personal Data Sharing and Why?

Maclean Gaulin¹, Nathan Seeger², Mu-Jeung Yang³

¹University of Utah, United States of America; ²University of Utah, United States of America; ³University of Utah, United States of America;

Personal data markets have become ubiquitous. At the same time, the non-rivalry of data suggests that the social returns to personal data sharing will often exceed its private returns. Using a unique sequence of RCTs for randomized COVID-19 testing among tens of thousands of households in Utah, we analyze different tools to stimulate personal data sharing. We contrast the effectiveness of incentives for data sharing with mechanisms suggested by behavioral economics, including moral engagement, image motivation, and identity. Our results suggest that incentives by themselves can easily backfire and are highly complementary with framing effects. Furthermore, image motivation and identity are an order of magnitude more effective in influencing data sharing than monetary incentives.

[Gaulin-Doing Good rather than Doing Well-334.pdf](#)

2:37pm - 3:00pm

With Booze, You Lose: The Mortality Effects of Early Retirement

Patrick Chuard-Keller

University of St. Gallen, Switzerland;

This study analyzes the effect of early retirement on male mortality. I exploit two reforms in a regression discontinuity design, which allowed men in Switzerland as of a certain cohort to retire one and two years before the statutory retirement age. I draw from two full sample administrative data sets: the mortality and the old age insurance register. Retiring two years before the statutory retirement age increases the absolute risk of death before the age 83 by 41 percentage points. Heterogeneity analysis reveals that the effect is driven by lifestyle diseases such as alcohol dependence and respiratory diseases related to smoking. There is no effect heterogeneity regarding income, which suggests that the negative health effect is not caused by a loss in income. The results support the lifestyle hypothesis suggesting that retirement increases mortality due to a loss of structure and a concomitant unhealthy lifestyle. [Chuard-Keller-With Booze, You Lose-483.pdf](#)

3:00pm - 3:22pm

Curtailment of Civil Liberties and Subjective Life Satisfaction

Lisa Windsteiger¹, Michael Ahlheim², Kai Konrad¹

¹Max Planck Institute for Tax Law and Public Finance, Germany; ²University of Hohenheim, Germany;

This analysis focuses on the lockdown measures in the context of the Covid-19 crisis in Spring 2020 in Germany. In a randomized survey experiment, respondents were asked to evaluate their current life satisfaction after being provided with varying degrees of information about the lethality of Covid-19. We use reactance as a measure of the intensity of a preference for freedom to explain the variation in the observed subjective life satisfaction loss. Our results suggest that it is not high reactance alone that is associated with large losses of life satisfaction due to the curtailment of liberties. The satisfaction loss occurs in particular in combination with receiving information about the (previously overestimated) lethality of Covid-19.

[Windsteiger-Curtailment of Civil Liberties and Subjective Life Satisfaction-227.pdf](#)

3:22pm - 3:45pm

¹ University of Oslo, Norway; ²Statistics Norway, Norway;

We show in this paper that the marginal cost of public funds (MCF) does not depend on whether public revenue is collected by taxation of consumer goods or by taxation of income from factors supplied on the market by households. Atkinson and Stern (1974) concluded in their seminal paper that "[...] whether the Conventional Rule provides an under- or over-estimate depends on the choice of taxed good [...]." Although this conclusion can be interpreted in different ways, it has created confusion in the literature on the MCF and has been the basis for literature arguing that the standard measure of the MCF has weaknesses and should be replaced by alternative measures (Jacobs, 2018; Jacobs & de Mooij, 2015; Håkonsen, 1998). We show that the choice between direct and indirect taxation does not affect the MCF.

[Holtsmark-The Cost Of Public Funding With Direct And Indirect Taxation – A Revisit-429.pdf](#)

Baby Bonus, Fertility, and Missing Women

Wookun Kim

Southern Methodist University, United States of America;

This paper presents novel causal evidence on the effects of pro-natalist financial incentives on babies. I exploit rich spatial and temporal variation in the generosity of cash transfers provided to families with newborn babies and the universe of birth, death, and migrant registry records in South Korea. I find that the total fertility rate in 2015 would have been 3% lower without the cash transfers. These cash transfers were particularly effective among working mothers and encouraged them to have second and third children. This selection of working mothers into childbearing led to a decrease in gestational age, which in turn led to an overall reduction in birth weight, but no change in early mortality. The cash transfers had an unintended consequence of correcting the unnaturally male-skewed sex ratio closer to its natural level.

[\[PDF\] Kim-Baby Bonus, Fertility, and Missing Women-109.pdf](#)

2:15pm - 3:45pm

C05: Indirect Taxation: Theory

2:15pm - 2:37pm

The Cost Of Public Funding With Direct And Indirect Taxation – A Revisit

Katinka Holtsmark¹, Bjart Holtsmark²

2:37pm - 3:00pm

A Welfare Comparison of Ad Valorem and Specific Taxes in Multi-Product Markets

Adam Dearing

The Ohio State University, United States of America;

We examine the efficiency ranking of ad valorem vs. specific taxes in multi-product markets using a general framework that admits flexible substitution patterns, various ownership structures and conduct, and marginal cost heterogeneity. First, we consider a single tax rate applied to all products. With symmetric costs, we provide new results regarding dominance of ad valorem taxes. With asymmetric costs, we provide a useful sufficient conditions for the specific tax to welfare dominate and discuss when this is more or less likely under various forms of conduct.

We also provide welfare comparison for good-specific tax rates on substitutable goods. When firms have market power, we show that the ad valorem taxes dominate, even with arbitrary cost heterogeneity.

Our results suggest that both market power and the ability to target tax rates to specific goods support ad valorem taxes, while certain forms of cost heterogeneity work in favor of specific taxes. [\[PDF\] Dearing-A Welfare Comparison of Ad Valorem and Specific Taxes-356.pdf](#)

3:00pm - 3:22pm

The Optimal Taxation Of Air Travel Under Monopolistic Dynamic Pricing

Lennart Stern

PSE-EHESS, France;

This article re-examines the question of how to optimally tax air travel within the model from Gallego and van Ryzin (1994) in which a monopolistic airline chooses its dynamic pricing policy to sell tickets to randomly arriving consumers over a finite time horizon until the plane departs. In general, the profitmaximizing policy differs from the welfare-maximizing policy. However, for a certain class of demand functions that includes constant elasticity and exponential demand functions, a simple policy instrument, namely a tax on vacant seats is sufficient to perfectly align profit maximization incentives with welfare maximization. Calibrating the model to predict a load factor of 80% (the current global average), the welfare-maximizing tax on vacant seats leads to load factors of 97% for the constant elasticity demand function and 98% for the exponential demand function.

[\[PDF\] Stern-The Optimal Taxation Of Air Travel Under Monopolistic Dynamic Pricing-505.pdf](#)

3:22pm - 3:45pm

Tax Avoidance and the Choice of Tax Base

Brian David Galle¹, David Gamage², Yulia Kuchumova³

¹Georgetown University, United States of America; ²Indiana University; ³State University - Higher School of Economics;

We provide a general model of the optimal mix of income and consumption taxes in the presence of tax avoidance. We find a Ramsey-type result in which each of income and consumption taxes should be imposed in inverse proportion to the combined elasticity of real and avoidance responses to the respective tax. Contrary to some prior results, we find that consumption taxes are optimally non-zero across a variety of settings, and in particular when the (weighted) elasticity of taxable income with respect to the income tax is greater than the cross-elasticity of taxable income with respect to the consumption tax. We then implement a calibration exercise in which we estimate this crosselasticity using voting on local sales-tax increases in California. Our estimates suggest non-zero sales taxes would be efficient for more than nine-tenths of the distribution of potential outcomes.

[\[PDF\] Galle-Tax Avoidance and the Choice of Tax Base-113.pdf](#)

2:15pm - 3:45pm

C06: State and Local Public Finance

2:15pm - 2:37pm

Voting with your feet? Socioeconomic Sorting in the Aftermath of Regional Autonomy

Vera M. Eichenauer¹, Michaël Aklil²

¹ETH Zurich, Switzerland; ²University of Pittsburgh;

Regional autonomy is in high demand as recent events in Catalonia, Scotland, Kashmir, or in the Kurdish territories illustrate. But what happens once political autonomy is granted? Rigorous evidence on the consequences of autonomy is scarce. We study the population dynamics following separation. Our model endogenizes the structure of the population living in the new jurisdictions and suggests two mechanisms. We test the predictions using the case of the internal secession of the historic Jura region in Switzerland, part of which voted for and was allowed to leave the Canton of Bern to create the Canton of Jura in 1978. Jura's far-reaching political autonomy led to population sorting according to salient social characteristics. Our results on the mechanisms provide evidence that rather than pocketbook considerations it is cultural identity, which shapes public policy preferences, that underlies population sorting. [Eichenauer-Voting with your feet Socioeconomic Sorting in the Aftermath-449.pdf](#)

2:37pm - 3:00pm

Land Scarcity and Urban Density within Cities

Melanie Krause¹, André Seidel²

¹University of Hamburg, Germany; ²University of Bergen, Norway;

This paper studies how limitations on land for development affect within-city variation in urban density. We argue that land scarcity increases urban density on similar types of land, for example, on those with the same distance to the city center or the same average hours of sunshine. To test this hypothesis, we use within-city geographical obstacles as exogenous sources of scarcity of certain land types. We show that scarcer land types have higher urban density, which arises mostly from taller buildings and less from more crowding or residential coverage. Importantly, the effect operates through the heterogeneous citywide supply of different land types rather than preferences for local geography. Our findings reveal a potentially significant effect that local regulations can have on the heterogeneity of city-wide urban density. [Krause-Land Scarcity and Urban Density within Cities-181.pdf](#)

3:00pm - 3:22pm

Fiscal Consequences of Municipal Mergers

Luisa Doerr

ifo Institute, Germany;

The overarching goal of municipal territorial reform is to realize economies of scale. At the same time, fiscal equalization schemes often grant disproportionately higher grants to large municipalities. Little is known about the consequences of encompassing territorial reforms on fiscal equalization transfers. I examine this question using the German state of Saxony, where the number of municipalities decreased by 74% from 1,614 in 1992 to 419 in 2019. I use generalized difference-in-difference and event study estimations to identify how mergers affect fiscal transfers in particular and the local budget in general. The results confirm a large and persistent redistribution of fiscal transfers after territorial reforms: merging municipalities gain up to €27 p.c. in yearly transfers, an effect that amounts to 11% of the mean transfer in the sample. With the exception of administrative expenditures, municipal spending did not change systematically after mergers.

[Doerr-Fiscal Consequences of Municipal Mergers-374.pdf](#)

3:22pm - 3:45pm

State Business Income Taxes and Business Dynamism

Thomas Brosy

University of Michigan, United States of America;

Business dynamism has been linked to innovation and employment creation, yet there is little empirical research on the relationship between business taxation and business operations births and deaths. Using county-level panel data and a state border identification strategy, I document a negative effect of state corporate tax rates on establishment birth rate: an increase in the top state corporate tax rate of 1 percentage point leads to a decline in the birth rate of about 1.5-2%. The effect on exits is also negative but smaller in magnitude with a net-of-tax rate elasticity around 1. Using data at the census tract level, I show that spillovers are unlikely to be driving the main results, but can be large in areas close to the border - within 3 to 5 miles. These findings are robust to changes in other state level policies and sample restrictions.

[Brosy-State Business Income Taxes and Business Dynamism-497.pdf](#)

2:15pm - 3:45pm

C07: Rules, Infrastructure and Debt

2:15pm - 2:37pm

Fiscal Rules Of Local Debt And Financial Flexibility Of Municipally-Owned Companies

Anna Białek-Jaworska, Agnieszka Kopańska

University of Warsaw, Poland;

This paper aims to verify whether local governments use municipally-owned corporations (MOCs) to avoid fiscal debt limits set by public finance law. If yes, how this off-budget indebtedness influences the financial flexibility of MOCs. We exploit the natural experiment of introducing new fiscal debt limits in Polish local governments in 2014 using panel data of unique 1294 MOCs owned by 756 municipalities for 2010-2018. We confirm that municipal services' corporatization is oriented toward overcoming the new restrictive fiscal debt rules via off-budget debt.

MOCs' debt subsidizes local public debt after 2014 when new indebtedness restrictions imposed on municipalities were in force. Consequently, tightening of fiscal rules related to sub-sovereign indebtedness decrease MOCs' financial flexibility measured by unused debt capacity while increasing their cash holdings, except for water service MOCs. Municipalities with lower debt capacity limited by the new fiscal debt rules have higher off-budget debt issued by transport MOCs.

[Bialek-Jaworska-Fiscal Rules Of Local Debt And Financial Flexibility Of Municipally-Owned Companies-274.pdf](#)

2:37pm - 3:00pm

No Regret Fiscal Reforms: Rule Vs Discretion Revisited

Pierre-Edouard Collignon

CREST - Ecole polytechnique, France;

How can labour and capital taxes react to shocks while preserving incentives to work and save? While the standard solution involves a commitment to a contingent policy, this paper introduces No Regret fiscal reforms defined as changes in current and future policy such that households do not regret their previous savings decisions. Hence flexibility is provided and incentives to save are preserved. Such reforms can be achieved by changing taxes both on capital and labour such that wealth effects exactly compensates substitution effects. Optimal No Regret policies are compared to optimal contingent policies in a representative agent framework. First, when shocks and their distributions are common knowledge, optimal no regret policies only lead to small welfare losses. Second, when the distribution of shocks is itself uncertain, welfare differences are reduced and may even disappear. Introducing wealth and skill heterogeneity, I establish the existence and partial characterization of No Regret reforms. [Collignon-No Regret Fiscal Reforms-395.pdf](#)

3:00pm - 3:22pm

Effect of an Income Shock on Subnational Debt: Micro Evidence from Mexico

Mariela Dal Borgo

Banco de México, Mexico;

This paper examines how the borrowing decisions of local governments respond to an income shock. The shock stems from the updating of population census data that affects the distribution of federal transfers. For a one-standard-deviation increase in the population shock, I find that federal transfers to Mexican municipalities increase by 2% over the first two post-census years. Using supervisory loan-level data, I show that the probability of municipalities being indebted declines by 0.1 percentage points over this period. The response is driven by governments less dependent on transfers, which lenders perceive as more creditworthy. These findings reveal a small capacity to smooth shocks in credit markets, restricted to few governments with a diversified revenue base. There is no evidence of a positive grant effect on local debt, not even when the lender is public. The additional revenue mostly goes to finance current expenditures, with limited potential to alter the path of local development.

[Dal Borgo-Effect of an Income Shock on Subnational Debt-146.pdf](#)

3:22pm - 3:45pm

Northern Roads And Economic Development

Thomas Stringer, Marcellin Joanis

Polytechnique Montreal, Canada;

Road connection is viewed as an important driver of economic development. However, for remote subarctic communities, it can also mean a huge change in their way of life. How large are the socioeconomic benefits of road connection? This paper uses census data from Northern Quebec and Labrador to assess the effects of road connection on municipalities connected between 1986 and 2016. Using a difference-in-differences regression model assort with robustness checks, we find that road connection is correlated with increased employment rates and educational attainment and decreased unemployment. While we also find positive and significant correlations between road connection and income in many specifications, that particular result is not robust when ensuring that error terms are not subject to crosssectional dependence. Overall, our results support the conjecture that road connection of remote municipalities generates non-negligible economic benefits.

[Stringer-Northern Roads And Economic Development-202.pdf](#)

4:00pm - 5:30pm **Plenary II: Keynote - Marianne P. Bitler (University of California, Davis) on "Entitlements, Block Grants, and the Safety Net: Evidence from the US"** Session Chair: David R. Agrawal, University of Kentucky

5:35pm - 6:30pm **Junior Networking Sessions A.1: Tax Competition, Taxing Consumption**

Session Chair: David R. Agrawal, University of Kentucky

5:35pm - 6:30pm **Junior Networking Sessions A.2: Economic Mobility, Education**

Session Chair: John N. Friedman, Brown University

5:35pm - 6:30pm **Junior Networking Sessions A.3: International Taxation**

Session Chair: Clemens Fuest, ifo Institute and IIPF

5:35pm - 6:30pm **Junior Networking Sessions A.4: Energy and Environmental Economics**

Session Chair: Lucija Muehlenbachs, University of Calgary and RFF

5:35pm - 6:30pm **Junior Networking Sessions A.5: Taxes and Development / Government & International Organizations**

Session Chair: **Victoria J. Perry**, International Monetary Fund

5:35pm - 6:30pm Junior Networking Sessions A.6: Tax Evasion and Enforcement

Session Chair: **Joel Slemrod**, University of Michigan

5:35pm - 6:30pm Junior Networking Sessions A.7: Labor Markets and Social Policy

Session Chair: **Andrea Weber**, Central European University

Date: Thursday, 19/Aug/2021

8:00am - 8:55am Junior Networking Sessions B.1: Health Economics

Session Chair: **Meltem Daysal**, University of Copenhagen

8:00am - 8:55am Junior Networking Sessions B.2: Optimal Tax and Theory

Session Chair: **Etienne Lehmann**, Université Paris II Panthéon-Assas

8:00am - 8:55am Junior Networking Sessions B.3: Publishing in ITAX

Session Chair: **Nadine Riedel**, University of Münster

8:00am - 8:55am Junior Networking Sessions B.4: Local Public Finance

Session Chair: **Sebastian Siegloch**, ZEW and Uni Mannheim

8:00am - 8:55am Junior Networking Sessions B.5: Public Policies and Children

Session Chair: **Marianne Simonsen**, Aarhus University

9:00am - 10:30am Plenary III: Keynote - Andrea Weber (Central European University) on "What Can We Learn from Temporary Layoffs and Recall Hires about Firm and Worker Expectations?" Session Chair: Clara Martinez-Toledano, Imperial College London

10:45am - 12:15pm D01: Political Economy II

10:45am - 11:07am

Political Alignment and Project Funding

Luisa Schneider, Daniela Wech, Matthias Wrede

Friedrich-Alexander-Universität Erlangen-Nürnberg, Germany, School of Business and Economics;

We analyze the relationship between the party affiliation of politicians at different levels of government and the spatial distribution of funding for research, development and innovation projects. In particular, we are investigating whether more federal grants are being granted in Germany for projects in federal states whose government is led by the same political party as the responsible ministry at federal level. Our dataset contains detailed information on publicly funded projects in Germany in the period 2010-2019. Using a fixed effects estimation approach, we find a link between grant allocation and party affiliation of funding for research, development and innovation projects, in particular smaller ones. For these projects, political alignment is associated with an average increase in public funding by almost 10,000 euro. Our results suggest that public funds for research, development and innovation projects could be used more efficiently than they are.

[□ Schneider-Political Alignment and Project Funding-379.pdf](#)

11:07am - 11:30am

Economic Deprivation and Radical Voting: Evidence from Germany

Florian Dorn, Clemens Fuest, Lea Immel, Florian Neumeier

ifo Institute Munich, Germany;

Using a unique dataset covering different indicators of economic deprivation as well as federal election outcomes at the county-level in Germany for the period from 1998 to 2017, we examine whether economic deprivation affects the share of votes for radical parties using IV estimation. Our results suggest that an increase in economic deprivation has a sizeable effect on the support for radical parties at both ends of the political spectrum. The higher a county's rate of relative poverty, the average shortfall from the national median income, and the poverty line, the higher the vote share of radical parties. We also provide evidence that regional variation in economic deprivation gave rise to the electoral success of the populist right-wing party AfD in the federal election of 2017. Our findings thus indicate that a rise in economic deprivation may undermine moderate political forces and be a threat to political stability. [□ Dorn-Economic Deprivation and Radical Voting-459.pdf](#)

11:30am - 11:52am

Revisiting the Consequences of Civil Conflict

Tobias Korn

Leibniz University Hannover, Germany;

This paper proposes a new way to account for subnational conflict exposure and provides new evidence on the longevity of conflict's detrimental effects. The literature disagrees whether civil conflicts have longlasting negative effects on economic development. I trace this disagreement to different approaches in measuring conflict exposure. The common practice to use subnational aggregates of conflict intensity ignores essential intra-regional variation. As a more accurate measure, I propose the share of economic activity in proximity to conflict events. Estimating a Bartik-like IV model at the district level covering 70 countries, I provide causal

evidence that conflict exposure significantly decreases economic activity up to four years after conflict, and that this effect aggravates over time.

[Korn-Revisiting the Consequences of Civil Conflict-224.pdf](#)

11:52am - 12:15pm

Corruption under Austerity

Gianmarco Daniele¹, Tommaso Giommoni²

The DSP led to a decrease in both recorded corruption rates and corruption charges per euro spent. This effect emerges only in areas in which the DSP put a binding cap on municipal capital expenditures. The reduction in corruption is linked to accountability incentives as it emerges mostly in pre-electoral years and for re-eligible mayors. We then estimate the impact of the extension of the DSP on local welfare in the following years, finding a null effect. Overall, our findings suggest that budget constraints might induce local governments to curb expenditures in a way that dampens their exposure to corruption without depressing local welfare.

[Daniele-Corruption under Austerity-486.pdf](#)

10:45am - 12:15pm D02: Labor Market Inequality

10:45am - 11:07am

It's A Man's World: Culture Of Abuse, #MeToo And Worker Flows

Caroline Coly^{1,3}, Cyprien Batut², Sarah Schneider-Strawczynski^{1,4}

¹Paris School of Economics, France; ²Direction Générale du Trésor; ³Ecole des Hautes Etudes en Sciences Sociales; ⁴Paris 1 Panthéon Sorbonne University;

Sexual harassment is a widespread issue in the workplace and can deter women from entering the labor market or lead them to quit toxic workplaces at their expense. This paper is one of the first papers to study the link between sexual harassment and worker flows. To do that, we use a representative survey of French employees and find that younger women working in low-paid jobs are the most exposed to sexual harassment from colleagues. We exploit that information and exhaustive administrative datasets to construct a measure of harassment risk available for all French establishments. Using a triple-difference strategy, we find that #Metoo led to an increase in the relative quit rate of women in more at risk establishments. Social movements can help raise awareness on toxic working conditions and push victims to escape those situations.

[Coly-Its A Mans World-416.pdf](#)

11:07am - 11:30am

(No) Effects Of Subsidizing The First Employee: Evidence Of A Low Take-up Puzzle Among Firms In Finland

Anniika Nivala^{1,2,3}

¹Labour Institute for Economic Research, Finland; ²University of Turku; ³VATT Institute for Economic Research;

This paper studies the effects of a large regional wage subsidy for hiring the first employee in Finland, using data on the universe of Finnish firms. By comparing firms in the eligible area to firms in the neighboring area, I find a precisely estimated zero effect on the probability of becoming an employer and other firm outcomes. As a reason for the zero effect, I document the low take-up of the subsidy by only 2% of the firms that became employers in the eligible area. The take-up is not completely explained by the low benefits of using the subsidy: The take-up increases to 12% at the most when focusing on firms with larger gains from the subsidy based on their ex post wage costs. Descriptive evidence suggests restricting the subsidy to full-time employment and a lack of awareness as potential reasons for the low take-up. [Nivala-\(No\) Effects Of Subsidizing The First Employee-256.pdf](#)

11:30am - 11:52am

Does Pay Transparency Affect the Gender Wage Gap? Evidence from Austria

Sebastian Seitz¹, Andreas Gulyas¹, Sourav Sinha²

¹Universität Mannheim; ²Yale University;

We study the 2011 Austrian Pay Transparency Law, which requires firms above a size threshold to publish reports on the gender pay gap. Using an event-study design, we show that the policy had no discernible effects on male and female wages, and therefore no significant effects on the gender wage gap. The effects are precisely estimated and we can rule out that the policy narrowed the gender wage gap by more than half a percentage point. The policy led to an increase in the retention rate of workers, which points towards higher job satisfaction due to pay transparency.

[Seitz-Does Pay Transparency Affect the Gender Wage Gap Evidence-168.pdf](#)

¹ Università di Milano; ²ETH Zurich, Switzerland;

We study how policies limiting the spending capacity of local governments may reduce corruption. We exploit the extension of one such policy, the Domestic Stability Pact (DSP), to small Italian municipalities.

11:52am - 12:15pm

What Are the Labor and Product Market Effects of Automation? New Evidence from France

Simon P Bunel¹, Philippe Aghion², Céline Antonin³, Xavier Jaravel⁴

¹Banque de France & Paris School of Economics, France; ²Collège de France and London School of Economics, UK; ³Sciences Po - OFCE, France; ⁴London School of Economics, UK;

We use comprehensive micro data in the French manufacturing sector between 1994 and 2015 to document the effects of automation technologies on employment, sales, prices, and the labor share. Causal effects are estimated with event studies and a shift-share IV design leveraging pre-determined supply linkages and productivity shocks across foreign suppliers of industrial equipment. At all levels of analysis — plant, firm, and industry — the estimated impact of automation on employment is positive. We also find that automation leads to higher sales and lower consumer prices. Consistent with the importance of business-stealing across countries, the industry-level employment response to automation appears to be stronger in industries that face international competition. In a globalized world, attempts to curb domestic automation in order to protect domestic employment may be self-defeating due to foreign competition.

[Bunel-What Are the Labor and Product Market Effects of Automation New Evidence-546.pdf](#)

10:45am - 12:15pm

D03: Macro Public Finance and Labor Supply

10:45am - 11:07am

Progressive Pensions as an Incentive for Labor Force Participation

Fabian Kindermann, Veronika Pueschel

University of Regensburg, Germany;

In this paper, we challenge the conventional idea that an increase in the progressivity of old-age pensions unanimously distorts the labor supply decision of households. So far, the literature has argued that higher pension progressivity leads to more redistribution and insurance provision on the one hand, but increases implicit taxes and therefore distorts labor supply choices on the other. In contrast, we show that a welldesigned reform of the pension system has the potential to encourage labor force participation. We propose a progressive pension component linked to the employment decision of households, which implicitly subsidizes employment of the productivity poor. A simulation analysis in a quantitative stochastic overlapping generations model with productivity and longevity risk indicates that this positive employment effect can be sizable and welfare enhancing.

[Kindermann-Progressive Pensions as an Incentive for Labor Force Participation-175.pdf](#)

11:07am - 11:30am

Should We Revive PAYG? On The Optimal Pension System In View Of Current Economic Trends

Ed Westerhout¹, Lex Meijdam², Eduard Ponds^{2,3}, Jan Bonenkamp³

¹Fiscal Institute, Tilburg University, Netherlands, The; ²TiSEM, Tilburg University, Netherlands, The;

³APG, Netherlands, The;

In many countries, both pay-as-you-go (PAYG) and funding are used to finance pensions, although the balance between the two principles differs a lot between countries. Over the last decades, many countries made a gradual transition to more funding. In this paper, we develop an analytical framework that includes three models of pension design, allowing us to study the role of efficiency aspects, redistributive aspects and political-economy aspects. We subsequently analyze the impact of several trends (a permanent decline in the rate of return on financial markets, a decline in the average rate of economic growth, decreased output volatility and increased capital market volatility) on the optimal balance between PAYG and funding. We argue that it may be optimal to revise the gradual transition to more funding and to revive PAYG.

[Westerhout-Should We Revive PAYG On The Optimal Pension System-332.pdf](#)

11:30am - 11:52am

Time to Say Goodbye: The Macroeconomic Implications of Termination Notice

Tomer Ifergane

Ben Gurion University of the Negev, Israel;

Termination notice is a widely used form of labour market regulation that forces a delay upon the ending of employment relationships. I argue that termination notice and UI are complementary insurance devices which should be jointly designed and used. I describe analytically how termination notice can deliver valuable insurance for households at the cost of diminished job-creation. Termination notice also shifts a part of the burden of financing UI from households to firms and effectively acts as a subsidy for search effort to persons on the brink of job-loss. To account for these competing channels' relative importance, I calibrate a general equilibrium model, which features both standard UI and termination notice. I decompose the different effects of termination notice on welfare, discuss the gains from using both UI and termination notice jointly, and show that welfare gains from termination notice will be larger if the worker's bargaining power is small.

[Ifergane-Time to Say Goodbye-162.pdf](#)

11:52am - 12:15pm

Occupation-industry Mismatch in the Cross Section and the Aggregate

Saman Darougheh

Danmarks Nationalbank, Denmark;

I define occupations that are employed in more industries as ``broader'' occupations. Workers in broader occupations can respond to adverse shocks to their industry by moving to better-faring sectors, and hence are less at risk of being mismatched across sectors. When they change sectors, they affect other workers in the destination sector negatively through a ``relocation externality''. I show empirically that workers in broader occupations were better insured against industry-specific shocks during the Great Recession. I then build a dynamic general equilibrium model that features broad and specialized occupations and can be used as a microfoundation of mismatch.

In the model, recessions that affect specialized occupations generate more mismatch. These recessions however do not lead to larger unemployment fluctuations. This is because the calibrated relocation externality is quite strong: roughly every job saved due to the direct effect of broadness translates to one job lost due to the relocation externality.

[\[PDF\] Darougheh-Occupation-industry Mismatch in the Cross Section and the Aggregate-418.pdf](#)

10:45am - 12:15pm D04: Tax Theory

10:45am - 11:07am

A Proposal of Lifetime Income Taxation

Motohiro Sato

Hitotsubashi University, Japan;

The spread of the Covid-19 has revealed the deficiencies of existing safety nets. Alongside with redistribution so as to reduce income gap, the role of income tax as insurance has become important than ever. This paper proposes to introduce a similar mechanism into personal income tax. To be concrete, the taxation on current year's income will be changed to the lifetime income taxation.

[\[PDF\] Sato-A Proposal of Lifetime Income Taxation-232.pdf](#)

11:07am - 11:30am

The Costs Of Taxation In The Presence Of Inequality

Katinka Holtsmark, Bjart Holtsmark, Asmund Sunde Valseth

University of Oslo, Norway;

This paper proposes an adjustment to the traditional theoretical definition of the marginal cost of public funds (MCF). The adjusted definition more precisely accounts for the distributional aspects of taxation than the standard MCF used in the current literature. Using the adjusted definition results in a higher MCF than using the standard definition in all allocations with income inequality. Moreover, due to its regressive distributional consequences, we show that the MCF of a uniform lump-sum tax is always greater than one when not combined with distortive taxes. With an optimal combination of a uniform lump-sum tax and a linear income tax, the MCF can also be greater than one. These findings are in contrast to the previous literature on the MCF using the standar definition which does not fully capture the distributional effects of taxation.

[\[PDF\] Holtsmark-The Costs Of Taxation In The Presence Of Inequality-417.pdf](#)

11:30am - 11:52am

Optimal Taxation with Multiple Incomes and Types

Kevin Spiritus¹, Lehmann Etienne², Sander Renes¹, Floris Zoutman³

¹Erasmus University Rotterdam, The Netherlands; ²CRED (TEPP), Université Panthéon-Assas Paris II,

France; ³NHH Norwegian School of Economics, Norway;

We derive an optimal nonlinear income tax formula in the case where taxpayers have several incomes and can differ along multiple unobservable dimensions. We show that the tax perturbation approach of Golosov et al. (2014) and the mechanism design approach of Mirrlees (1976) lead to the same optimal tax formula. We decompose the design of the optimal tax system in two steps: which taxpayers are assigned to the same tax liability (design of isotax curves) and which tax liability is assigned to each isotax curve. The solution to the second step is characterized by an ABC formula as Diamond (1998) and Saez (2001), where welfare weights and behavioral elasticities are averaged among all taxpayers located on the same isotax curves. Applying our model to the optimal household tax problem, our numerical results display isotax curves that are almost linear and parallel, except close to the boundaries of the income domain. [\[PDF\] Spiritus-Optimal Taxation with Multiple Incomes and Types-295.pdf](#)

11:52am - 12:15pm

Inequality As An Externality: Consequences For Tax Design

Morten Nyborg Støstad¹, Frank Cowell²

¹Paris School of Economics; ²London School of Economics;

This paper proposes to treat income inequality as an economic externality in order to introduce the societal effects of inequality into welfarist models. We introduce such effects in a simple and generalizable welfarist framework and show that they can have sizeable optimal policy consequences that cannot be captured by standard risk aversion or social welfare weights. Novel policy implications are illustrated through the classical optimal non-linear income taxation model, where the social planner must face a trade-off between collecting revenue and changing income inequality levels. Resulting policy consequences are disproportionately

located at the top, where optimal marginal tax rates are strongly and robustly dependent on the magnitude of the inequality externality. We use several real-world examples to show that tax policy previously unsupported by optimal taxation theory can be explained in our framework. The findings indicate that the magnitude of the inequality externality could be considered a crucial economic variable.

[Støstad-Inequality As An Externality-268.pdf](#)

10:45am - 12:15pm D05: Wealth Inequality and Wealth Taxation

10:45am - 11:07am

Wealth Inequality in the US: the Role of Heterogeneous Returns

Ines Martins Xavier

Universitat Pompeu Fabra, Spain;

Why is wealth so concentrated in the United States? In this paper, I investigate the role of return heterogeneity as a source of wealth inequality. Using household-level data from the Survey of Consumer Finances (1989-2019), I provide new empirical evidence on returns to wealth in the United States, and find that wealthier households earn, on average, higher returns: moving from the 20th to the 99th percentile of the wealth distribution raises the average yearly return from 3.6% to 8.3%. To understand how these return differences shape the distribution of wealth, I introduce realistic return heterogeneity in a partial equilibrium model of household saving behavior. This exercise suggests that considering both earnings and return heterogeneity can fully account for the top 10% wealth share observed in the data (76%), which cannot be explained by earnings differences alone.

[Xavier-Wealth Inequality in the US-390.pdf](#)

11:07am - 11:30am

Wealth Taxation and Household Saving: Evidence from Assessment Discontinuities in Norway

Marius A. K. Ring^{1,2}

¹University of Texas at Austin, McCombs; ²Statistics Norway, Research Department;

I use a quasi-experiment in Norway to examine how households respond to capital taxation. The introduction of a new wealth assessment methodology in 2010 led to geographic discontinuities in household exposure to wealth taxes, along both the extensive and intensive margins. I exploit this novel variation using a Boundary Discontinuity approach. I find that exposure to wealth taxes has a positive effect on both saving and labor earnings. These responses are the combination of small negative effects of increasing the marginal tax rates on wealth and relatively larger positive effects of increasing average tax rates. These results imply that income effects may dominate substitution effects in household responses to rate of return shocks, which has important implications for both optimal capital taxation and macroeconomic modeling.

[Ring-Wealth Taxation and Household Saving-145.pdf](#)

11:30am - 11:52am

Monetary Policy and Racial Inequality

Alina Kristin Bartscher¹, Moritz Kuhn¹, Moritz Schularick¹, Paul Wachtel²

¹University of Bonn, Germany; ²New York University Stern School of Business;

This paper aims at an improved understanding of the relationship between monetary policy and racial inequality. We investigate the distributional effects of monetary policy in a unified framework, linking monetary policy shocks both to earnings and wealth differentials between black and white households. Specifically, we show that, although a more accommodative monetary policy increases employment of black households more than for white households, the overall effects are small. At the same time, an accommodative monetary policy shock exacerbates the wealth difference between black and white households, because black households own fewer financial assets that appreciate in value. Over a fiveyear horizon, the employment effects remain substantially smaller than the countervailing portfolio effects. [Bartscher-Monetary Policy and Racial Inequality-171.pdf](#)

11:52am - 12:15pm

Distributional Financial Accounts in Europe, 1995-2018

Thomas Blanchet¹, Clara Martinez-Toledano²

¹Paris School of Economics, France; ²Imperial College Business School, United Kingdom;

This study presents the first Europe-wide data set of distributional financial accounts from 1995 until 2018. Combining and harmonizing national accounts, individual tax records and wealth surveys, we build wealth distribution series and their asset decomposition ensuring 100% consistency with the UN System of National Accounts. Our estimates cover a longer time frame and are better at capturing the top of the wealth distribution than existing survey-based series. This new data set can be useful to better understand the drivers of wealth accumulation and wealth inequality, including the distributional implications of fiscal and monetary policy.

[Blanchet-Distributional Financial Accounts in Europe, 1995-2018-308.pdf](#)

10:45am - 11:07am

Postnatal Maternal Mental Health and Family Outcomes**Miriam Wüst¹, Jonas Hirani²**¹University of Copenhagen; ²VIVE;

Postnatal maternal mental health problems are wide-spread and understanding their impacts on health, parenting decisions and economic outcomes for mothers and fathers is instrumental for policy. This project explores the short-run impact of maternal postnatal mental health issues on family well-being. It exploits a new large data source linking administrative data on all births in Denmark to records from the universal nurse home visiting program. These records contain detailed information on postnatal mental health issues for mothers, breastfeeding behavior, and infant development in the first year of life. In preliminary analyses we exploit variation in maternal health issues across siblings to show that poor mental health at two months after birth increases uptake of both nurse care, GP care and specialist care for mothers but there are no spillovers to fathers. We document that poor maternal mental health impacts breastfeeding negatively. We discuss threats to identification and propose alleys for future research.

[□ Wüst-Postnatal Maternal Mental Health and Family Outcomes-455.pdf](#)

11:07am - 11:30am

Teen Antidepressant Use and Academic Achievement**Sonia Bhalotra^{1,5}, N. Meltem Daysal^{2,5,6}, Nis Lydiksen^{3,4}, Mircea Trandafir^{3,5}**

¹University of Essex; ²University of Copenhagen; ³University of Southern Denmark; ⁴VIVE; ⁵IZA; ⁶CEBI; We investigate the effects of antidepressant use during adolescence on the educational outcomes of treated children. Using the propensity of the first treating specialist to prescribe antidepressants to other children as instrument, we find large and statistically significant benefits from treatment with antidepressants on test scores, especially math. Although imprecise, our findings suggest that girls benefit more than boys from the pharmaceutical treatment of emotional disorders.

[□ Bhalotra-Teen Antidepressant Use and Academic Achievement-506.pdf](#)

11:30am - 11:52am

Welfare Reform: Consequences for the Children**Marianne Simonsen¹, Lars Skipper¹, Jeff Smith²**¹Aarhus University, Denmark; ²University of Wisconsin-Madison;

This paper uses register-based data to analyze the consequences of a recent major Danish welfare reform for child human capital and well-being. In addition to work requirements, the reform introduced an upper limit on welfare benefits. Our strategy compares individuals on welfare at the time of reform announcement before and after the implementation of the reform with the development in outcomes for the group of individuals on welfare exactly one year prior. Mothers' propensity to receive welfare decreased only slightly as a consequence of the reform and the reform only caused a small increase in labor market participation. We then show small but negative effects on children's school well-being, as measured by individual-level nationally administered well-being surveys and small increases in absence from school because of the reform. Short-run child academic performance, in contrast, was not affected by the reform.

[□ Simonsen-Welfare Reform-458.pdf](#)

11:52am - 12:15pm

Causes and Consequences of Early Childhood Infectious Disease**Meltem Daysal^{1,4,5}, Hui Ding², Maya Rossin-Slater^{2,5,6}, Hannes Schwandt^{3,5,6,7}**

¹University of Copenhagen; ²Stanford University; ³Northwestern University; ⁴CEBI; ⁵IZA; ⁶NBER; ⁷CEPR; Infectious diseases pose an important public health concern. This paper explores the causes and consequences of infectious diseases, focusing on a widely recognized "disease hub" in the population: families with young children. In the first part of the paper, we analyze sibling pairs in Danish register data and document substantially higher rates of respiratory diseases during the first year of life for second-born children than their first-born counterparts during the same stage of life. The patterns in the data suggest the older sibling brings the diseases home which then infect the younger sibling. In the second part of the paper, we construct a disease index at the municipality level to obtain exogenous variation in infectious disease

¹ University of Konstanz, Germany; ²Pellervo Economic Research, Finland;

Contracted migrants observe their wages in the source and destination locations before their migration choice. With wage dispersion, migration choices are not based on mean or variance of source and destination wage distributions but on specific realizations from these distributions. The deviations of wage realizations from their expectations, the job match qualities in the source and destination, become factors of selection. The Roy-Borjas model extended by wage dispersion in source and destination labor markets predicts negative selection on source and positive selection on destination job match quality. Mobility costs amplify selection on job match quality. I discuss how comparison of migrants and stayers is not helpful in identifying selection on job match quality and instead, using Finnish administrative data, compare contracted migrants to workers who similarly contract a job outside their region of residence but choose to commute. Comparison of groups facing different costs reveals selection on job match quality.

[□](#)

exposure which allows to measure causal impacts on long-term outcomes. We find that higher rates of infectious diseases during infancy have negative impacts on educational and labor market outcomes in young adulthood.

[Daysal-Causes and Consequences of Early Childhood Infectious Disease-500.pdf](#)

10:45am - 12:15pm D07: Health Policy

10:45am - 11:07am

Prescription Behaviour of Doctors in the Public and Private Sector

Elina Jussila¹, Kaisa Kotakorpi^{1,2}, Jouko Verho²

¹Tampere University, Finland; ²VATT Institute for Economic Research;

We analyze differences in the prescription behaviour of doctors in the public and private sector. We conduct the analysis in the context of two case studies, treatment of high cholesterol and type 2 diabetes, which are both very important for both public health and healthcare costs. Both cases are characterised by the availability of an effective, widely accepted low-cost treatment and alternative, more expensive treatments for the same condition. We find that in both cases, doctors are more likely to prescribe the expensive alternative in the private sector. The result holds also after controlling for a wide variety of individual-level factors such as income and health indicators, as well as some physician-level factors. [Jussila-Prescription Behaviour of Doctors in the Public and Private Sector-424.pdf](#)

11:07am - 11:30am

Estimating Marginal Internalities: a New Approach

Zarko Yordanov Kalamov

TU Berlin, Germany;

Consumers of sin goods often do not take the full health costs of consumption into account. Thus, they impose an internality on their future selves. Hence, one of the main sufficient statistics for an optimal sin tax is the money-metric of the marginal internality. This paper develops a model where a sin good consumer may exert an internality because of both a self-control problem and biased beliefs about the future health harms. We exploit a relationship between the health insurance elasticity of sin good demand and the marginal internality to estimate the latter. We calibrate our estimation approach to sugary drinks consumption. Our estimates are within the range of measures, derived from surveys that elicit directly consumers' nutritional knowledge and self-control.

[Kalamov-Estimating Marginal Internalities-384.pdf](#)

11:30am - 11:52am

Contracted Labor Mobility and Migrant Self-selection on Job Match Quality

Juho Alasalmi^{1,2}

[Alasalmi-Contracted Labor Mobility and Migrant Self-selection-290.pdf](#)

12:30pm - 2:00pm E01: Education Policies

12:30pm - 12:52pm

Distraction or Teaching Tool: Do Smartphone Bans in Schools Help Students?

Sara Abrahamsson

Norwegian School of Economics, Norway;

How smartphone usage affects learning and well-being among children and teenagers is a concern for schools, parents, and policymakers. However, causal evidence of the effect that new technology such as smartphones has on student outcomes remains scarce. This paper studies the effect of banning smartphones from the classroom on students' educational outcomes and incidents of bullying in Norwegian middle schools. Combining detailed administrative data with survey data on middle schools' smartphone policies, I show, through an event-study design that banning smartphones significantly increases girls' test scores in mathematics, increases their likelihood of attending an academic high school track, and decreases incidents of bullying. Hence, banning smartphones from school could potentially be a low-cost policy tool to improve educational outcomes and reduce bullying.

[Abrahamsson-Distraction or Teaching Tool-130.pdf](#)

12:52pm - 1:15pm

Modeling the Spending and Welfare Effects of School Finance Reforms

Aaron Saul Goodman

Massachusetts Institute of Technology, United States of America;

The dual nature of American education funding complicates the analysis of school finance policy, since districts can adjust their local revenue collection in response to state funding changes and use accumulated savings buffers to divorce spending choices from current revenue levels. Focusing on the helpful institutional setting in the state of Ohio, I address this challenge and evaluate the long-run consequences of school finance reforms. I first build a dynamic model of school district behavior and validate its reduced-form predictions about levy-proposal and spending-saving decisions. Leveraging the variation induced by a statewide freeze on nominal property-tax revenue, I estimate the model and use the structural results to

compute the spending and welfare effects of counterfactual policy reforms. By targeting districts with the most favorable behavioral responses and the highest valuations of marginal funds, budget-neutral reallocations of state aid can attain welfare increases equal to 4% of Ohio's current education expenditures.

[Goodman-Modeling the Spending and Welfare Effects of School Finance Reforms-102.pdf](#)

1:15pm - 1:37pm

The Effect of Studying with International Peers on Location Choices

Mirjam Bächli

University of St.Gallen, Switzerland;

An established fact is that higher education attracts immigrants. How does this affect the intranational location choices of native graduates in their early careers? Using administrative Swiss data, I exploit idiosyncratic variation in the student composition across time within a study field and university. I show that a higher exposure to international students induces natives who grew up in rural places to work more often in urban areas, while I find no evidence for an effect on their residential choice. This implies that the economic activity of highly skilled individuals becomes more concentrated in urban locations. I also show that the response of natives is likely driven by changes in preferences rather than labor market conditions, despite relatively high stay rates of international students.

[Bächli-The Effect of Studying with International Peers on Location Choices-329.pdf](#)

1:37pm - 2:00pm

The Impact of Attending an Independent Upper Secondary School: Evidence from Sweden Using School Ranking Data

Karin Edmark¹, Lovisa Persson²

¹Stockholms universitet, Sweden; ²Kristianstad University College, Sweden;

Since the 1990s, the Swedish education market has gone through a dramatic transformation due to the introduction of voucher-funded independent schools. We make use of data on school applications to condition on student preferences for independent versus public education, and estimate a positive relationship between independent upper secondary school attendance and grades, graduation rates, and several types of post-secondary educations. We however also find strong indications that grade inflation lies behind at least part of the above effects, especially in schools organized as for-profit entities and in schools with a low share of qualified teachers. Our results suggest that, although independent school attendance seems to benefit the individual students in terms of higher grades and increased transition to post-secondary studies, grade inflation in the Swedish upper secondary independent schools may be a serious problem.

[Edmark-The Impact of Attending an Independent Upper Secondary School-191.pdf](#)

12:30pm - 2:00pm E02: Optimal Taxation

12:30pm - 12:52pm

Charity, Status, and Optimal Taxation: Welfarist and Non-Welfarist Approaches

Thomas Aronsson¹, Olof Johansson-Stenman², Ronald Wendner³

¹University of Umeå; ²University of Gothenburg, Sweden; ³University of Graz;

Taxation of charitable giving to a public good is analyzed in a continuous-type framework where people care about social comparisons. Regardless of whether the government acknowledges the warm glow of giving, leisure separability together with zero transaction costs of giving imply that governmental contributions are completely crowded out. Stronger concerns for relative charitable giving as well as larger transaction costs tend to support lower marginal subsidies, whereas concerns for relative consumption work in the other direction. The paper also presents a dual screening approach where charitable giving constitutes an indicator of wealth. Extensive numerical simulations supplement the theoretical findings. [Aronsson-Charity, Status, and Optimal Taxation-316.pdf](#)

12:52pm - 1:15pm

Inverse Fai Taxation: What do we compensate for in Europe and the United States?

Erwin Ooghe², Andreas Peichl¹

¹LMU / ifo, Germany; ²KU Leuven;

In this paper we bring together the inverse optimal tax literature and the fairness literature. We invert a fair tax formula and apply it to tax- benefit schemes in Europe and the United States to estimate the implicit degree of compensation for each factor that determines individual well-being.

[Ooghe-Inverse Fai Taxation-463.pdf](#)

1:15pm - 1:37pm

Optimal Capital Taxation Under Stochastic Returns To Wealth

Eddy Zanoutene

Université Paris II - Panthéon Assas, France;

I present a model of optimal capital taxation with heterogeneous labor productivity and stochastic, scale dependent, returns to savings.

The optimal policy combines confiscatory capital income taxes with wealth transfers to perfectly insure agents against risky returns. However as soon as returns exhibit scale dependence, an access to the expected rate of return conditional on initial savings must be guaranteed at the optimum.

In settings where the government does not observe capital income but only savings, there is no capital taxation at the optimum. However, in environments where the government does not observe savings but only information on capital income, the optimum does feature positive capital taxation as it provides some form of insurance against risky returns. This positive capital taxation at the optimum extends to the case where the government only observes ex post wealth. These results are valid under any social welfare function.

[\[2\] Zanoutene-Optimal Capital Taxation Under Stochastic Returns-439.pdf](#)

1:37pm - 2:00pm

Optimal Design of Asset-Tested Transfer Programs

Andreas Peichl^{1,2}, Dominik Sachs¹, Daniel Weishaar¹

¹University of Munich, Germany; ²ifo Munich, Germany;

Asset means testing regulations are a recurring but controversial feature of transfer programs in modern welfare states. In this project, we derive conditions for the optimal design of asset-tested transfer programs which are based on reduced-form elasticities. The optimal level of asset testing trades-off the benefits from targeting redistribution to individuals in need against the tax revenue changes implied by labor supply and savings reactions. As an empirical application, we plan to provide a quantification of the German basic income support system and seek to outline avenues for welfare-improving reforms. In contrast to previous work, our study will discuss the potential of non-standard asset testing rules which depend on age, the employment history, the duration of unemployment and the asset type.

[\[2\] Peichl-Optimal Design of Asset-Tested Transfer Programs-528.pdf](#)

12:30pm - 2:00pm **E03: Banking**

12:30pm - 12:52pm

Covid 19 Stimulus Package and Fiscal-Monetary Policy Linkages: Empirical Evidence from India

Lekha Chakraborty¹, Harikrishnan S²

¹NIPFP, India; ²Independent analyst;

Against the backdrop of covid pandemic, there is a growing concern about the tendency of segregating the monetary and fiscal policy while assessing the financing of deficits on economic growth outcomes. This paper analyses the economic stimulus packages announced by the national government in the context of India and identify the plausible fiscal and monetary policy co-ordination. The shrinking fiscal space due to revenue uncertainties has led to a theoretical plausibility of a re-emergence of finite monetization of deficits in India. However, the empirical evidence confirms no direct monetization of deficit. [\[2\] Chakraborty-Covid 19 Stimulus Package and Fiscal-Monetary Policy Linkages-526.pdf](#)

12:52pm - 1:15pm

Welfare Effects in a Banking Union Without Centralized Regulation

Ulf Maier, Miriam Mütting

University of Munich, Germany;

We study the interaction between the capital regulation and supervision of multinational banks when the latter is centralized. Both, stricter regulation and stricter supervision have positive international externalities in that they reduce the intrabank cost of cross-subsidizing failing subsidiaries abroad. We show that stricter, centralized supervision leads to more lenient capital regulation at the national level. We identify the cases in which the too lenient regulation overcompensates the global welfare gain of stricter supervision. In these cases, moving towards a supervisory union reduces global welfare.

[\[2\] Maier-Welfare Effects in a Banking Union Without Centralized Regulation-545.pdf](#)

1:15pm - 1:37pm

C and S Corporation Banks: Did Trump's Tax Reform Lead to Differential Effects?

Hoang Ha Nguyen Thi¹, Alfons Weichenrieder^{1,2,3}

¹Goethe University Frankfurt; ²Vienna University of Economics and Business; ³CESifo;

The US Tax Cuts and Jobs Act (TCJA) led to a drastic reduction in the corporate tax and improved the treatment of C corporations compared to S corporations. We study the differential effect of the TCJA on these types of corporations using key economic variables of US banks, such as the number of employees, average salaries and benefits, profit/loss before taxes, and net income. Our analysis suggests that the TCJA increased the net-of-tax profits of C corporation banks compared to S corporations and, to a lesser extent, their pre-tax profits. At the same time, the reform triggered no significantly differential effect on the employment and average wages.

[\[2\] Nguyen Thi-C and S Corporation Banks-233.pdf](#)

1:37pm - 2:00pm

Bailout And Regulatory Decisions In A Banking Union

Andreas Häfner

LMU Munich, Germany;

We model a banking union of two countries whose banking sectors differ in their average probability of failure and externalities between the two countries arise from cross-border bank ownership. The two countries face (i) a regulatory decision of which banks are to be shut down before they can go bankrupt, and (ii) a loss allocation -- or bailout -- decision of who pays for banks that have failed despite regulatory oversight. Each of these choices can either be taken in a centralized or in a decentralized way. In our benchmark model the two countries always agree on a centralized regulation policy. In contrast, bailout policies are centralized only when international spillovers from cross-border bank ownership are strong, and banking sectors are highly profitable.

[\[PDF\] Hafner-Bailout And Regulatory Decisions In A Banking Union-266.pdf](#)

12:30pm - 2:00pm

E04: Profit Shifting

12:30pm - 12:52pm

The Anti-Tax-Avoidance Directive: An Initiative To Successfully Curb Profit Shifting?

Nora Alice Paulus

IAAEU - University of Trier, Germany;

On July 16th 2016 the Economic and Financial Council of the European Union adopted the Anti-TaxAvoidance Directive. The proposed controlled-foreign-company rule in the ATAD requires a minimum tax rate in the host country of a multinational's controlled foreign subsidiary in order to avoid the reattribution of the subsidiary's income to the country of its parent company. The Directive allows member states to remain free to set the CFC threshold autonomously by laying down a minimum standard.

Against this background, the present paper analyzes the effect of CFC rules on tax competition for foreign direct investments. It appears that, although CFC rules are effective in curbing offshore profit shifting, they can induce non-havens to compete aggressively for mobile capital. In this context, CFC rules can exacerbate capital outflows from the large to the small country to a larger extent than in standard models of tax competition.

[\[PDF\] Paulus-The Anti-Tax-Avoidance Directive-164.pdf](#)

12:52pm - 1:15pm

Profit Shifting of Multinational Corporations Worldwide

Javier Garcia-Bernardo, Petr Janský

Charles University, Czech Republic;

We propose a logarithmic function to model the extremely non-linear relationship between the location of profits and the tax rates of multinational corporations. We apply this methodology to estimate profit shifting using the newly available country-by-country reporting data which provides unparalleled country coverage. We estimate that multinational corporations shifted one trillion USD of profits to tax havens in 2016, and that those headquartered in the United States and Bermuda did so most aggressively. We establish which countries gain and lose most from profit shifting: the Cayman Islands, Luxembourg, Bermuda, Hong Kong and the Netherlands are among the most important tax havens, whereas low and lower-middle income countries tend to lose more tax revenue relative to their total tax revenues.

[\[PDF\] Garcia-Bernardo-Profit Shifting of Multinational Corporations Worldwide-242.pdf](#)

1:15pm - 1:37pm

Profit Shifting and Destination-Based Taxes

Manon Francois

Paris School of Economics, France;

We study the choice between source-based and destination-based corporate taxes in a two-country model, allowing multinational firms to use transfer pricing to allocate profits across tax jurisdictions. We show that source-based taxation is a Nash equilibrium for tax revenue maximizing jurisdictions if domestic and/or foreign firms generate large revenues. We also show that destination-based taxes are a Nash equilibrium when firms generate low revenues, which implies the presence of multiple equilibria. Both the source and the destination principle coexist in equilibrium when domestic and foreign corporate revenues are intermediate. However, the source principle always tax-dominates the destination principle.

[\[PDF\] Francois-Profit Shifting and Destination-Based Taxes-264.pdf](#)

1:37pm - 2:00pm

Attracting Profit Shifting Or Fostering Innovation? On Patent Boxes And R&D Subsidies

Andreas Häfner¹, Dirk Schindler²

¹University of Munich, Germany; ²Erasmus University Rotterdam, The Netherlands;

¹ Brown University; ²Boston University;

This paper introduces a model of how the timing of information affects consumption decisions and tests its predictions in both developed and developing contexts. In our model, consumers form intertemporal plans and experience utility from anticipating future consumption. The model predicts excess sensitivity of spending to receiving a windfall, with smaller spending responses when there is more time to anticipate

Many countries offer a reduced tax rate to businesses for their IP-related income. Such patent boxes are supposed to increase innovative activity, but they are also suspected to aim at attracting inward profit shifting from multinational firms. We analyze the effects of patent box regimes when countries can simultaneously use patent boxes and R&D subsidies to promote innovation. We show that when countries set their tax policies non-cooperatively, innovation is fostered, at the margin, only by the R&D subsidy. The patent box tax rate instead targets international profit shifting, and is optimally set below the corporate tax rate. With cooperative tax setting, the optimal royalty tax rate is instead equal to, or even above, the statutory corporation tax. Hence, patent box regimes only emerge in the decentralized policy equilibrium. We also show that enforcing a nexus principle improves welfare. However, the best policy would be to eliminate patent boxes altogether.

[\[2\] Haufler-Attracting Profit Shifting Or Fostering Innovation-246.pdf](#)

12:30pm - 2:00pm

E05: Taxing Consumption and Sins

12:30pm - 12:52pm

Taxing the Sweet Tooth - Evidence on the Role of Substitution in Excess Burden

Tuomas Kosonen¹, **Sami Jysmä**², **Riikka Savolainen**³

¹VATT Institute for Economic Research, Finland; ²Labour Institute for Economic Research, Finland;

³Newcastle University, UK;

We lack definitive answers when excise taxes or VAT meet their goals. To provide novel answers to this question we study a sweets and soda tax scheme in Finland providing us quasi-experimental variation in excise taxes. The reforms we study create variation also in how close substitutes the closest non-taxed goods are to the taxed goods allowing us to examine the role of substitution as a mechanism explaining the main results. We utilize credible control groups not affected by the reforms and have access to unique product- and week-level data on sales containing hundreds of millions of observations. Intriguingly, we find that without very close non-taxed substitutes the sweets tax did not create any discernible demand responses, but do create large responses when very close non-taxed substitutes are available. We discuss the role of substitution further with data on substitutability between products and in theoretical consumption taxation models.

[\[2\] Kosonen-Taxing the Sweet Tooth-465.pdf](#)

12:52pm - 1:15pm

The Effect of Sin Taxes - The Case of Sugar Taxes in Norway

Tyra Merker

University of Oslo, Norway;

This paper examines the effects of a large 2018 increase in sugar taxes on prices and consumption in Norway. I use a novel data set of all individual itemized receipts, covering 99.9 percent of the Norwegian grocery market. It allows me to study effects and substitution patterns of sin taxes at greater detail than previous literature, overcoming its measurement and aggregation problems. Using an event study design with a control group, I limit the likelihood that unobserved incidents bias my estimates. Preliminary analyses show the puzzling result that, while there is a positive effect of the taxes on prices, a significant demand response is lacking. I will study two potential mechanisms that can explain this puzzle: limited demand leakage and intra-category substitution. I will formalize the latter mechanism in a theoretical model. The mechanisms have clear policy implications for the level and design of taxes. [\[2\] Merker-The Effect of Sin Taxes-501.pdf](#)

1:15pm - 1:37pm

Commodity Tax Pass-through With Incomplete Information

Felix Montag, **Alina Sagimuldina**, **Monika Schnitzer**

LMU Munich, Germany;

We investigate how the pass-through rate of commodity taxes depends on competition in a setting where consumers have imperfect information about prices. We use a theoretical search model that has two key predictions: First, the larger the number of price sensitive consumers, the higher the pass-through rate. Second, there is a hump-shaped relationship between the average pass-through experienced by consumers and the number of sellers. We test our theoretical predictions by studying pass-through in the context of a tax decrease and increase in the German retail fuel market. We estimate pass-through of these tax changes to diesel and gasoline prices using a unique dataset containing the universe of price changes at fuel stations in Germany and France and a synthetic difference-in-differences strategy. Our empirical results are in line with our theoretical predictions. Finally, we show that our theoretical framework can encompass and reconcile a large number of empirical observations in previous studies. [\[2\] Montag-Commodity Tax Pass-through With Incomplete Information-450.pdf](#)

1:37pm - 2:00pm

Anticipation and Consumption

Neil Thakral¹, **Linh Tô**²

receiving the payment. The prediction that waiting leads to more patient decisions does not depend on whether consumers are liquidity constrained. Using Nielsen Consumer Panel data, we find higher marginal propensities to spend for households scheduled to receive the 2008 Economic Stimulus Payments sooner. Using data from randomized experiments in Kenya and Malawi, we find higher savings and assets among households scheduled to wait longer before receiving lump-sum unconditional cash transfers. Finally, we discuss existing evidence on how consumption responds to gains, losses, and news in light of our model.

12:30pm - 2:00pm

E06: Tax Evasion

12:30pm - 12:52pm

Tax Policies Design in a Hierarchical Two-Side Model with Occupational Decision Sebastián Castillo

Pontificia Universidad Católica de Chile, Chile;

This study incorporates the occupational decision, i.e. dependent and self-employed, into the hierarchical model of Sanchez and Sobel (1993) to investigate distortions in tax policies design. The optimal audit shows that audits are efficient below a cut-off level, and above this level, audits are equal to zero. The marginal tax rate is smaller than one, indicating that not considering occupational decisions produces an upward bias on taxes. The optimal IRS's budget does not allow auditing the entire self-employed sector but it is larger than the result from a cost-benefit analysis. Finally, differential taxation is optimal if the marginal tax rate in the self-employed sector is higher than the dependent sector. This result produces that the distortions in the optimal allocation of agents increase in comparison with an environment with only one marginal tax rate.

[Castillo-Tax Policies Design in a Hierarchical Two-Side Model with Occupational Decision-105.pdf](#)

12:52pm - 1:15pm

The Effect of Audit Threats and Moral Appeals on Tax Compliance of Small Firms: Evidence from a Randomized Experiment in Bulgaria

Philipp Doerrenberg¹, Alina Pfrang¹, Jan Schmitz²

¹University of Mannheim, Germany; ²University of Nijmegen, Netherlands;

We study tax compliance and enforcement of VAT and SSCs in a field experiment with SMEs in Bulgaria. By randomly allocating treatment mailings to taxpayers, the effectiveness of audit-threats and tax morale in raising tax compliance is investigated. A special interest lies on evaluating whether businesses react to moral appeals from the tax authority. Preliminary results suggest that the treatments are especially successful in raising compliance with SSCs among firms. The results show that both audit-threats and moral appeals are effective in increasing subsequent SSC reporting.

[Doerrenberg-The Effect of Audit Threats and Moral Appeals on Tax Compliance of Small Firms-257.pdf](#)

1:15pm - 1:37pm

Does Shaming Pay?: Evaluating California's Top 500 Tax Delinquent Publication Program

Chad Angaretis¹, Brian David Galle², Paul Organ³, Allen Prohofsky¹

¹California Franchise Tax Board; ²Georgetown University, United States of America; ³University of Michigan;

We present new evidence on the impact of shaming on tax compliance, drawing on non-public administrative data from the world's fifth-largest economy. Taxpayers notified that they will be publicly identified as one of the jurisdiction's largest tax debtors respond dramatically to treatment, with large and significant changes in extensive-margin behaviors such as entering into a payment agreement. Intensivemargin effects are smaller, suggesting that liquidity constraints may explain a large portion of nonpayment. We also explore the effects of professional license suspension on these outcomes.

Our results derive from real-world policy, not an experiment. But by exploiting bright-line cutoffs in treatment eligibility by dollar and ordinal ranking, we are able to argue that observed effects are very likely causal.

[Angaretis-Does Shaming Pay-228.pdf](#)

12:30pm - 2:00pm

E07: Inequality, Progressivity, and Spatial Equity

12:30pm - 12:52pm

Social Construction and the Progressivity of Local Tax Relief Momi Dahan

Hebrew University, Israel;

This paper reveals a noticeable difference between a high degree of progressivity of income-related local property tax relief versus the proportional or regressive incidence of recognition tax relief. Recognition tax relief is tax relief given to family members of war-related casualties and holocaust survivors that recognizes either their contributions to society or their suffering. Following Schneider and Ingram, I suggest that certain social groups benefiting from positive image and political influence are more likely to receive favorable tax treatment regardless of their economic status. The contribution of this study is to show that tax progressivity is affected by social construction in addition to the standard economic considerations such as efficiency, inequality aversion and earning inequality. The unintended consequence of such tax design is a higher degree of progressivity in Arab municipalities compared to Jewish and Druze municipalities due to greater prevalence of "recognition tax reliefs" in Jewish and Druze residents.

[Dahan-Social Construction and the Progressivity of Local Tax Relief-158.pdf](#)

12:52pm - 1:15pm

When Capitalism Takes over Socialism: (Missing) Capital Income and East-West German Income Inequality

Stefan Bach¹, Charlotte Bartels¹, Theresa Neef^{2,3}

¹DIW Berlin; ²Freie Universität Berlin; ³World Inequality Lab;

This paper constructs Distributional National Accounts (DINA) for East and West Germany to study the distribution of pre- and post-tax national income since reunification in 1990. We complement the universe of individual income taxpayers with the non-taxpaying population recorded in SOEP survey data and then align incomes with national accounts aggregates.

We document substantial income differences between East and West Germans 30 years after the German reunification, which we relate to the lack of capital ownership in the East. We show that capital income generated in East Germany flowing to West German capital owners can explain structural differences between the income distributions in East and West Germany.

[PDF](#) Bach-When Capitalism Takes over Socialism-258.pdf

1:15pm – 1:37pm

From Battlefield to Marketplace: Connectivity, Industrialization, and Spatial Convergence in the Greater Mekong Sub-Region

Manabu Nose^{1,2}, Yasuyuki Sawada^{2,3}, Nguyen Tung⁴

¹International Monetary Fund; ²The University of Tokyo; ³Asian Development Bank; ⁴Hitotsubashi University;

We evaluate heterogeneous impacts of the highway construction between the mountainous China-Vietnam border and industrial hubs in northeastern Vietnam. We apply the market access approach to granular geocoded highway network data and estimate aggregate impacts of highways, accounting for their treatment spillovers. We exploit the variation in topological conditions as an instrument to estimate the causal impact of market potential growth on the agglomeration of firms and workers. We find that an expansion of market potential triggered the agglomeration of manufacturing firms in both core and peripheral cities. Firm productivity grew significantly faster in rural peripheries through labor reallocation from agriculture to manufacturing. We also estimate the program's treatment effect separately from local externality, finding the consistent evidence of agglomeration economies and the shifts to manufacturing industries in the area near the highways. The overall findings suggest that the interregional highway facilitated the economy-wide industrialization and income convergence across space. [PDF](#) Nose-From Battlefield to Marketplace-377.pdf

1:37pm - 2:00pm

Wealth Inequality Dynamics in the United States: 1962–2100

Thomas Blanchet

Paris School of Economics, France;

I decompose the dynamics of the wealth distribution using a simple dynamic stochastic model that separates the effects of consumption, labor income, rates of return, growth, demographics and inheritance. Based on two results of stochastic calculus, I show that this model is nonparametrically identified and can be estimated using only repeated cross-sections of the data. I estimate it using distributional national accounts for the United States since 1962. I find that, out of the 15 pp. increase in the top 1% wealth share observed since 1980, about 7 pp. can be attributed to rising labor income inequality, 6 pp. to rising returns on wealth (mostly in the form of capital gains), and 2 pp. to lower growth. I then use the model to analyze the effect of progressive wealth taxation at the top of the distribution.

[PDF](#) Blanchet-Wealth Inequality Dynamics in the United States-311.pdf

2:15pm - 3:45pm

F01: Tax Enforcement

2:15pm - 2:37pm

What Makes a Tax Evader?

Marcelo Bergolo¹, Martin Leites¹, Ricardo Perez-Truglia², Matias Strehl¹

¹Instituto de Economía, Universidad de La República; ²Haas, UC Berkeley;

Why do some individuals choose to evade taxes while others do not? One popular view is that some individuals cheat on their taxes because they are more dishonest, selfish, or perceive different social norms. There is, however, little direct evidence on this matter. In collaboration with the national tax agency in Uruguay, we address this question using a combination of surveys and administrative records. Leveraging a unique institutional setting, we measure individual-level evasion choices. We document significant variation in evasion decisions across individuals. For a subsample of 6,078 taxpayers, we use survey questions and incentivized laboratory games to measure traits such as honesty, selfishness, and perceived social norms. We find that these individual traits have some power to predict who evades taxes, but other factors, such as the environment, play a much bigger role.

[PDF](#) Bergolo-What Makes a Tax Evader-140.pdf

2:37pm - 3:00pm

Compliance Effects of Risk-based Threshold Audits

Oddbjørn Raaum¹, Knut Løyland², Gaute Torsvik³, Arnstein Øvrum²

¹Ragnar Frisch Centre for Economic Research, Norway; ²National Tax Administration Norway;

³Department of Economics, University of Oslo;

While RCTs are increasingly used to study effects of tax audits, this paper identifies long-term effects of risk-based audits with a regression discontinuity design. The tax administration applied a machine learning algorithm to predict a binary classifier of noncompliance on data from an audit experiment among taxpayers with high selfreported income tax deductions. In subsequent years the model has been used to risk score the same group of taxpayers and audit those with a score above a threshold. We find substantial compliance effects of being audited. Compared to their non-audited “neighbors” the audited taxpayers reduced self-reported deductions by 19% the first year after the audit. At the current audit threshold level the total tax income generated by the audit is much higher than the audit costs. We use data from the machine learning experiment to estimate the risk score threshold that would maximize net public revenue from the audits.

[PDF](#) Raaum-Compliance Effects of Risk-based Threshold Audits-170.pdf

3:00pm - 3:22pm

Forgiveness _Seems_ Divine: Tax Amnesties and Tax Compliance

Maximiliano Lauletta¹, Felipe Montano Campos²

¹University of California Berkeley; ²Duke University;

This paper studies the effect of a tax amnesty on subsequent compliance with the property tax in Argentina. This tax is a monthly amount calculated and billed on property owners by the government, so we define compliance as the amount paid over the liability billed for the corresponding month. Using an administrative panel of individual-level tax data, we exploit that only one county implemented an amnesty and use taxpayers from nearby counties as a control group in a difference-in-differences approach. Results show that subsequent tax compliance improves after the amnesty relative to other counties by about 2 percentage points. This effect can be separated into two components: (i) a substantial increase in compliance from taxpayers who enroll in the amnesty, (ii) a minor increase in compliance from taxpayers who do not. Overall, results are consistent with tax amnesties serving as a tool to get some delinquents back on compliance.

[PDF](#) Lauletta-Forgiveness _Seems_ Divine-178.pdf

3:22pm - 3:45pm

The Race Between Tax Enforcement and Tax Planning: Evidence From a Natural Experiment in Chile

Dina Pomeranz¹, Sebastian Bustos⁴, Juan Carlos Suarez Serrato², Jose Vila-Belda¹, Gabriel Zucman³

¹University of Zurich, Switzerland; ²Duke University; ³University of California Berkeley; ⁴University of Harvard;

Using micro-level administrative tax and customs data covering the universe of internationally active Chilean firms, we study a reform that greatly increased information reporting by multinational firms, following Chile's accession to the OECD. We first document that multinationals conduct tax-motivated cross-border transactions: Payments to foreign subsidiaries decrease with the destination country's tax rate, while there is no such relationship for payments to non-affiliated firms. We then use difference-indifferences regressions to estimate the impacts of the reform on taxes paid and intra-group flows of royalties, interest, goods, and services. The reform did not significantly raise taxes paid and we find no impact on the transactions that shift profits to low-tax places. In contrast, there was a strong increase in the demand for tax advisory services. Whenever the supply of tax-planning services is not regulated, devoting more resources to tax enforcement can lead to a wasteful expenditure of resources by both tax authorities and taxpayers.

[PDF](#) Pomeranz-The Race Between Tax Enforcement and Tax Planning-410.pdf

2:15pm - 3:45pm

F02: Social Safety Net

2:15pm - 2:37pm

COVID-19 Changed Tastes for Safety-Net Programs

Alex Rees-Jones^{1,2}, John D'Attoma³, Amedeo Piolatto^{4,5,6,7}, Luca Salvadori^{3,6}

¹University of Pennsylvania; ²National Bureau of Economic Research; ³University of Exeter;

⁴Autonomous University of Barcelona; ⁵Barcelona Graduate School of Economics; ⁶Barcelona Institute of Economics; ⁷MOVE;

In June 2020, we surveyed 2,516 Americans regarding their preferences for both short- and long-term expansions to government-provided healthcare and unemployment insurance programs. We find that support for such programs is positively associated with (a) COVID-19 deaths and infections in the respondent's county, (b) the pandemic-induced change in the unemployment rate in the respondent's county, and (c) survey elicitations of the respondent's perceptions of COVID-19's consequences. These associations persist when controlling for pre-COVID-19 political ideology and demographics. These results suggest that real or perceived exposure to COVID-19's consequences has influenced support for expansions to the U.S. safety-net system.

[PDF](#) Rees-Jones-COVID-19 Changed Tastes for Safety-Net Programs-160.pdf

2:37pm - 3:00pm

The Response of the Social Safety Net to Recessions

Brad Hershbein¹, Bryan Stuart²

¹W.E. Upjohn Institute for Employment Research, United States of America; ²George Washington University, United States of America;

This paper studies how the social safety net has responded to recessions over the last 50 years. Building on recent evidence that recessions cause hysteresis in local labor markets, we estimate event study models that quantify the response of government transfers in places that experience more versus less severe recessions. We find that while unemployment insurance benefits increase only temporarily during recessions, retirement and health benefits remain persistently elevated. The lasting increase in transfers only partially offsets the decrease in earnings, leading to long-term declines in per-capita income relative to less affected areas. We do not find significant differences in the responsiveness of overall transfers before and after welfare reform, largely because cash assistance is a small part of the overall transfer response. Long-term income losses disproportionately fall on lower-income individuals, and areas badly hit by recessions suffer persistent increases in poverty rates.

[\[PDF\] Hershbein-The Response of the Social Safety Net to Recessions-172.pdf](#)

3:00pm - 3:22pm

Who Lost in Iceland's Financial Collapse?

Gylfi Zoëga¹, Andri Scheving¹, Axel Hall²

¹University of Iceland, Iceland; ²Reykjavik University;

The paper uses a unique data set of tax returns of all taxpayers in Iceland from 2000 to 2019 to gauge the allocation of losses. The results show that while high-income, jointly taxed households suffered the most in absolute terms, the picture was different when relative changes in net worth were considered. Urban, low education workers in the age group 36-44 suffered the greatest relative losses. This applies particularly to single individuals, who on average had lower net worth as a ratio to assets to start with. By 2019 all deciles in terms of net worth had recovered their 2007 level of net worth.

[\[PDF\] Zoëga-Who Lost in Iceland's Financial Collapse-428.pdf](#)

3:22pm - 3:45pm

Public Insurance in Heterogeneous Fiscal Federations: Evidence from American Households

Johannes Fleck¹, Chima Simpson-Bell²

¹European University Institute, Italy; ²IMF;

This paper explores how tax progressivity of low-income households varies across US states. We overcome limitations in survey data by approximating the lower tails of state income distributions and by building an imputation model which measures the response of federal and state income taxes and transfers to changes in pre-tax earnings. Our results account for the geographic uniformity of federal policies as well as regional variation in income distributions, price levels and net transfer policies of state governments. We find large geographic differences in cumulative marginal tax rates and show that these differences materialize as variation in public insurance against transitory earnings shocks; their passthrough to disposable income ranges from 30 to 90%. Adjusting for the purchasing power of tax credits and transfers exacerbates cross-state differences further. States which have higher shares of Black or African American household heads, more Republican leaning voters and lower average incomes provide less insurance.

[\[PDF\] Fleck-Public Insurance in Heterogeneous Fiscal Federations-470.pdf](#)

2:15pm - 3:45pm

F03: Fiscal Federalism and Open Economy Public Finance

2:15pm - 2:37pm

Fiscal equalization and tax-hikes: Evidence from a Swiss reform

Nicola Mauri

University of Lausanne, Switzerland;

This paper investigates the magnitude of incentive of fiscal equalization on local tax rates. Using quasiexperimental evidence from a reform in a municipal equalization scheme, I propose three refinements to current empirical estimations of incentive effects of fiscal equalization. I firstly show that local policymakers may conceive changes in equalization transfers as stemming from discrete rather than marginal changes in the tax base. Second, a measure of "effective" equalization rate which conditions on the current tax rate is introduced. Third, I test the existence of redistribution effects on tax rates and thereby challenge the benevolence assumption of local governments. My results show that past literature using marginal equalization rates may have underestimated incentive effects from fiscal equalization. Effective equalization rates are shown to have a small or negative impact on tax rates. No evidence of redistribution effects is found which suggests that jurisdictions are revenue maximizers rather than utility maximizers. [\[PDF\] Mauri-Fiscal equalization and tax-hikes-194.pdf](#)

2:37pm - 3:00pm

The Valuation of Local Government Spending: Gravity Approach and Aggregate Implications

Wookun Kim

Southern Methodist University, United States of America;

How much do people value local government spending? What are the effects of fiscal transfers that finance this spending? I develop a spatial equilibrium framework where people's simultaneous (internal) migration and commuting choices reveal preferences. I combine this framework with administrative data from South Korea and leverage the plausibly exogenous variation in local government spending across districts induced by national tax reforms in 2008 and 2012. The estimated mobility responses imply that workers value each additional dollar of per-capita local government spending by 75 cents of their after-tax income. The general-equilibrium counterfactuals imply that a fiscal arrangement with lower redistribution would result in aggregate gains. A key aspect of my analysis is that bilateral migration and commuting decisions are made jointly. Ignoring any one of these margins biases the estimates of preferences for public goods, distance elasticities of migration or commuting, and the aggregate effects of alternative fiscal arrangements.

[\[PDF\] Kim-The Valuation of Local Government Spending-108.pdf](#)

3:00pm - 3:22pm

The Marginal Value of Public Funds as a Measure of Welfare in an Open Economy

David R Agrawal¹, William H Hoyt¹, Tidiane Ly²

¹University of Kentucky Martin School, United States of America; ²Università della Svizzera italiana, Switzerland;

Our objective is to establish and provide a framework for quantifying and calculating the welfare effects of taxation in an open economy, with an emphasis on state and local governments in a federalist system. We do so by developing a model of fiscal policy when there are spillovers in tax bases and expenditures among competing local jurisdictions. We then derive how open economy considerations influence the marginal value of public funds (Hendren 2016). We provide guidance on the additional components of the marginal value of public funds necessary to better understand the welfare effects of spending and taxes in federalist system.

[\[PDF\] Agrawal-The Marginal Value of Public Funds as a Measure of Welfare-521.pdf](#)

3:22pm - 3:45pm

Random Policies in Federations

James R. Hines Jr.

University of Michigan;

This paper compares outcomes in which centralized and decentralized governments adopt policies of random quality. With freely mobile populations, jurisdictions adopting superior policies experience population inflows. If uncorrected congestion costs are small, then policy diversity promotes higher welfare levels. With significant unpriced convex congestion costs, however, this welfare ordering is reversed: competition induces so great a concentration of population in jurisdictions adopting superior policies that consumer welfare is lower than with centralized (and harmonized) policies. If interjurisdictional mobility is sufficiently limited by rising costs of local fixed factors, diversity among decentralized governments again produces higher welfare than harmonization. Hence the welfare impact of centralization and accompanying policy harmonization depends critically on the nature of crowding costs.

[\[PDF\] Hines Jr.-Random Policies in Federations-359.pdf](#)

2:15pm - 3:45pm

F04: Firms in Public Economics

2:15pm - 2:37pm

Issuance and Valuation of Corporate Bonds with Quantitative Easing

Stefano Pegeraro¹, Mattia Montagna²

¹University of Notre Dame, United States of America; ²European Central Bank;

After the announcement of the European Central Bank's corporate quantitative easing program, nonfinancial corporations timed the bond market by shifting their issuance toward bonds eligible for the program. However, issuers of eligible bonds did not increase total issuance compared to other issuers; nor did they experience different economic outcomes. Instead, the announcement produced substantial spillover effects on risk premia. Credit risk premia declined, both in the corporate bond market and in the default swap market, whereas the valuation of eligible bonds did not change relative to comparable ineligible bonds. Firms took advantage of reduced risk premia by issuing riskier bond types. Using a novel and comprehensive dataset of corporate bonds in the euro area, we document how firms substituted across bond characteristics, and

¹ ZEW - Leibniz Centre for European Economic Research; ²University of Siegen; ³ZEW - Leibniz Centre for European Economic Research and University of Mannheim;

We study the economic implications of regional favoritism, a form of distributive politics that channels resources geographically within countries. We utilize enterprise surveys spanning many low and middle income countries, and exploit transitions of national political leaders for identification.

We document strong evidence for regional favouritism among firms located close to current leader's birthplace, but not in other regions, nor in home regions before a leader takes office. Firms in favored regions become substantially larger in terms of sales and employment. They also increase their sales per worker, pay higher wages, and have higher measured total factor productivity. Several mechanisms suggests that leaders divert public resources into their home regions by generating higher demand for firms operating in the non-tradable sector. A simple structural model of resource misallocation that is

we find evidence of their intention to time the market. Our model indicates corporate market timing is instrumental in allowing quantitative easing to produce spillover effects.

[Pegoraro-Issuance and Valuation of Corporate Bonds with Quantitative Easing-330.pdf](#)

2:37pm - 3:00pm

Are Firms Fiscally Responsible?

Davud Rostam-Afschar, Laura Arnemann, Florian Buhlmann, Fabian Eble, Philipp Dörrenberg, Christopher Karlsson, Johannes Voget

University of Mannheim, Germany;

We study attitudes of firm-decision makers towards taxes using unique large-scale survey experiments representative for Germany. Starting from the hypothesis that businesses desire to lower taxes, we test how attitudes towards a 130 billion Euro fiscal stimulus and desired tax rates change, when subjects are confronted with two treatments highlighting social responsibility, fiscal responsibility, compared to a control group. We find that highlighting fiscal responsibility increases opposition against the state intervention and that the desire to reduce taxes diminishes but find no such effect when highlighting social responsibility. Firm-decision makers want to reduce taxes their firm has to pay stronger compared to taxes their firm does not have to pay. Managers are more willing to pay higher taxes, when agreeing with the fiscal stimulus. The harder the firm was hit by the Covid-19 crisis, the stronger the desire to lower taxes. [Rostam-Afschar-Are Firms Fiscally Responsible-471.pdf](#)

3:00pm - 3:22pm

Favoritism and Firms: Micro Evidence and Macro Implications

Zareh Asatryan¹, Thushyanthan Baskaran², Carlo Birkholz³, David Gomtsyan¹

calibrated to match our empirical estimates implies that favoritism generates aggregate output losses of 0.5% annually.

[Asatryan-Favoritism and Firms-393.pdf](#)

3:22pm - 3:45pm

Internal Digitalization and Tax-efficient Decision Making

Daniel Klein², Christopher Alexander Ludwig^{1,2}, Katharina Nicolay^{1,2}

¹ZEW Mannheim; ²University of Mannheim;

This paper investigates the effect of firms' internal digitalization on the performance of business support functions such as the tax department. We put forward a novel, micro-level IT sophistication index based on a survey monitoring European firms' digital infrastructure. Following the objective function of maximizing after-tax returns, we measure tax-efficient decisions in terms of minimizing the firm's worldwide tax burden. We show that internal digitalization boosts firms' ability to relocate income to taxfavored jurisdictions. We confirm this result using two plausibly exogenous shocks. First, we exploit a business software supply shock and provide evidence that the adoption of digital technologies enhances efficient cross-border tax planning. Second, using an event study design, we show that digitalized firms promptly adjust reported profits in response to income shifting incentive shocks. Overall, we show that digital infrastructure is a crucial foundation for timely, data-driven decision making and increases support functions' performance.

[Klein-Internal Digitalization and Tax-efficient Decision Making-209.pdf](#)

2:15pm - 3:45pm

F05: Income Taxes and Labor

2:15pm - 2:37pm

Do Taxes on the Top 1% Trickle Down? A Local Labor Markets Approach

Paul Kindsgrab

University of Michigan;

This paper develops and implements an empirical test of the hypothesis that higher taxes on the rich (top 1%) trickle down and ultimately harm non-rich (bottom 99%) workers. The test examines whether the wages of bottom 99% workers in US local economies where top 1% workers account for a larger share of economic activity are more adversely affected by a tax increase for the rich. I develop a spatial equilibrium model to quantify the magnitude of trickle down effects implied by the reduced-form estimates. The results do not reveal statistically significant trickle down effects. An elasticity of bottom 99% wages with respect to the top 1% net-of-tax rate in excess of 0.066 can be rejected. The paper quantifies the implications of the estimates for optimal tax policy.

[Kindsgrab-Do Taxes on the Top 1 Trickle Down A Local Labor Markets Approach-322.pdf](#)

2:37pm - 3:00pm

Asset Bubbles In Explaining Top Income Shares

Saikat Sarkar¹, Matti Tuomala²

¹Mount Allison University; ²Tampere University;

This paper considers the role of asset price bubbles (crashes) as an important determinant in seeking a further explanation for top income shares. The asset price bubbles caused at least in part by monetary policies, along with other determinants such as top tax rates and innovative ness are the important drivers

to explain the surge in top income shares. The empirical results show that correlation between asset bubbles and top inequality is positive and significant. The regression co-efficient of stock and housing market bubbles have a positive effect on top income shares, while the stock and housing market crashes fail to reduce the surge in top income shares.

[Sarkar-Asset Bubbles In Explaining Top Income Shares-167.pdf](#)

3:00pm - 3:22pm

The Effects of Overtime Tax On Hours Worked: Evidence From France

Dora Tuda

ESRI Dublin, Trinity College Dublin, Ireland;

Income from overtime work is subject to income tax in most European countries. However, the effect of higher overtime tax on hours worked has largely remained an unanswered question. This essay examines the re-introduction of French overtime tax in 2012, by comparing workers in large (treated) and small firms (control), before and after 2012. I find that overtime tax reduced actual hours worked, but increased reporting of overtime hours. The result is confirmed using synthetic control estimates for actual hours worked. On the other hand, after the reform, part-time and temporary workers increase their actual hours worked, but not overtime hours. This result suggests that firms adjusted hours of workers whose hours are more flexible, while avoiding the higher cost of overtime hours.

[Tuda-The Effects of Overtime Tax On Hours Worked-110.pdf](#)

2:15pm - 3:45pm

F06: Payout Taxation

2:15pm - 2:37pm

Higher Dividend Taxes, No Problem! Evidence from Taxing Entrepreneurs in France

Adrien Matray

Princeton University, United States of America;

This paper investigates how the 2013 three-fold increase in the dividend tax rate in France affected firms' investment and performance. Using administrative data covering the universe of firms over 2008-2017 and a quasi-experimental setting, we find that firms swiftly cut dividend payments. Firms use this tax-induced increase in liquidity to invest more, particularly when facing high demand and return on capital. For every euro of undistributed dividends, firms increase their investment by 0.3 euro, leading to higher sales growth. Heterogeneity analyses show that no group of firms cut their investment, thereby rejecting models in which higher dividend taxes increase the cost of capital. Overall, our results show that the tax-induced increase in liquidity relaxes credit constraints and can reduce capital misallocation.

[Matray-Higher Dividend Taxes, No Problem! Evidence from Taxing Entrepreneurs-328.pdf](#)

2:37pm - 3:00pm

Follow the Money! Combining Household And Firm-level Evidence To Unravel The Tax Elasticity of Dividends

Clement Malgouyres

PSE IPP, France;

We estimate the tax elasticity of dividends using two recent French reforms: a hike in the dividend tax rate followed, five years later, by a cut. To follow the cash movements within the balance sheets of households and firms caused by these reforms, we use newly-accessible personal and corporate tax registries. Following the tax increase, the elasticity of dividends equals four and there is no shifting towards other personal income categories. We find instead an increase in companies' spending. After the tax decrease, payouts revert to their initial level, but not enough to offset the amounts received during the high-tax period.

[Malgouyres-Follow the Money! Combining Household And Firm-level Evidence-302.pdf](#)

3:00pm - 3:22pm

Capital Gains Taxes and Real Corporate Investment

Terry Moon

University of British Columbia, Canada;

This paper assesses the effects of capital gains taxes on investment by exploiting a unique setting in Korea, where capital gains tax rates vary by firm size. Following a reform in 2014, firms with a tax cut increased investment by 35 log points, and issued more equity by 9 cents per dollar of lagged revenue, relative to unaffected firms. Additionally, the effects were larger for firms that appeared more cashconstrained or went public after the reform. Taken together, these findings are consistent with the "traditional view" predicting that lower payout taxes spur equity-financed investment by increasing marginal returns on investment.

[Moon-Capital Gains Taxes and Real Corporate Investment-147.pdf](#)

3:22pm - 3:45pm

Dividend Tax Reform: Evidence from Greek Administrative Data

Katarzyna Bilicka¹, Irem Gucleri², Evangelos Koumanakos³

¹Utah State University; ²University of Oxford; ³University of Ioannina;

We analyse the effects of the introduction of a 10 percent flat tax on dividends in Greece on firm behaviour. We leverage a population of company tax return matched with detailed company accounts at the micro level.

We use the exogenous variation in how the policy affected companies with different financial year-end dates in the same calendar year for identification. We compare firms with December closing dates which were immediately affected by the tax introduction to firms with June closing dates which could declare tax-free dividends in that year. We find that December closing firms reduce the amount that they distribute as dividends, both by decreasing the incidence of distributions at the extensive margin and by decreasing the amount distributed, relative to mid-year closing firms. As a consequence, we find that mid-year closing firms increase their reserves and investment in land and buildings in response to the reform.

[Bilicka-Dividend Tax Reform-299.pdf](#)

F07: Women in Public Economics: How to Thrive in Academia

2:15pm - 3:45pm

Session Chair: Nadine Riedel, University of Münster

Discussant Paper 1: Miriam Wüst, University of Copenhagen

Discussant Paper 2: Marianne P. Bitler, University of California, Davis

Discussant Paper 3: Katarzyna Anna Bilicka, Utah State University

Discussant Paper 4: This session will consist of the following contributions and chaired by Nadine Riedel: Kaisa

Kotakorpi, Tampere University Miriam Wüst: Status of women in the profession, Marianne Bitler: Publishing, Katarzyna

Bilicka: Networking, Kaisa Kotakorpi: Managing Services.

4:00pm - 5:30pm

G01: Audits

4:00pm - 4:22pm

Optimal Taxes And Penalties When The IRS Cannot Commit To Its Audit Policy

Martin Besfamille^{1,2}, Leandro Arozamena^{3,4}, Pablo Sanguinetti^{5,3}

¹Pontificia Universidad Católica de Chile, Chile; ²CESifo, Germany; ³Universidad Torcuato Di Tella,

Argentina; ⁴CONICET, Argentina; ⁵CAF Banco de Desarrollo de America Latina, Venezuela;

We examine the problem of a utilitarian government that sets taxes and fines for evaders but cannot commit to any enforcement policy. Given the tax law, the government and taxpayers -some of whom are honest- play a report-audit game that, depending on taxes, fines and audit costs, generates either full evasion and no audits, or partial evasion and random auditing. We show that it may be optimal for the government not to fine evaders as a way to commit not to audit. Moreover, social welfare is nonmonotonic in the audit cost.

[Besfamille-Optimal Taxes And Penalties When The IRS Cannot Commit-357.pdf](#)

4:22pm - 4:45pm

The Deterrence Value of Tax Audit: Estimates from a Randomized Audit Program

Mazhar Waseem, Michael Best, Jawad Shah

University of Manchester, United Kingdom;

In modern tax systems audit is the sole instrument through which the tax authority can detect noncompliance and create deterrence. We exploit a national program of randomized audits covering the entire population of VAT filers from Pakistan to study how much evasion audit uncovers and how much evasion it prevents by changing behavior. While audit uncovers a substantial amount of evasion (the evasion rate among firms in the bottom three size quartiles is more than 100%), it does not deter future cheating. Examining more than ten intensive and extensive margin outcomes, we detect no effect of audit on proximate or distant firm behavior. Our results suggest audits are suboptimally utilized in checking mechanical violations of law instead of creating deterrence against evasion.

[Waseem-The Deterrence Value of Tax Audit-247.pdf](#)

4:45pm - 5:07pm

Taxpayer Self-Inspections, Audits, and Optimal Tax Administration

Wei Cui

University of British Columbia, Canada;

I document an important tax collection practice previously unknown to tax administration research: mandatory taxpayer self-inspections. The practice emerged spontaneously across China in the 1990s and persists despite having no basis in law. If taxpayers report additional liabilities after self-inspections, no penalties are imposed. Unlike tax amnesties, self-inspections are (i) backed up by the threat of government inspections with a high probability, and (ii) used as a routine revenue-generation technique. Self-inspections represent 50% of the activity in China's "tax inspection" system and assume even greater importance in the larger "revenue management" system. They appear much more effective at generating revenue than costlier government inspections.

I offer a conceptual scheme clarifying the relation between self-inspections and other enforcement tools. Self-inspections show that the presumed centrality of audits rests not on its effectiveness in raising revenue, but rather on the importance of the social norm of truthful reporting.

[Cui-Taxpayer Self-Inspections, Audits, and Optimal Tax Administration-204.pdf](#)

5:07pm - 5:30pm

Do Tax Audits Deter CIT Non-Compliance? Evidence from administrative data

Christos Kotsogiannis^{1,2}, Luca Salvadori^{1,3}

¹Tax Administration Research Centre (TARC), University of Exeter - Business School, United Kingdom;

²CESifo; ³Barcelona Institute of Economics (IEB);

What is the impact of risk-targeted tax audits on corporate income tax (CIT) filers' future reporting behaviour? Do diverse types of examinations lead to different results in terms of their deterrence power? To the best of our knowledge, this is the first paper framed in the developing world addressing these research questions. We find evidence of significant pro-deterrence effect on CIT reporting one year after audit. The effect is lower in magnitude when time passes but not statistically significant and it is completely driven by the change in behaviour of audited taxpayers determined uncompliant. Our results suggest that the type of audit matters. Comprehensive audits drive the aggregate pro-deterrence result while desk-based audits tend to have a counter-deterrent effect after the second year.

[\[2\] Kotsogiannis-Do Tax Audits Deter CIT Non-Compliance Evidence from administrative data-443.pdf](#)

4:00pm - 5:30pm

G02: RCT in Education

4:00pm - 4:22pm

The Regulation of Competitive Pension Funds with Endogenous Financial Literacy

Luciano Greco², Valentina Catapano¹

¹University of Padua, Italy & CRIEP; ²CRIEP;

The long-run trend towards retirement schemes based on competitive, defined-contribution pension funds has motivated a growing interest in financial literacy as a tool to mitigate agency problems and myopic behaviors in pension investments. In this paper, we focus on the adverse selection problem affecting the industry of pension funds competing to attract households' savings, and we model the investment in financial literacy as a costly screening technology. Relying on such a theoretical framework, we show that the (optimal) level of financial literacy is affected by several policy parameters, particular the size of mandatory pension savings. Then, on the basis of a cost-benefit analysis, we assess alternative regulatory frameworks including policy tools such as the level of transparency that pension funds have to comply with and the public provision of investments in financial literacy.

[\[2\] Greco-The Regulation of Competitive Pension Funds with Endogenous Financial Literacy-456.pdf](#)

4:22pm - 4:45pm

Can Mentoring Alleviate Family Disadvantage in Adolescence? A Field Experiment to Improve Labor-Market Prospects

Sven Resnjanskij¹, Jens Ruhose², Simon Wiederhold³, Ludger Woessmann⁴

¹ifo Institut, Germany; ²Kiel University / Germany; ³Catholic University Eichstaett-Ingolstadt Ingolstadt /

Germany; ⁴ifo Institut, Germany;

We study a mentoring program that aims to improve the labor-market prospects of schoolattending adolescents from disadvantaged families by offering them a university-student mentor. Our RCT investigates program effectiveness on three outcome dimensions that are highlypredictive of adolescents' later labor-market success: math grades, patience/social skills, and labor-market orientation. For low-SES adolescents, the one-to-one mentoring increases acombined index of the outcomes by half a standard deviation after one year, with significant increases in each dimension. Part of the treatment effect is mediated by establishing mentors as attachment figures who provide guidance for the future. The mentoring is not effective for higherSES adolescents. The results show that substituting lacking family support by other adults can help disadvantaged children at adolescent age.

[\[2\] Resnjanskij-Can Mentoring Alleviate Family Disadvantage in Adolescence A Field Experiment-434.pdf](#)

4:45pm - 5:07pm

Can Peer Mentoring Improve Online Teaching Effectiveness? An RCT During The COVID-19 Pandemic

David Hardt¹, Markus Nagler^{1,2,3}, Johannes Rincke^{1,2}

¹Friedrich-Alexander University Erlangen-Nuremberg, Germany; ²CESifo; ³LASER;

Online delivery of higher education has taken center stage but is fraught with issues of student selforganization. We conducted an RCT to study the effects of remote peer mentoring at a German university that switched to online teaching due to the COVID-19 pandemic. Mentors and mentees met one-on-one online and discussed topics like self-organization and study techniques. We find positive impacts on motivation, studying behavior, and exam registrations. The intervention did not shift earned credits on average, but we demonstrate strong positive effects on the most able students. In contrast to prior research, effects were more pronounced for male students.

[\[2\] Hardt-Can Peer Mentoring Improve Online Teaching Effectiveness An RCT During The COVID-19 Pandemic289.pdf](#)

5:07pm - 5:30pm

Zooming to Class?: Evidence from a Randomized Control Trial on the Effects of Online Learning on College Student Academic Achievement

Michael Stephens Kofoed¹, Lucas Gebhart², Dallas Gilmore³, Ryan Moschitto⁴

¹United States Military Academy, United States of America, IZA; ²United States Military Academy, United

States of America; ³United States Military Academy, United States of America; ⁴United States Military Academy, United States of America;

The COVID-19 pandemic caused colleges and universities to offer many courses online. However, there is little causal evidence of the efficacy of online instruction; particularly when instructors have little time to prepare to teach online. During the Fall 2020 semester, we randomly assigned West Point cadets to either online or in-person class sections across multiple instructors. Instructors in our experiment taught uniform curriculum and agreed to teach half of their teaching load in each modality. This allows us to control for instructor attributes. We find that grades for online cadets dropped by 0.20 standard deviations (a reduction of around a half of a +/- grade): a result driven by those with below median academic ability. This negative result is present across graded events and commensurate with cadet reports of reduced concentration and connection with the instructor.

[Kofoed-Zooming to Class-476.pdf](#)

4:00pm - 5:30pm

G03: Economics Consequences of COVID-19

4:00pm - 4:22pm

Information Revelation of Decentralized Crisis Management: Evidence From Natural Experiments on Mask Mandates

Nathan Seegert¹, Maclean Gaulin², Mu-Jeung Yang³, Francisco Navarro-Sanchez⁴

¹University of Utah, United States of America; ²University of Utah, United States of America; ³University of Utah, United States of America; ⁴University of Utah, United States of America;

We highlight the importance of signaling effects in determining whether public policy should be implemented at a decentralized or centralized level. For example, although a public policy may have the same direct effect if enacted at a state or county level, people may perceive these policies differently, leading to different indirect effects. We explore this mechanism using the patchwork of mask mandate orders in the U.S. from April to September 2020. State-wide mask mandates stimulate economic activity while also reducing COVID-19 case growth. Surprisingly, county-level mask mandates generally have the opposite effect, depressing economic activity. We argue that different unintended signaling effects can explain these differences in policy effects: households infer from county mask mandates that infection risks have increased in their local area and, therefore, socially distance more and spend less. [Seegert-Information Revelation of Decentralized Crisis Management-335.pdf](#)

4:22pm - 4:45pm

The Impact Of COVID-19 On Formal Firms Micro Tax Data Simulations Across Countries

Pierre Jean Bachas¹, Anne Brockmeyer^{2,3}, Camille Marine Semelet¹

¹The World Bank; ²The Institute for Fiscal Studies; ³University College London;

How is the COVID-19 pandemic affecting firm profits and tax payments in developing countries? This paper uses administrative corporate tax records from 10 low- and middle-income countries around the world to provide plausible estimates. Modeling the lockdown-triggered revenue shock with simple and transparent assumptions, the analysis predicts that less than half of all firms will remain profitable by the end of 2020, about 5–10 percent of the formal aggregate annual payroll will be lost, and firm exit rates will double. As a result, it is expected that tax revenue remitted by the corporate sector will fall by at least 1.5 percent of baseline gross domestic product. Differences in sectoral composition and firms' cost structures generate heterogeneity in the results across countries: wage subsidies are less effective in low-income countries and government revenue losses are smaller.

[Bachas-The Impact Of COVID-19 On Formal Firms Micro Tax Data Simulations Across Countries-243.pdf](#)

4:45pm - 5:07pm

Optimal Case Detection and Social Distancing Policies to Suppress COVID-19

Stefan Pollinger

Toulouse School of Economics, France;

This paper finds that the combination of case detection and social distancing is crucial for efficiently suppressing a new infectious disease. Theoretically, I characterize the optimal elimination strategy as a simple function of observables, which eases its implementation. Together with the number of infected, optimal social distancing decreases over time. The fundamental trade-off is between its intensity and its duration. Quantitatively, I calibrate the model to the COVID-19 pandemic in Italy at the end of the first lockdown on May 10, 2020. Given the observed prevalence and detection efficiency, eliminating the virus costs 11 % of annual GDP. Efficient digital contact tracing reduces the cost to 0.4 %. This cost is by one order of magnitude lower than the cost of optimal mitigation strategies.

[Pollinger-Optimal Case Detection and Social Distancing Policies-337.pdf](#)

5:07pm - 5:30pm

How Well-Targeted Are Payroll Tax Cuts as a Response to COVID-19? Evidence From China

Wei Cui¹, Jeffrey Hicks², Max Blair Norton²

¹Allard Law School, University of British Columbia, Canada; ²Vancouver School of Economics, University of British Columbia, Canada;

Numerous countries cut payroll taxes in response to COVID-19. This includes China, which completely exempted most firms from social insurance (SI) contributions--an average tax cut of 21 percentage points on formal labor costs and approximately 20% of total tax remittances by firms. We use novel data on 900,000 firms in one province to document new facts about the structure of SI in China and evaluate payroll tax cuts as a COVID-19 relief measure. We calculate that labor informality causes 54% of taxregistered firms--24% of aggregate economic activity--to receive no benefits. Labor formality also increases with firm size, further skewing the benefit of these cuts towards large firms. But despite these facts, the benefit of the cuts relative to firms' operating costs and liquidity is larger both for smaller firms and in industries most affected by the shock because these firms and industries are more labor-intensive.

[\[2\] Cui-How Well-Targeted Are Payroll Tax Cuts as a Response-355.pdf](#)

4:00pm - 5:30pm

G04: Behavioral Public Finance and Public Goods

4:00pm - 4:22pm

December Fever in Public Finance

Vera M. Eichenauer

ETH Zurich, Switzerland;

Public spending often increases at the end of fiscal years. This is a dynamic inefficiency. The causes for year-end spending spikes are poorly understood. Our novel identification strategy relies on the historic variation in countries' fiscal years. We show that the end of fiscal years rather than alternative explanations cause spending spikes at the end of fiscal years. Our accounting data includes discretionary daily contributions of 27 OECD countries to the World Bank from 2002-2013. As suggested by principalagent theory, we find that high administrative quality reduces the end of year effect and analyze pertinent budget institutions as possible mechanisms.

[\[2\] Eichenauer-December Fever in Public Finance-149.pdf](#)

4:22pm - 4:45pm

The Welfare Economics of Reference Dependence

Daniel Reck², Arthur Seibold¹

¹University of Mannheim, Germany; ²London School of Economics, United Kingdom;

Empirical evidence suggests that in many contexts, individuals evaluate options relative to a reference point, placing disproportionate weight on losses. In this paper, we analyze welfare under reference dependence. We explicitly model the central normative ambiguity over whether the influence of the reference point on choices reflects a bias or a normative preference, and we describe how judgments regarding this ambiguity affect welfare calculations. We find that policies that decrease the reference point generally improve welfare. In contrast, the welfare effect of price or tax changes in the presence of reference dependence depends strongly on normative judgments. We illustrate our findings with an empirical application to reference dependence exhibited in retirement decisions of German workers. Simulation results lend some support to increasing the Normal Retirement Age rather than using financial incentives in order to induce workers to postpone retirement.

[\[2\] Reck-The Welfare Economics of Reference Dependence-389.pdf](#)

4:45pm - 5:07pm

Paternalism Attitudes And The Happiness Value Of Fundamental Freedoms

Kai Konrad, Sven Arne Simon

Max Planck Institute for Tax Law and Public Finance, Germany;

The Governmental Paternalism Index is a new empirical index that measures individuals' attitudes towards governmental regulation and prescriptions that aim at preventing potentially self-harming behavior. Our results indicate considerable heterogeneity in how individuals support, or object to, such governmental prescriptions. We design and use this new index in a survey on life satisfaction during the covid-19 pandemic to assess how restrictions of personal freedom affect life satisfaction, and how the attitudes towards governmental paternalism affect this relationship. Our results indicate that losses in life satisfaction in the course of the Covid-19 pandemic are mainly attributed to restrictions in personal freedom and to a negative outlook on societal change, and that individuals' value in the Governmental Paternalism Index is a major determinant of the size of this effect.

[\[2\]](#)

[\[2\] Konrad-Paternalism Attitudes And The Happiness Value Of Fundamental Freedoms-425.pdf](#)

5:07pm - 5:30pm

Navigating The Notches: Charity Responses To Ratings

Jennifer Mayo

University of Michigan, United States of America;

This paper studies the effects of the star ratings system used by Charity Navigator. Using IRS Form 990 data from 2002 to 2019, I find an exogenous one-star increase in a charity's rating from 3 to 4 stars raises contributions by 6%, with even larger effects among smaller charities. Charities respond to these incentives by reporting less spending on administration and fundraising. Bunching analysis shows that some of the response is merely a misreporting of expenses in order to achieve a higher star rating. This suggests that a

continuous measure of charity quality would be less distortionary and better inform potential donors about the charity's activities.

[Mayo-Navigating The Notches-223.pdf](#)

4:00pm - 5:30pm

G05: Public Policy and the Family

4:00pm - 4:22pm

Wind of Change? Cultural Determinants of Maternal Labor Supply

Barbara Boelmann^{1,2}, Anna Raute³, Uta Schönberg²

¹University of Cologne, Germany; ²University College London, UK; ³Queen Mary University of London, UK; Does the culture in which a woman grows up influence her labor market decisions once she has a child? Does the culture of her present social environment shape maternal labor supply? To address this, we exploit the setting of the German reunification. A comparison of East and West German mothers on both sides of the former border shows that culture matters. Second, in exploiting migration across this old border, we document a strong asymmetry in the persistence of the childhood culture. While East German migrants return to work earlier and work longer hours, West German migrants adjust their post-birth labor supply nearly entirely to their East German colleagues. Last, taking advantage of differential inflows of East Germans across West German firms after reunification, we show that migration might be a catalyst for cultural change.

[Boelmann-Wind of Change Cultural Determinants of Maternal Labor Supply-371.pdf](#)

4:22pm - 4:45pm

Do Family Policies Reduce Gender Inequality? Evidence from 60 Years of Policy Experimentation

Henrik Kleven¹, Camille Landais², Johanna Posch³, Andreas Steinhauer⁴, Josef Zweimüller⁵

¹Princeton University; ²London School of Economics; ³Analysis Group; ⁴The University of Edinburgh,

United Kingdom; ⁵University of Zurich;

Do family policies reduce gender inequality in the labor market? We contribute to this debate by investigating the joint impact of parental leave and child care, using administrative data covering the labor market and birth histories of Austrian workers over more than half a century. We start by quasiexperimentally identifying the causal effects of all family policy reforms since the 1950s on the full dynamics of male and female earnings. We then map these causal estimates into a decomposition framework building on Kleven et al. (2019) to compute counterfactual gender inequality series. Our results show that the enormous expansions of parental leave and child care subsidies have had virtually no impact on gender convergence.

[Kleven-Do Family Policies Reduce Gender Inequality Evidence-409.pdf](#)

4:45pm - 5:07pm

Unequal Use of Social Insurance Benefits: The Role of Employers

Sarah Bana¹, Kelly Bedard², Maya Rossin-Slater³, Jenna Stearns⁴

¹Stanford University; ²University of California, Santa Barbara; ³Stanford University; ⁴University of California, Davis;

Disability Insurance (DI) and Paid Family Leave (PFL) programs are important sources of social insurance, but there is considerable inequality in benefit take-up, and little is known about the role of firms in determining benefit use. Using administrative data from California, we find that higher quality firms—based on earnings premiums and other measures—have substantially higher public DI and PFL take-up rates, and that this relationship is particularly strong among the lowest-earning workers within the firm. Our results suggest that changes in firm behavior may impact social insurance use, thus reducing an important dimension of inequality in America.

[Bana-Unequal Use of Social Insurance Benefits-263.pdf](#)

5:07pm - 5:30pm

The EITC and Maternal Time Use: More Time Working and Less Time with Kids?

Jacob E Bastian¹, Lance Lochner²

¹Rutgers University, United States of America; ²University of Western Ontario, Canada;

Parents spend considerable sums investing in their children's development, with their own time among the most important forms of investment. Given well-documented effects of the Earned Income Tax Credit (EITC) on maternal labor supply, it is natural to ask how the EITC affects other time allocation decisions, especially time with children. We use the American Time Use Surveys to study the effects of EITC expansions since 2003 on time devoted to a broad array of activities, with considerable attention to the amount and nature of time spent with children. Our results confirm prior evidence that increases in the maximum available EITC amount increase maternal work, reducing time devoted to home production and leisure, especially among unmarried mothers. More novel, we show that EITC expansions also reduce time spent with children; however, almost none of this reduction comes from time devoted to active investment-related activities.

[Bastian-The EITC and Maternal Time Use-271.pdf](#)

4:00pm - 5:30pm

G06: Tax Theory

Session Chair: **Thomas A. Gresik**, University of Notre Dame

Discussant Paper 1: **Simon Nairam**, University of the West Indies

Discussant Paper 2: **Eric Bond**, Vanderbilt University

Discussant Paper 3: **Mohammed Mardan**, Norwegian School of Economics (NHH)

Discussant Paper 4: **Shafik Hebous**, IMF

4:00pm - 4:22pm

What is the Optimal Minimum Tax?

Shafik Hebous¹, Michael Keen²

¹IMF, United States of America; ²IMF, United States of America;

What is the optimal level of a minimum tax in a multi-country world? We extend two seminal models of tax competition—Zodrow and Mieszkowski (1986) and Kanbur and Keen (1993)—to study two notions of an optimal minimum tax: i) the Pareto level in a Nash tax competition; and ii) the revenue maximizing level. We show that under general conditions, the efficient minimum tax rate is above the lower of the Nash taxes. Under specific functional forms, we express the optimal minimum tax rate as a function of the Nash tax rate.

4:22pm - 4:45pm

The Corporate Income Tax is Inherently Benefit-Based

Simon Nairam¹, Matthew Weinzierl^{2,3}

¹University of the West Indies; ²Harvard Business School; ³NBER;

In this paper we examine the benefit characteristics of the corporate income tax. We examine the extent to which the incidence of the corporate tax burden aligns with the incidence of the public input benefits. Our paper uncovers a simple result: the mechanisms that determine the incidence of the corporate income tax are the same mechanisms that determine who benefits from the public input. This result implies that the corporate tax is inherently benefit-based. In cases where the benefits of the public input do not exactly offset the burden of the corporate tax, we characterise the net incidence of a combined increase in the public input funded by an increase in the corporate tax.

[\[PDF\] Nairam-The Corporate Income Tax is Inherently Benefit-Based-345.pdf](#)

4:45pm - 5:07pm

Can Destination-Based Cash Flow Taxes Arise in Equilibrium?

Eric Bond¹, Thomas Gresik²

¹Vanderbilt University, United States of America; ²Notre Dame, United States of America;

We examine the effects of unilateral changes in a country's tax parameters in a two country model when both countries are part of a destination-based cash flow taxation (DBCFT) system. We consider deviations from a globally efficient DBCFT equilibrium by allowing each country to vary its corporate tax rate, degree of taxation of capital income, and level of border adjustment. We decompose the effect of policy changes into fiscal effects and price effects, and show that regardless of the similarity between the two countries, at least one country has an incentive to move toward taxation of capital income. If countries are identical, each has an incentive to move toward source-based taxation. In contrast, changes in corporate tax rates have neither fiscal or price effects, and thus can be set unilaterally. Our results shows the commitment mechanisms required to sustain multilateral DBCFT.

[\[PDF\] Bond-Can Destination-Based Cash Flow Taxes Arise in Equilibrium-115.pdf](#)

5:07pm - 5:30pm

Playing Easy or Playing Hard To Get: When and How to Attract FDI

Thomas A. Gresik¹, Dirk Schindler², Guttorm Schjelderup³

¹University of Notre Dame, United States of America; ²Erasmus School of Economics, The Netherlands;

³Norwegian School of Economics, Norway;

We study the link between a country's institutional quality in tax collection and its optimal corporate tax policies in a model of heterogeneous multinationals that can shift income using both debt and transfer prices. Countries with weak institutional quality can be made worse off adopting policies that attract FDI as the benefits from higher wages and production are more than offset by tax base erosion. Countries with moderate institutional quality can gain from under-utilizing their ability to collect taxes, since the benefit of attracting more FDI outstrips the benefit of increased tax revenue. Countries with very strong institutions benefit from FDI and should utilize their full ability to collect taxes.

[\[PDF\] Gresik-Playing Easy or Playing Hard To Get-117.pdf](#)

G07: Panel discussion: Learning from Tax History

4:00pm - 5:30pm

Discussant Paper 1: **Michael Keen**, IMF

Discussant Paper 2: **Joel Slemrod**, University of Michigan

Discussant Paper 3: **Chantal Stebbings**, University of Exeter

Discussant Paper 4: **Steven Bank**, UCLA School of Law

Economists have not paid as much attention to tax history as have law and other disciplines. In this session Michael Keen(IMF) and Joel Slemrod (University of Michigan), Chantal Stebbings (University of Exeter) and Steven Bank (UCLA) will draw on their work in the area to argue that tax history is a fertile and rewarding topic.

Rebellion, Rascals, and Revenue: Tax Follies and Wisdom through the Ages

Joel Slemrod

University of Michigan, United States of America;

Governments have always struggled to tax in ways that are effective and tolerably fair. Sometimes they fail grotesquely, as when, in 1898, the British ignited a rebellion in Sierra Leone by imposing a tax on huts—and, in repressing it, ended up burning the very huts they intended to tax. Sometimes they succeed astonishingly, as when, in eighteenth-century Britain, a cut in the tax on tea massively increased revenue. In this entertaining book, two leading authorities on taxation, In this book, we provide a fascinating and informative tour through these and many other episodes in tax history, both preposterous and dramatic—from the plundering described by Herodotus and an Incan tax payable in lice to the (misremembered) Boston Tea Party and the scandals of the Panama Papers. Along the way, readers meet a colorful cast of tax rascals, and even a few tax heroes.

[PDF Slemrod-Rebellion, Rascals, and Revenue-281.pdf](#)

Taxing Luxuries in Eighteenth-Century Britain: Old Perceptions and Modern Influences

Chantal Stebbings

University of Exeter, United Kingdom;

This presentation examines the nature of the luxury taxes which lay at the heart of British fiscal orthodoxy in the eighteenth century. They used the range of available imposts, including the indirect duties of customs, excise and stamps, and the direct establishment taxes. (...) These taxes might be thought to be mere historical curiosities, but this presentation demonstrates that they are important in two principal ways. First, they reveal the values which legislators and taxpayers recognised as essential to effective and sustainable taxation; and secondly, they were of material significance in the introduction and shaping of an income tax, which came to dominate direct taxation in the following century and beyond. In that, they explain certain defining features of modern tax law.

[PDF Stebbings-Taxing Luxuries in Eighteenth-Century Britain-551.pdf](#)

The Creation of an Expense Account Society

Steven Bank

UCLA School of Law, United States of America;

Almost immediately after lockdowns were announced in response to the COVID-19 pandemic, President Donald Trump called for restoring the deduction for business meal and entertainment expenses that had been removed in 2017. Perhaps imagining that it would result in a return to the post-World War II era when lavish spending was common, Trump hoped it would rescue a sinking restaurant industry. In a sense, he was right to connect tax with business meals and entertainment. Expense accounts, and the industry that evolved to support it, were a creature of the high post-war tax rates that persisted through the 1950s and beyond. Understanding the rise of this phenomenon, and the forces that conspired to defeat President John F. Kennedy proposal to eliminate deductions for meals and entertainment, helps to explain how inextricably linked tax is with business spending on meals and entertainment and how it became entrenched in American society.

[PDF Bank-The Creation of an Expense Account Society-285.pdf](#)

**5:35pm - 6:30pm
Helgi Bragason**

Social Event A: Live Tour of the Reykjanes Peninsulas Volcanic Eruption, by Sævar

Date: Friday, 20/Aug/2021

9:00am - 10:30am H01: Political Economy III

9:00am - 9:22am

Political Recruitment At Work

Linuz Aggeborn¹, Henrik Andersson²

¹Uppsala University, Sweden; ²Uppsala University, Sweden;

We investigate whether there is recruitment into politics from workplace networks with Swedish registry data from 2002–2018. Most politicians in Sweden are leisure-politician, meaning that they are employed at regular workplaces in addition of being politicians. In order to identify the causal effect, we restrict the analysis to small cells of individuals that work in close proximity at the same workplace and with the same profession. Our results indicate that an individual is more likely to become a politician if that person had a colleague that was a politician in the previous mandate period. Our mechanism analysis indicates that partisan recruitment may explain the main effect and we also find some evidences for the existence of inbreeding-bias in workplace networks.

[PDF Aggeborn-Political Recruitment At Work-313.pdf](#)

9:22am - 9:45am

What Are the Priorities of Bureaucrats? Evidence from Conjoint Experiments with Procurement Officials

Sebastian Blesse¹, Janne Tukiainen^{2,3}, Albrecht Bohne¹, Leonardo Giuffrida¹, Jan Jääskeläinen⁴, Antti Sieppi⁵, Ari Luukinen⁵

¹ZEW Mannheim, Germany; ²VATT; ³University of Turku; ⁴Aalto University; ⁵FCCA;

How do bureaucrats form decisions when performing complex tasks? We address this question in the context of public procurement by surveying more than 950 real-life bureaucrats in Finland and Germany about decisions on tender outcomes. The survey includes experimental vignettes in order to study the relative importance of bid price, quality, degree of competition, past-performance reputation, litigation risks, and regional favoritism for tender decisions. First, bureaucrats state to have substantial discretion but no important incentives. Second, our experiment identifies that procurers value avoiding negative risks with respect to prices and supplier reputation higher than grasping related symmetric opportunities. Third, avoiding bidders with bad past performance appears most important. Fourth, buyers value a certain degree of competition while litigation concerns and regional favoritism are benign. Moreover, our findings point towards the role of intrinsic motivation among public buyers in countries with high public sector capacity.

[\[2\] Blesse-What Are the Priorities of Bureaucrats Evidence from Conjoint Experiments with Procurement.pdf](#)

9:45am - 10:07am

The Effect of Lobbying Activity in Mixed Oligopoly at Free Entry Market

Tsuyoshi Shinozaki¹, Isidoro Mazza², Minoru Kunizaki³, Mitsuyoshi Yanagihara⁴

¹Tohoku Gakuin University, Japan; ²Catania University, Italy; ³Aichi University, Japan; ⁴Nagoya University, Japan;

This paper shows that whether socially optimal level of privatization can be achieved or not under competitive lobbying depends on market structure. We prove that (i) with an exogenous number of private firms, optimal degree of privatization becomes lower by the competitive lobbying compared with the socially optimal level, however, (ii) in free entry case, optimal degree of privatization is the same as with the socially optimal level. This result is in sharp contrast to the finding in the previous literatures that, in a non-mixed oligopoly market, competitive lobbying has no effect on the policy such as optimal tariff, optimal tax rates, and optimal regulations. Our finding means that if a country imposes entry regulation of private firms, social optimal level of privatization cannot be achieved but once a country allows free entry of private firms, socially optimal level of privatization Matsumura and Kanda (2005) found are naturally achieved.

[\[2\] Shinozaki-The Effect of Lobbying Activity in Mixed Oligopoly-457.pdf](#)

10:07am - 10:30am

Are Overly Attractive Government Jobs Distorting the Labor Market? Evidence from Bangladesh

Shahida Pervin

National Graduate Institute for Policy Studies (GRIPS), Japan;

Overly attractive government jobs may lead to labor market distortions with potential dampening effects on output and productivity. Exploiting an age ceiling policy that permits job aspirants' eligibility for government jobs until their 30th birthday, I estimate the impact of becoming ineligible for public service jobs on employment. Findings from population censuses and labor force surveys data over 25 years from 1991 to 2017 show that after age 30 the likelihood of employment increases by four to five percentage points over the whole period with little fluctuation across different years and levels of education. This suggests that young people are likely to wait and try for government jobs until they reach the age ceiling. This study provides the first microeconomic evidence on labor market impacts of the public sector premium. Whether this premium is distortionary depends on the opportunity cost of the time spent preparing for government jobs.

[\[2\] Pervin-Are Overly Attractive Government Jobs Distorting the Labor Market Evidence-432.pdf](#)

9:00am - 10:30am

H02: Immigration and Assimilation

9:00am - 9:22am

Hosting Refugees and Voting for the Far-Right: Evidence from France

Sarah Schneider-Strawczynski

Paris School of Economics, France;

Does exposure to refugees change the political preferences of natives towards far-right parties, and how does this change in preferences occur? Using the opening of refugee centers in France between 1995 and 2017, I show that voting for far-right parties in cities with such opening between two presidential elections falls by about 2 percent. The drop in far-right voting is higher in municipalities with a small population, working in the primary and secondary sectors, with low educational levels, and few migrants. I show that this negative effect can not be explained by an economic channel, but rather by a composition channel, through natives' avoidance, and a contact channel, through natives' exposure to refugees. I provide suggestive evidence that too-disruptive exposure to refugees, as measured by the magnitude of the inflows, the cultural distance, and the media salience of refugees, can mitigate the beneficial effects of contact on reducing far-right support.

[\[2\] Schneider-Strawczynski-Hosting Refugees and Voting for the Far-Right-423.pdf](#)

9:22am - 9:45am

Biased Beliefs about Immigration and Economic Concerns: Experimental Evidence

Patrick Bareinz¹, Silke Uebelmesser^{1,2}

¹ Tokyo University of Science, Japan; ²Princeton University, USA;

¹University of Jena; ²CESifo;

We conduct an information provision experiment to investigate the relevance of statistical information for economic attitudes towards immigration. Our experimental design is embedded into a large-scale representative online survey in Germany. We randomize the provision of information on the share and the unemployment rate of immigrants, representing facts about the size and economic characteristics of the immigrant population. When exposed to factual information about immigration, individuals systematically update their prior beliefs. We further find that information provision decreases economic concerns related to welfare state and labor market effects as well as immigration policy preferences. These effects exert heterogeneity in terms of the specific information provided and are more pronounced for individuals with overestimation biases in beliefs about immigration.

[\[2\] Bareinz-Biased Beliefs about Immigration and Economic Concerns-394.pdf](#)

9:45am - 10:07am

Did the Presence of Immigrants in Local Constituencies Affect the Vote Outcome in the Brexit Referendum?

Hisahiro Naito, Mizuho Asai

University of Tsukuba, Japan;

This study examines the effect of the presence of immigrants in voters' constituencies on voters' behaviour, using a data set of the UK referendum on the exit from the EU and post-election survey data. We apply two-stage least squares (2SLS) estimation to control for the endogeneity of the ratio of immigrants by using information on industry composition 25 years ago (1991) as the instrumental variable. We find that contrary to popular media coverage, the presence of immigrants in a local constituency does not increase the share of the vote to leave the EU. Using post-election individual survey data, we find that voters are making systematic errors in perceiving the changes of the level of immigrants. The difference of the perception and the (true) rate of the inflow of immigrants is affected by several demographic factors such as education and age.

[\[2\] Naito-Did the Presence of Immigrants in Local Constituencies Affect the Vote Outcome in the Brexit.pdf](#)

10:07am - 10:30am

The Cultural Assimilation of Individualism and Preferences for Redistribution

Olle Hammar

Uppsala University, Sweden;

I analyze the relationship between individualism and preferences for redistribution, using variation in immigrants' countries of origin to capture the impact of cultural values and beliefs on personal attitudes towards income redistribution and equality. Using global individual-level survey data for more than one million individuals (including 65,000 migrants) in a large number of countries around the world, I find strong support for the hypothesis that more individualistic cultures are associated with lower preferences for redistribution. At the same time, cultural assimilation in this dimension seems to take place relatively fast, where the impact of the destination culture starts to dominate the origin culture when an individual has lived as long in the country of destination as she did in her country of origin. Moreover, I find no statistically significant effect of the origin culture on an individual's preferences for redistribution if migration took place before the age of 10.

[\[2\] Hammar-The Cultural Assimilation of Individualism and Preferences-106.pdf](#)

9:00am - 10:30am

H03: Inequality Perceptions

9:00am - 9:22am

Overconfidence, Income-Ability Gap, and Preferences for Income Equality

Daiki Kishishita¹, Atsushi Yamagishi², Tomoko Matsumoto¹

independently of political ideologies. However, its effect on the support for reducing income inequality was heterogeneous. Only left-wing people increased the support for reducing income inequality, but even leftwing people did not increase the support for government interventions in correcting inequality. [\[2\] Kishishita-Overconfidence, Income-Ability Gap, and Preferences-135.pdf](#)

9:22am - 9:45am

Rich vs Poor: Inequality Perceptions, Information and Redistributive Policy Support

Luna Bellani, Nona Bledow

University of Konstanz, Germany;

This paper contributes to the study of how information on and perceptions of inequality matter for policy support. Using a survey experiment, we provide respondents with information on actual inequality. We have two separate treatments, one provides information on the share of income going to the richest 10% of all households, the other on the share going to the poorest 10%. Three main results emerge from our analyses: First, there is a priming effect of pointing people towards focusing on the rich vs. the poor. Second, information on the upper end of the distribution shifts policy support more than information on the lower end.

Overconfident people who do not earn what they think they can may attribute this negative gap to the unfairness of the economy and thereby favor reducing income inequality when they realize their incomeability gap. We conducted an online survey experiment in the US in which we assigned the treatment emphasizing each respondent's self-perception of the income-ability gap randomly. We found that realizing the negative income-ability gap lowers respondents' perception of the fairness of the economy

Third, changes in inequality perceptions have an effect on concrete policy proposals, but do not affect general attitudes towards redistribution.

[Bellani-Rich vs Poor-238.pdf](#)

9:45am - 10:07am

Social Position and Fairness View

Kristoffer Balle Hvidberg¹, Claus Thustrup Kreiner¹, Stefanie Stantcheva²

¹University of Copenhagen, Denmark; ²Harvard University, US;

We link survey data containing Danish people's perceptions of where they rank in various reference groups and fairness views with administrative records on their income history, life events, and reference groups. People know their income positions well, but believe others are closer to themselves than they really are. The perceived fairness of inequalities is strongly related to current social position, moves with shocks to social position (e.g. unemployment or promotions), and changes when people are experimentally shown their actual positions. People view inequalities within education group and coworkers as most unfair, but underestimate inequality the most exactly within these reference groups. [Hvidberg-Social Position and Fairness View-151.pdf](#)

10:07am - 10:30am

Gender Norms and Income Misreporting Within Households

Anja Roth, Michaela Slotwinski

University of Basel, Switzerland;

We demonstrate that individuals' survey responses are prone to the influence of gender norms. Drawing on Swiss and Austrian data combining survey and administrative information for the same couple, we find that couples where the woman outearns her partner misreport their incomes such that they comply with the malebreadwinner norm. This introduces a systematic bias into surveyed incomes and leads to a considerable overestimation of policy relevant measures like the gender wage gap, which is frequently based on survey data. Furthermore, surveyed income information can lead to false conclusions about individuals' labor market behavior if taken at face value.

[Roth-Gender Norms and Income Misreporting Within Households-442.pdf](#)

9:00am - 10:30am

H04: VAT

9:00am - 9:22am

Using Administrative Data to Assess the Impact of the Pandemic in Low-income Countries: An Application with VAT Data in Rwanda

Giulia Mascagni, Adrienne Lees

IDS / ICTD, United Kingdom;

This paper uses administrative data from VAT returns to provide insights on the impact of the pandemic in Rwanda. We show that the lockdown had a severe impact on the economy, which quickly rebounded after restrictions were lifted. The overall loss amounts to 5% of GDP. In absolute terms, losses are concentrated amongst the largest firms. In proportional terms, small firms suffered particularly hard. Firms in accommodation, food and transport, and those based in Kigali, were particularly affected by the crisis. This decline in economic activity translates in a 5.1% loss in VAT revenue. Our results offer policymakers evidence on the real impact of the crisis, both on aggregate and disaggregated by level of income, sector, and location. In a literature that has largely focused on higher-income countries, these results complement projections to inform appropriate policy responses in the specific context of low-income countries. [Mascagni-Using Administrative Data to Assess the Impact of the Pandemic-441.pdf](#)

9:22am - 9:45am

VAT Fraud and Reverse Charge: Empirical Evidence from VAT Returns

Annalisa Tassi, Thiess Buettner

FAU, Germany;

We explore the effects of a key anti-fraud measure on VAT returns. Exploiting the German VAT return data at industry level, we find that the total amount of input VAT claims were reduced significantly after the expansion of the scope of the so-called "reverse-charge" mechanism. The introduction of reverse charge means that tax-liability is shifted from the seller to the buyer. Our results point to a significant volume of VAT fraud before the implementation of this measure. The effects on reported sales and EU exports point to a decline of transactions and support the existence of significant fraud. Based on our estimates we quantify the amount of VAT fraud stopped by reverse charge in the years between 2009 and 2018 to be around 2.9% of VAT revenues.

[Tassi-VAT Fraud and Reverse Charge-396.pdf](#)

9:45am - 10:07am

Up and Down the Value-Added Tax

Susana Peralta, João Pereira dos Santos, Pedro Tavares de Sousa

Nova School of Business and Economics, Portugal;

This paper assesses the incidence of a large and temporary increase in value-added tax for Portuguese restaurants and other catering services. In 2012 the tax increased from 13% to 23% and it was brought back down in July of 2016. Combining data on all non-financial firms in Portugal between 2006 and 2017 we estimate effects upon four agents: consumers, capital owners, and workers. We show that firm-owners pass

on to consumers around 40% of the VAT increase while the pass-through after the repeal is zero. Through a Difference-in-Differences strategy we find that: the tax increase did not harm employees as severely as firm's margins, leading employers to later pocket most of the tax cut benefits

[Peralta-Up and Down the Value-Added Tax-309.pdf](#)

10:07am - 10:30am

VAT Invoice Information And Compliance Behavior: Evidence From Thailand

Athiphat Muthitacharoen¹, Wonma Wanichthaworn², Trongwut Burong²

¹Chulalongkorn University, Thailand; ²Revenue Department, Thailand;

How do firms respond to increased information available to tax authority? We employ a difference-indifference approach to examine the effects of a policy that increases the amount of information on VAT invoice on firm behavior in an environment with large informality. We use a de-identified panel of VAT and corporate income tax returns that comprises the universe of Thai firms. Our finding indicates that increasing the information available to tax authority has a large and significant impact on compliance of both VAT and corporate income tax.

[Muthitacharoen-VAT Invoice Information And Compliance Behavior-280.pdf](#)

9:00am - 10:30am

H05: Macro Public Finance, Budgets, and Banks

9:00am - 9:22am

Gauging the Effects of the German COVID-19 Fiscal Stimulus Package

Natascha Hinterlang, Stéphane Moyen, Oke Röhe, Nikolai Stähler

Deutsche Bundesbank, Germany;

To alleviate the economic costs of the COVID-19 pandemic, the German government set up a huge fiscal stimulus package. Simulations in a dynamic New Keynesian multi-sector general equilibrium model indicate that it notably stabilizes output and consumption. Cumulated over 2020-2022, output can be stabilized by over 4 PP. On average, the welfare costs of the pandemic are reduced by around 5% and by 20% for liquidity-constrained households. The long-run present value output multiplier amounts to around 0.2. The reduction of consumption taxation and direct transfers to households notably back consumption by liquidity-constrained consumers and stabilize output. Subsidies for firms prevent defaults and stabilize the economy, but are quite costly, while public investment is the most cost-effective measure. The paper sheds light on the question as to which fiscal measures have so far helped to mitigate the impact of the crisis and may provide guidance for possible future fiscal stimulus packages.

[Hinterlang-Gauging the Effects of the German COVID-19 Fiscal Stimulus Package-136.pdf](#)

9:22am - 9:45am

Freeze! Financial Sanctions and Bank Responses

Matthias Ebing¹, Stefan Goldbach², Volker Nitsch³

¹HEC Paris; ²Deutsche Bundesbank; ³Technische Universität Darmstadt, Germany;

When the UN or another political body impose financial sanctions on a country, banks are typically required to end business relations with targeted counterparties. Based on German regulatory data for years 2002-15, we show that parent institutions of multinational banking groups reduce their positions in sanctioned countries by -38%. However, their branches and subsidiaries in countries with weak policies against financial crime increase lending by +68% after sanctions are imposed. These branches and subsidiaries receive additional intra-group credit from their parent banks. The evidence suggests that credit is rerouted to sanctioned countries through bank branches and subsidiaries in offshore locations. [Ebing-Freeze! Financial Sanctions and Bank Responses-323.pdf](#)

9:45am - 10:07am

Regional and Sectoral Varieties of VAT Pass Through in Japan

Kazuki Hiraga

Tokai University, Japan;

This paper investigates the contemporaneous (short-run) and dynamic (long-run) responses of regional and sectoral price level change in consumption tax rate (VAT) hike (i.e. pass through of VAT) in Japanese monthly, 10 regional and 10 sectoral (commodity category) data. We show the effects not only contemporaneous but also pre-reform (from 12 month ago to one month) and post-reform (from one month ahead to 12 month) similar to Benedek et al.(2019). We obtain some remarkable results. First, aggregate pass through is incomplete, but case in 5% in 1997 and 8% in 2014 increase are complete (or overshifting) pass-through. Second, sectoral difference is large (e.g. the long-run pass through range from -0.25 to 1.42), while regional difference is small.

[Hiraga-Regional and Sectoral Varieties of VAT Pass Through-153.pdf](#)

10:07am - 10:30am

Avoiding Unpleasant Surprises: An Analysis of German States' Budget Forecasts

Thiess Buettner^{1,2}, Tobias Goerbert¹

¹FAU Erlangen-Nuremberg, Germany; ²CESifo;

This paper explores budget forecasts over different forecast horizons. We argue that these forecasts tend to be pessimistic at a given forecast horizon if negative fiscal shocks are perceived to be more costly than

positive fiscal shocks. We provide an empirical analysis of the German states' forecasts of the budgetbalance over a period of forty years. The results confirm the existence of a robust downward bias, supporting a strong negative perception of negative fiscal shocks over the short-term horizon. The bias increases in states with relatively large levels of public debt but is not associated with transfers, government ideology or election dates.

[Buettner-Avoiding Unpleasant Surprises-431.pdf](#)

9:00am - 10:30am

H06: Policies and the Environment

9:00am - 9:22am

Contracting with Countries in a Walrasian World to Curb Coal Lennart Stern

PSE-EHESS, France;

Existing international environmental institutions curb fossil fuels by rewarding countries for reducing demand and expanding substitutes. This paper argues that it would be beneficial to create new institutions that would reward countries for reducing their fossil fuel supply. Assuming complete information, I prove a Price Preservation Lemma: For any given budget, the optimal way to split the budget between the three approaches (rewarding supply reduction, demand reduction, and substitute expansion) leaves the world market price of the fossil fuel unchanged. In a dynamic setting, this result holds under full commitment for any given intertemporal budget. Using this Lemma, I show that the optimum cannot be implemented by relying on the supply side entirely on a deposit purchase fund. The results suggest that it would be valuable to also create funds rewarding countries for taxing fossil fuel extraction in addition to creating a deposit purchase fund.

[Stern-Contracting with Countries in a Walrasian World to Curb Coal-499.pdf](#)

9:22am - 9:45am

Green Protection for Sale: The Impact of Industrial Lobbying on International Cooperation in the Presence of Border Carbon Adjustment

Achim Hagen, Mark Schopf

University of Hagen, Germany;

We study the influence of producer firm lobby groups on the choice of national emission reduction policies and the formation of a climate coalition if members of the coalition use border carbon adjustments (BCA). Coalition countries regulate emissions from commodity production with a carbon tax. The commodity is traded on an international market. We find that lobbying leads to a reduction of the price difference between coalition countries and outsiders and can thereby help to stabilize larger coalitions. We contribute to the literature by providing novel insights how, in the presence of BCA, industry lobbies can improve the prospects for climate cooperation. In this case, "green protection for sale" turns into environmental protection.

[Hagen-Green Protection for Sale-514.pdf](#)

9:45am - 10:07am

Environmental tax, Regulation intensity and Labor demand:evidence from China

Jinke liu, yueyun Wang

central university of finance and economics, China, People's Republic of;

Environmental tax is an important market-based environmental protection instrument in many countries, but little research assesses the impact of the environmental tax on industrial labor demand in developing countries. Employing the pollutant discharge fees standard reform of SO₂ in China as a quasi-natural experiment, the paper estimates the effects of the environmental tax on labor demand of manufacturing sector with a difference-in-differences design. Analyzing the most comprehensive firm-level dataset of China, we find the pollutant discharge fees standard reform had no significant negative impact on overall labor demand. However, it had heterogeneous impacts on different types of firms. The available evidence indicates that the negative effects were significant for firms in more heavily polluting industries, those of smaller size, and those firms in regions with poor fiscal capacity, respectively. The reform also decreased SO₂ emissions significantly and had a positive effect on public health.

[liu-Environmental tax, Regulation intensity and Labor demand-525.pdf](#)

10:07am - 10:30am

Stimulating the Car Market at an Environmental Cost: Evidence from Fiscal Stimulus in China

Xuan Wang

University of Michigan, United States of America;

Stimulating durable goods purchases is especially crucial during recessions and many stimulus policies target environmental-friendly products. However, there is little evidence on the consequences of these policies, both in terms of stimulus and environmental impact. We seek such evidence by evaluating important recent fiscal stimulus programs in the Chinese passenger car market: tax holidays and cash subsidies for the purchase of new small engine cars. This paper shows the impact of tax incentives using national administrative car registration data from the years 2005-2018. The results show that a one percentage point sales tax decrease increases the total sales of targeted small cars by about 3.2% and decreases sales of their substitutes, cars with slightly larger sized engines, by 3.9%. Overall, the stimulus effect dominates the substitution effect.

[Wang-Stimulating the Car Market at an Environmental Cost-478.pdf](#)

9:00am - 9:22am**Tax Enforcement, Revenue and Informality****Prakriti Joshi¹, Debasis Mondal²**¹IIT Delhi, India; ²IIT Delhi, India;

In this paper, we explore the relationship between informality, tax enforcement and tax revenue. Previous studies have explored the relationship between taxes and the size of the informal sector and have observed a monotonic relation between the two. However, on observing the data of developing countries, we find that the relationship between the size of the informal sector and the tax rate is non-monotonic, inverted-U shape in nature. In this paper, we build a theoretical framework involving government expenditure of tax revenue in the form of productive public services and tax enforcement which allows us to unravel the correlation between the size of the informal sector and taxes. Our numerical results suggest that as tax rates increase in a developing economy, the informal sector grows initially and then begins to shrink because of the interplay between tax enforcement and tax rates.

[Joshi-Tax Enforcement, Revenue and Informality-527.pdf](#)

9:22am - 9:45am

Optional (Non-)Filing and Effective Taxation**Tobias Hauck, Luisa Wallosek**

LMU Munich, Germany;

Tax non-filing is legal in more than thirty countries worldwide. Using German administrative tax data, we examine the effect of such optional (non-)filing systems: Low-income taxpayers are both more likely not to file and to over-remit taxes, aggregating to total over-remittances of 950 million € in 2014. Because low-income non-filers face higher effective average tax rates than foreseen by the schedule, this reduces the effective tax progressivity. Non-filing also increases effective marginal tax rates which imposes distortionary effects for non-filers with no effects on other taxpayers, leading to unexploited tax revenue potential. We use two reform proposals to quantify this potential.

[Hauck-Optional \(Non-\)Filing and Effective Taxation-453.pdf](#)

9:45am - 10:07am

Tax Evasion and Forgiveness**Himawan Saputro**

University of Kentucky, United States of America;

This paper studies the determinants of tax evasion and the compliance impacts of forgiving tax evaders using the 2016 Indonesian tax amnesty program where the government offers a set of discounted tax rates and penalties exemption on declaration of unreported net assets as an equivalent of unreported income. I document that intensity in withholding tax, level of reported income, and types of employment influence the decision to evade taxes. The result is consistent with the argument that external factors motivate tax compliance. I further compare reported income between wage earners and self-employed individuals in each of income percentile before and after the amnesty and find that the program provides no meaningful effect except limitedly to those in the very top of income distribution, e.g., around 6.1 percent increase in reported net income. This limited impact may be driven by the Indonesian size-based tax administration.

[Saputro-Tax Evasion and Forgiveness-523.pdf](#)

10:07am - 10:30am

How to Make Multinational Automatic Information Exchange on Financial Account Data Work**Elisa Casi-Eberhard¹, Jakob Miethe², Barbara Stage³**¹Norwegian School of Economics (NHH), Norway; ²University of Munich (LMU), Germany; ³ZEW Mannheim & University of Mannheim, Germany;

The last decade has seen an unprecedented surge in international cooperation to reduce international tax evasion via tax havens. The most recent initiatives to target individual tax evasion implement automatic exchange of financial accounts information across countries - with the introduction of FATCA and the CRS. We study whether these two existing systems lead to different tax evader reaction. Employing bilateral data on cross-border deposits, we find that tax evaders' reaction to FATCA is significantly stronger than the CRS one. We hypothesize that a crucial difference between FATCA and the CRS, which determines the success of the former, is how the two systems deal with an important agency problem that arises in the context of international tax evasion via financial intermediaries.

[Casi-Eberhard-How to Make Multinational Automatic Information Exchange-421.pdf](#)

10:45am - 12:15pm**J01: COVID-19 and Behavior**

10:45am - 11:07am

Calamities, Common Interests, Shared Identity: What Shapes Altruism and Reciprocity?

Cevat Giray Aksoy¹, Antonio Cabrales², Mathias Dolls³, Ruben Durante⁴, Lisa Windsteiger⁵

¹European Bank for Reconstruction and Development; ²Universidad Carlos III de Madrid; ³ifo Institute, Germany; ⁴ICREA, UPF, Barcelona School of Economics; ⁵Max Planck Institute for Tax Law and Public Finance;

We conduct a large-scale survey experiment in nine European countries to study how priming a major crisis (COVID-19), common economic interests, and a shared identity influences altruism, reciprocity and trust of EU citizens. We find that priming the COVID-19 pandemic increases altruism and reciprocity towards compatriots, citizens of other EU countries, and non-EU citizens. Priming common European values also boosts altruism and reciprocity but only towards compatriots and fellow Europeans. Priming common economic interests has no tangible impact on behaviour. Trust in others is not affected by any treatment. Our results are consistent with the parochial altruism hypothesis, which asserts that because altruism arises out of inter-group conflict, humans show a tendency to favor members of their own groups. [\[2\] Aksoy-Calamities, Common Interests, Shared Identity-221.pdf](#)

11:07am - 11:30am

Economic Sentiment During the COVID Pandemic: Evidence from Search Behaviour in the EU

Wouter van der Wielen, Salvador Barrios

European Commission, Joint Research Centre, Spain;

The COVID-19 pandemic has inflicted an economic hardship unprecedented for the modern age. In this paper, we show that the health crisis and ensuing lockdown, came with an unseen shift in households' economic sentiment. First, using a European dataset of country-level and regional internet searches, we document a substantial increase in people's business cycle related searches in the months following the coronavirus outbreak. People's unemployment concerns jumped to levels well-above those during the Great Recession. Second, we observe a significant, coinciding slowdown in labour markets and consumption. Third, our analysis shows that the ensuing shift in sentiment was significantly more outspoken in those EU countries hit hardest in economic terms. Finally, we show that unprecedented fiscal policy actions, such as the short-time work schemes implemented or reformed at the onset of the COVIDcrisis, however, have not eased economic sentiment.

[\[2\] van der Wielen-Economic Sentiment During the COVID Pandemic-217.pdf](#)

11:30am - 11:52am

News Framing and Policy Support During the COVID-19 Crisis: Evidence from a Survey Experiment

Patrick Bareinz, Fabian Koenings

University of Jena;

We investigate the effect of how news outlets communicate macroeconomic information on policy support during the COVID-19 crisis. In our survey experiment based on a representative sample of 3000 individuals in Germany, respondents are exposed to an expert forecast of GDP growth. Individuals are randomly assigned to either receive no information, the baseline forecast information, or real-world frames of the same information used in newspaper articles. We find that in contrast to the baseline information, positive framing of forecasted economic growth by news outlets increases support for pandemic policy. This effect is especially pronounced for respondents with more pessimistic macroeconomic expectations. Further evidence suggests that negative economic news are perceived as more credible and hence less surprising in times of recession, not translating into a change in political opinion.

[\[2\] Bareinz-News Framing and Policy Support During the COVID-19 Crisis-415.pdf](#)

11:52am - 12:15pm

The Impact of the COVID-19 on Japanese Firms: Mobility and Resilience via Remote Work

Daiji Kawaguchi¹, Sagiri Kitao¹, Manabu Nose^{1,2}

¹The University of Tokyo; ²The International Monetary Fund;

Drawing on the original survey of Japanese firms during the COVID-19 pandemic, we estimate the impact of the crisis on firms' sales, employment and hours worked per employee and roles of Work-from-Home (WfH) arrangements in mitigating negative effects. We find that the lowered mobility significantly contracted firms' activities. On average, a 10% reduction in mobility reduced sales by 2.8% and hours worked by 2.1%, but did not affect employment. This muted employment response is consistent with limited changes in aggregate employment at the extensive margin during COVID-19 in Japan. We find that the adoption of WfH before COVID-19 mitigated the negative impact by 55% in terms of sales and by 35% in terms of hours worked. Adapting to the crisis environment by increasing the number of employees working from home is also found to moderately reduce the negative impact on sales and work hours.

[\[2\] Kawaguchi-The Impact of the COVID-19 on Japanese Firms-413.pdf](#)

10:45am - 12:15pm

J02: Political Economy IV

10:45am - 11:07am

Read My Lips? Taxes and Elections

Clemens Fuest^{1,2,3}, Klaus Gründler^{1,2,3}, Niklas Potrafke^{1,2,3}, Fabian Ruthardt^{1,2}

¹ifo Institute, Germany; ²University of Munich; ³CESifo;

We examine how electoral motives influence tax reforms. We introduce a new quantitative harmonized index of tax reforms based on qualitative information of the IMF. Our sample includes 22 advanced and emerging market economies over the period 1960–2014. The results show that election-motivated politicians postponed tax rate increases to after elections. The increase in the overall tax rate index was around 0.24 standard deviations larger in post-election years than in other years. Politicians were especially active in increasing VAT tax rates and personal income tax rates after elections. [✉ Fuest-Read My Lips Taxes and Elections-399.pdf](#)

11:07am - 11:30am

The Effects of Public Disclosure by Politicians

Carina Neisser, Nils Wehrhöfer

University of Cologne, Germany;

Starting in 2005, German federal MPs need to publish their outside earnings in a bracket system topcoded at 7,000 euro. In 2007, private was replaced by public disclosure (also retroactively to 2005) and these information can be accessed online. In 2013, more brackets were introduced such that earnings above 250,000 euro were now censored. First, we exploit both reforms to identify the causal effects of disclosure rules on politician's earnings using administrative tax return data. It allows us to observe pre-reform income as well as using unaffected state MPs as a control group. Our results indicate that for the first reform the top-coding has the consequence of raising outside earnings, while the second reform (a higher degree of public disclosure) leads to a decrease in outside earnings. Second, we explicitly distinguish between the effects of private versus public disclosure and find no effect of private disclosure. [✉ Neisser-The Effects of Public Disclosure by Politicians-378.pdf](#)

11:30am - 11:52am

Electoral Commitment in Asymmetric Tax-competition Models

Yukihiro Nishimura^{1,2}, Kimiko Terai³

¹Osaka University, Japan; ²CESifo, Germany; ³Keio University, Japan;

This study examines the political process of tax competition among asymmetric countries, highlighting the role of the commitment to the electoral promises. The median voters deliberately elect a delegate whose preferences differ from their own (strategic delegation), which is self-enforcing under symmetric countries. We first show that the outcome of strategic delegation is replicated when the candidates do not make binding campaign promises in both countries. We then amplify the model by adding the pre-election stage where the citizens choose whether the credibility of election promises is critical, through subscription numbers of newspapers and social media which determine the cost of betrayal of the proposed platforms (or the lack of the proposal). We then show that, depending on the type of asymmetries under consideration, sufficient asymmetry or sufficiently equal income distribution generates the commitment to the election campaign promises as the equilibrium outcome.

[✉ Nishimura-Electoral Commitment in Asymmetric Tax-competition Models-304.pdf](#)

11:52am - 12:15pm

Incumbency and Expectations of Fiscal Rule Compliance: Evidence from Surveys of German Policy Makers

Friedrich Heinemann², Eckhard Janeba¹, Maximilian Todtenhaupt³

¹University of Mannheim, Germany; ²ZEW Mannheim, Germany; ³Norwegian School of Economics (NHH), Norway;

We analyze politicians' expectations about compliance with a fiscal rule, and in particular the dependence of the expectations on their role in parliament (opposition vs. incumbent government coalition). We study these questions in the context of the German debt brake, which became a constitutional provision in 2009 but is binding for the sub-national states from 2020 onwards only. Via a unique survey, conducted in 2011/2012 and 2014/16, we observe compliance expectations of parliamentarians of all 16 German state parliaments. We find a strong incumbency effect, politicians from the governing coalition more optimistic than those from the opposition, and more so in the second survey. A theoretical model is developed to rationalize the increasing incumbency effect, which is driven by assumptions on the cumulative reputation gain from fiscal rule compliance and on politicians' subjective election winning chances (overoptimism).

[✉ Heinemann-Incumbency and Expectations of Fiscal Rule Compliance-461.pdf](#)

10:45am - 12:15pm

J03: Local Government Expenditure

10:45am - 11:07am

¹ University of Lapland, Finland; ²Aalto University, Finland; ³University of Turku, Finland;

We study the extent and determinants of competition and its role in determining prices in public procurement using uniquely comprehensive and rich data from Finland and Sweden. We supplement our study with qualitative interviews. Competition is extremely low in both countries. All regions and contracting authority types, and most industries face the issue. Moreover, bidders typically are heterogeneous in size, which likely limits competition further. Competition seems to work as expected as

Economies of Scope and Local Government Expenditure: Evidence from Creation of Specially Authorized Cities in Japan

Takeshi Miyazaki

Kyushu University, Japan;

This study uses difference-in-differences (DID) analysis and the event study method to estimate the impact on expenditure of the designation of cities as either core cities or special case cities, thereby giving them the authority to undertake a wider range of activities, and identify the magnitude of the economies of scope in local governments using panel data for Japanese municipalities during the period 1996–2015. The findings of this research are summarized as follows. First, in the provision of public services by general-local governments, economies of scope do not occur in the short term (2–3 years), but do appear in the mid to long term (more than 5 years for core city status). After the delegation of duties, per capita expenditure for core cities increases by 2.8% immediately after the designation, but then decreases by 0.6% annually. Second, the wider the range of extra activities delegated, the greater the economies of scope.

[\[PDF\] Miyazaki-Economies of Scope and Local Government Expenditure-125.pdf](#)

11:07am - 11:30am

Competition in Public Procurement: Evidence from Finland and Sweden

Kirsi-Maria Halonen¹, Jan Jääskeläinen², Janne Tukiainen³

(standardized) prices decrease with the number of actual and potential bidders. The perceived reasons for lack of competition are many and vary across industries but are typically related to communication practices and professionalism in public procurement. Accordingly, we show using contracting authority office level norms as instrumental variables that the use of scoring auctions is detrimental to competition, especially in industries where their use is not typical. Bidder friendly dialog, strategies and practices are proposed as remedies.

[\[PDF\] Halonen-Competition in Public Procurement-210.pdf](#)

11:30am - 11:52am

Ecological Fiscal Transfers And Local Government Spending: The Flypaper Effects In The Era Of Pandemic

Amandeep Kaur, Ranjan Kumar Mohanty, Lekha Chakraborty, Divy Rangan

NIPFP, India;

Against the backdrop of covid pandemic, the paper explores the empirical evidence for flypaper effects in the ecological fiscal space in India. Using the panel data models, we analyse whether the impact of intergovernmental fiscal transfers or state's own revenue determines the expenditure commitments on ecology at the State level. The econometric analysis shows that the aggregate intergovernmental fiscal transfers rather than state's own income determines the ecological expenditure at subnational government levels. The evidence for efficacy of flypaper effects either stem from bureaucratic fiscal behaviour or the fiscal illusion of the economic agents about the exogeneity of ecological fiscal space. The results hold, when the models are controlled for ecological outcomes and demographic variables. However, at the disaggregated levels of intergovernmental fiscal transfers - grants and tax devolution - the evidence for flypaper effects, is mixed.

[\[PDF\] Kaur-Ecological Fiscal Transfers And Local Government Spending-481.pdf](#)

11:52am - 12:15pm

Charitable Giving, Tax Reform, and Self-selection of Tax Relief: Evidence from South Korea

Hiroki Kato¹, Tsuyoshi Goto², Youngrok Kim³

¹Osaka University, Japan; ²Chiba University, Japan; ³Kobe University, Japan;

This paper investigates the price elasticity of charitable giving utilizing South Korean tax reform in 2014, when the tax relief on charitable giving changed from tax deduction to tax credit. Although many research on the price elasticity of charitable giving implicitly assume that all of tax payers declare their tax relief on charitable giving, this paper considers the existence of declaration cost for tax reliefs on charitable giving. By estimating the "intension-to-treat" effect (ITT) of tax reform. Furthermore, considering the declaration of charitable giving and exploiting the different declaration cost between wage earners and self-employed workers as instrument variable (IV), we estimate the effect of "effective" giving price on the donation. As a result, we find that the giving price elasticity is about -1 in terms of both intensive and extensive margins.

[\[PDF\] Kato-Charitable Giving, Tax Reform, and Self-selection-369.pdf](#)

10:45am - 12:15pm

J04: The Super Rich

10:45am - 11:07am

Political Connections and the Super-Rich in Poland

Katarzyna Salach, Michał Brzezinski

University of Warsaw, Poland;

We study the impact of political connections of the richest Poles on their wealth level, mobility among the rich and the risk of dropping off the rich list. We use newly collected original panel data (2002-2018) and we find that political connections are not associated with the wealth level of Polish multimillionaires, but that they are linked to the 20-30% lower probability of upward mobility in the ranking of the rich. Moreover, being

a former member of the communist party or secret police informant increases the risk of dropping off the rich list by almost 80%. Our results show that, contrary to some other post-socialist countries such as Russia or Ukraine, there is little evidence that the Polish economy suffers from crony capitalism. [\[2\] Salach-Political Connections and the Super-Rich in Poland-165.pdf](#)

11:07am - 11:30am

Tracking the Super-Rich Using Rich Lists: First-Time Evidence from Switzerland

Enea Baselgia¹, Isabel Z. Martinez²

¹University of St.Gallen, Switzerland; ²ETH Zurich, Switzerland;

We collect, digitize, and supplement the Swiss rich list for the years 1989-2020 published in the "Bilanz" magazine to gain new insights on the structure and dynamics of top wealth in Switzerland. We shed light on the characteristics of the super-rich in Switzerland, which was not possible in prior research based on tax data. We further provide new evidence on the wealth mobility of the super-rich in Switzerland, finding that mobility has declined significantly over the past decade. Inheritances are still the main factor in making it to the very top of wealth distribution. Finally, we estimate the top 0.01% wealth share. Our results suggest that in Switzerland wealth concentration at the top is likely somewhat higher than previously assumed, highlighting the central role of foreigners and, in particular, wealthy expenditurebased taxpayers at the very top of the distribution.

[\[2\] Baselgia-Tracking the Super-Rich Using Rich Lists-466.pdf](#)

11:30am - 11:52am

On Top of the Top: Adjusting Wealth Distributions Using National Rich-Lists

Franziska Disslbacher^{1,2}, Michael Ertl², Emanuel List^{1,3}, Patrick Mokre^{2,4}, Matthias Schnetzer²

¹Vienna University of Economics and Business, Austria; ²Vienna Chamber of Labour; ³Macroeconomic Policy Institute (IMK); ⁴New School for Social Research;

The richest are missing in wealth surveys. Recent attempts to mitigate resulting troubles in the tail combine survey data with rich-lists and estimate a parametric model, most notably the Pareto distribution, for the tail. The literature until now would rely on ad-hoc assumptions or visual inspection for one or the other steps in parameter estimation. This paper combines the most recent contributions to the parametric estimation of heavy tailed distributions into a unified regression approach for the joint estimation of all parameters of the Pareto distribution, as well as the more flexible Generalized Pareto distribution. We apply this transparent and flexible quasi-algorithmic procedure to 14 Eurozone countries and estimate the wealth shares of the top percentiles. This is based on a combination of the most comprehensive collection of journalistic evidence on the richest households from national publications ("rich lists") and survey data from the Household Finance and Consumption Survey (HFCS).

[\[2\] Disslbacher-On Top of the Top-504.pdf](#)

11:52am - 12:15pm

How Wealthy Are the Rich?

Jan Schulz^{1,2}, Mishael Milakovic¹

¹Economics Department, University of Bamberg, Germany; ²Bamberg Doctoral Research Group on Behavioral Macroeconomics (BaGBeM);

Underreporting and undersampling biases in top tail wealth, although widely acknowledged, have not been statistically quantified so far, essentially because they are not readily observable. Here we exploit the functional form of power law-like regimes in top tail wealth to derive analytical expressions for these biases, and employ German microdata from a popular survey and rich list to illustrate that tiny differences in non-response rates lead to tail wealth estimates that differ by an order of magnitude, in our case ranging from one to nine trillion euros. Underreporting seriously compounds the problem, and we find that the estimation of totals in scale-free systems oftentimes tends to be spurious. Our findings also suggest that recent debates on the existence of scale- or type-dependence in returns to wealth are ill-posed because the available data cannot discriminate between scale- or type-dependence on the one hand, and statistical biases on the other.

[\[2\] Schulz-How Wealthy Are the Rich-166.pdf](#)

10:45am - 12:15pm

J05: Environmental Economics I

10:45am - 11:07am

The Effect of Weather on the Spread of SARS-CoV-2 and the Mediation Role of Social Behaviour

Simone Ferro¹, Chiara Serra²

¹University of Milan, Queen Mary University of London; ²European University Institute;

We combine mobile locations, weather data, and COVID-19 confirmed cases in a two-way fixed effects mediation model to estimate the causal impact of weather on the COVID-19 infection rate in the United States, disentangling its direct impact from the indirect effect via the endogenous response of social activity. We show that, while temperature has a negative impact on viral infectiousness, it also increases the amount of time individuals spend out of home, which favouring the spread of the virus offsets half of the potential beneficial effect of temperature. Estimates are robust to an alternative definition of social activity based on the number of visits to indoor venues. This suggests that our results are not driven by reduced indoor activity

on warmer days, leaving a biological effect of temperature on the virus as the most probable mechanism. Finally, our estimates show that school closures and lockdowns are effective in reducing infections.

[Ferro-The Effect of Weather on the Spread of SARS-CoV-2 and the Mediation Role of Social Behaviour-388.pdf](#)

11:07am - 11:30am

Toxic Heavy Metal Injustice? Early Life Conditions and Proximity to Contamination

Oscar Erixson¹, Linuz Aggeborn², Mattias Öhman³, Jenny Jans⁴

¹Uppsala University, Sweden; ²Uppsala University, Sweden; ³Uppsala University, Sweden; ⁴Stockholm University, Sweden;

We study toxic heavy metals and ask whether proximity to contamination is unequally distributed in the population at the time of birth. To answer this question, we employ registry data from Sweden together with air pollution data from moss samples for the years 1995–2015. We find that the overall level of toxic heavy metals in the environment has substantially decreased during these years. At the same time, economic inequalities have, in contrast, increased. Finally, we find that closeness to contamination is weakly correlated with socioeconomic status at birth and with perinatal health endowment. We conclude that there are no clear evidences of substantial environmental injustice with regards to toxic heavy metal contamination.

[Erixson-Toxic Heavy Metal Injustice Early Life Conditions and Proximity-513.pdf](#)

11:30am - 11:52am

Climate Adaptation Policies and Infant Health: Evidence from a Water Policy in Brazil

Daniel Da Mata¹, Lucas Emanuel², Vitor Pereira³, Breno Sampaio²

¹Sao Paulo School of Economics - FGV, Brazil; ²Universidade Federal de Pernambuco; ³National School of Public Administration - ENAP;

This paper studies how in utero exposure to a large-size climate adaptation program affects birth outcomes. The program built about one million cisterns in Brazil's poorest and driest region to promote small-scale decentralized rainfall harvesting. Access to cisterns during early pregnancy increased birth weight, particularly for more educated women. Data suggest that more educated women complied more with the program's water disinfection training, highlighting that even simple, low-cost technologies require final users' compliance ("the last-mile") to be effective. In the context of growing water scarcity, our findings suggest that adaptation policies can foster a predictor of future individual outcomes. [Da Mata-Climate Adaptation Policies and Infant Health-516.pdf](#)

11:52am - 12:15pm

Impact of Natural Disasters on the Income Distribution

Regina Pleninger

ETH Zurich, Switzerland;

During the last decades, the United States experienced an increase in the number of natural disasters and their destructive capability. Several studies suggest a damaging effect of natural disasters on income. In this paper, I estimate the effects of natural disasters on the entire income distribution using county-level data in the United States. In particular, I determine the income fractions that are affected by natural disasters. The results suggest that in the short-term natural disasters primarily affect middle incomes, thereby leaving income inequality levels unchanged. In addition, the paper examines potential channels that intensify or mitigate the effects, such as unemployment insurance or the severity of natural disasters. The findings show that unemployment benefits and migration are important adaptation tools that reduce the effects of natural disasters. In contrast, the occurrence of multiple and severe disasters aggravate the effects. Finally, the analysis detects heterogeneous effects on incomes by disaster type.

[Pleninger-Impact of Natural Disasters on the Income Distribution-259.pdf](#)

10:45am - 12:15pm **J06: Gender Pay Gap**

10:45am - 11:07am

The Smarter, the Richer? Distributional Analysis of Gender Gaps in Wages and Skills

Michele Battisti¹, Alexandra Fedorets², Lavinia Kinne³

¹University of Glasgow; ²German Institute for Economic Research (DIW Berlin); ³ifo Institute, Germany;

For many different definitions of skills, higher skill levels relate to higher wages. We study the gender-specific patterns in distributions of numeracy measured by standardized tests in the international PIAAC survey. We confirm that higher numeracy levels relate to higher wage returns. However, women with top numeracy levels experience a skill penalty among the top earners, compared to men with same numeracy levels, which points at the existing glass ceiling. Factors that explain high numeracy levels are also gender-specific: in particular, child care and labor market attainment explain why women are underrepresented at the highest numeracy level.

[Battisti-The Smarter, the Richer Distributional Analysis of Gender Gaps-408.pdf](#)

11:07am - 11:30am

The Effect Of Childcare On Parental Earnings Trajectories

Matthias Krapp¹, Anja Roth², Michaela Slotwinski²

¹University of Lausanne, Switzerland; ²University of Basel, Switzerland;
We study the effect of institutional childcare on child penalties. Using Swiss administrative data, we exploit the staggered opening of childcare facilities across municipalities in the canton of Bern. We find that the presence of childcare facilities in the year of birth of the first child reduces the child penalty. The availability of childcare increases maternal earnings and decreases the compensating increase in fathers' earnings in households with below median earnings, but not in households with above median earnings. Although childcare affects relative earnings contributions within the household, there is no effect on total household earnings.

[\[2\] Krapf-The Effect Of Childcare On Parental Earnings Trajectories-216.pdf](#)

11:30am - 11:52am

Early Career, Life-Cycle Choices, and Gender

Frederik Plesner Lyngse¹, Torben Heien Nielsen¹, Itzik Fadlon²

¹University of Copenhagen, Denmark; ²University of California, San Diego;

Do early labor market experiences determine longer-run life and career outcomes, and do they operate differentially for males and females? We study this question in the context of the physician labor market by exploiting a randomized lottery that determines the sorting of Danish physicians into internships, where students with bad lottery numbers end up assigned to less desirable local labor markets and entry-level jobs. Using administrative data that span up to ten years after physicians' graduations, we study key decisions that determine their longer-run life trajectories. We find causal effects of early-career labor market sorting on a range of life-cycle outcomes that cascade from longer-run labor market sorting, to human capital accumulation, to occupational choice, and even to fertility. Notably, we find that the persistent longer-run effects are entirely driven by females, whereas males experience only temporary career disruptions from unfavorable early-stage sorting.

[\[2\] Lyngse-Early Career, Life-Cycle Choices, and Gender-437.pdf](#)

10:45am - 12:15pm

J07: OECD Base Erosion and Profit Shifting Report

Tax Challenges Arising from Digitalisation – Chapter 2: Revenue Effects Pillar One

David Bradbury¹, Ana Cinta Gonzalez Cabral¹, Tibor Paul Hanappi¹, Asa Johansson¹, Valentine Millot¹, Pierce O'Reilly¹, Stephane Sorbe², Sebastien Turban¹

¹OECD, France; ²Direction générale du Trésor, France;

This report analyses the economic and tax revenue implications of the Pillar One and Pillar Two proposals currently being discussed by the OECD/G20 Inclusive Framework on BEPS (Inclusive Framework) as part of its work to address the tax challenges arising from the digitalisation of the economy.

The report focuses primarily on the impact of the proposals on tax revenues, MNE investment and economic activity. This chapter (Chapter 2) focusses on the tax revenue effects of Pillar One.

[\[2\] Bradbury-Tax Challenges Arising from Digitalisation – Chapter 2-536.pdf](#)

Tax Challenges Arising from Digitalisation – Chapter 3: Revenue Effects Pillar Two

David Bradbury¹, Ana Cinta Gonzalez Cabral¹, Tibor Paul Hanappi¹, Asa Johansson¹, Valentine Millot¹, Pierce O'Reilly¹, Stephane Sorbe², Sebastien Turban¹

¹OECD, France; ²Direction générale du Trésor, France;

This report analyses the economic and tax revenue implications of the Pillar One and Pillar Two proposals currently being discussed by the OECD/G20 Inclusive Framework on BEPS (Inclusive Framework) as part of its work to address the tax challenges arising from the digitalisation of the economy.

The report focuses primarily on the impact of the proposals on tax revenues, MNE investment and economic activity. This chapter (Chapter 3) focuses on the tax revenue effects of Pillar Two.

[\[2\] Bradbury-Tax Challenges Arising from Digitalisation – Chapter 3-538.pdf](#)

Tax Challenges Arising from Digitalisation – Chapter 5: Construction of Underlying Datasets

David Bradbury¹, Ana Cinta Gonzalez Cabral¹, Tibor Paul Hanappi¹, Asa Johansson¹, Valentine Millot¹, Pierce O'Reilly¹, Stephane Sorbe², Sebastien Turban¹

¹OECD, France; ²Direction générale du Trésor, France;

This report analyses the economic and tax revenue implications of the Pillar One and Pillar Two proposals currently being discussed by the OECD/G20 Inclusive Framework on BEPS (Inclusive Framework) as part of its work to address the tax challenges arising from the digitalisation of the economy.

The report focuses primarily on the impact of the proposals on tax revenues, MNE investment and economic activity. This chapter (Chapter 1) describes the construction of the data matrices underpinning the analyses presented in the other chapters.

[\[2\] Bradbury-Tax Challenges Arising from Digitalisation – Chapter 5-541.pdf](#)

Tax Challenges Arising from Digitalisation – Chapter 4: Investment Effects of Pillar One and Pillar Two

David Bradbury¹, Ana Cinta Gonzalez Cabral¹, Tibor Paul Hanappi¹, Asa Johansson¹, Valentine

Millot¹, Pierce O'Reilly¹, Stephane Sorbe², Sebastien Turban¹

¹OECD, France; ²Direction générale du Trésor, France;

This report analyses the economic and tax revenue implications of the Pillar One and Pillar Two proposals currently being discussed by the OECD/G20 Inclusive Framework on BEPS (Inclusive Framework) as part of its work to address the tax challenges arising from the digitalisation of the economy.

The report focuses primarily on the impact of the proposals on tax revenues, MNE investment and economic activity. This chapter (Chapter 4) discusses the effect of both pillars on investment and economic activity.

[\[2\] Bradbury-Tax Challenges Arising from Digitalisation – Chapter 4-540.pdf](#)

12:30pm - 2:00pm

K01: Environmental Economics II

12:30pm - 12:52pm

Regulating Conglomerates: Evidence from an Energy Conservation Program in China

Juan Carlos Suarez Serrato

Duke University, United States of America;

How does energy regulation affect production and energy use within conglomerates? We study the effects of a prominent program aimed at reducing the energy use of large Chinese companies. Difference-indifferences analyses show that regulated firms significantly reduced their energy consumption and output but did not increase their energy efficiency. Using detailed business registration data, we link regulated firms to non-regulated firms that are part of the same conglomerate. We estimate large spillovers on cross-owned non-regulated firms, which increased both output and energy use. We then specify and calibrate a model of conglomerate production that fits our setting and the estimated effects of the regulation. The model quantifies the importance of conglomerate reallocation for aggregate outcomes, the shadow cost of the regulation, and the efficiency gains from using public information on business networks to improve the design of energy regulation.

[\[2\] Suarez-Serrato-Regulating Conglomerates-365.pdf](#)

12:52pm - 1:15pm

Minimum Quality Standards and Exports

Laura Birg², Jan S. Voßwinke¹

¹NGU | Nürtingen-Geislingen University, Germany; ²University of Bremen, Germany;

This paper studies the interaction of a minimum quality standard and exports in a vertical product differentiation model when firms sell global products. If ex ante quality of foreign firms is lower (higher) than the quality of exporting firms, a mild minimum quality standard in the home market hinders (supports) exports. The minimum quality standard increases quality in both markets. A welfare maximizing minimum quality standard is always lower under trade than under autarky. A Minimum quality standard reduces profits for the exporting firm. It increases domestic welfare, but reduces welfare in the export market. [\[2\] Birg-Minimum Quality Standards and Exports-403.pdf](#)

1:15pm - 1:37pm

Optimal Carbon Taxation and Horizontal Equity: A welfare-theoretic approach with application to German household data

Martin C. Hänsel¹, Max Franks^{1,3}, Matthias Kalkuhl^{2,4}, Ottmar Edenhofer^{1,2,3}

¹Potsdam Institute for Climate Impact Research, Germany; ²Mercator Institute on Global Commons and Climate Change (MCC), Germany; ³Technische Universität Berlin, Germany; ⁴Faculty of Economics and Social Sciences, University of Potsdam, Germany;

We develop a model of optimal carbon taxation and redistribution taking into account horizontal equity concerns. Within each income decile, households are heterogeneous in terms of how efficient an exogenous technology allows them to convert carbon-intensive energy into individual well-being. We then investigate how horizontal equity is considered in the economy's welfare maximizing tax structure by deriving first- and second-best policy rules. Further, we characterize optimal non-linear carbon taxes, which the government

¹ University of Fribourg; ²Swiss Distance University Institut;

In the last century, women conquered both many professions and the political sphere. However, research on the effects of feminization has mainly focused on labor market outcomes. According to the devaluation hypothesis, professions experiencing an inflow of female workers are devalued in pay and status because of the lower value attributed to women's work. Analyzing the staggered introduction of female enfranchisement in Switzerland, we find a similar pattern for the political sphere. Our results provides evidence that men attach less value to politics after women enter the political sphere, resulting in a drop of male voter turnout by around 2 percentage points in elections and around 4 percentage point in referendums. This effect is more pronounced under direct democracy and in an environment initially opposing female enfranchisement.

[\[2\] Koukal-Political Devaluation Lessons from Emancipating Women-412.pdf](#)

can use when individual households' energy efficiency is not directly observable. Subsequently, we apply our finding to empirical data on energy consumption in Germany to quantify optimal policies.

[✉ Hänsel-Optimal Carbon Taxation and Horizontal Equity-448.pdf](#)

1:37pm - 2:00pm

Does Media Coverage Affect Governments' Preparation for Natural Disasters?

Pierre Magontier

University of Bern, Switzerland;

To prepare for natural disasters, local governments can adopt mitigation measures. However, in doing so, there is a trade-off between risk reduction and risk disclosure as these initiatives may signal latent dangers of a place to unsuspecting homebuyers. Increased media coverage may ease this trade-off by revealing these dormant risks. I develop a measure of newspaper coverage of storms using data on newspapers' circulation and occurrence of storms at the ZIP code level in the United States. Using the variation in this measure, I identify the effects of heightened media attention on local governments' mitigation efforts under the Hazard Mitigation Grant program managed by FEMA. I find that when newspaper coverage is high, jurisdictions that have experienced severe storms tend to implement significantly more mitigation projects. This effect appears to be driven by property investors seeking to maximize their investment's value.

[✉ Magontier-Does Media Coverage Affect Governments' Preparation-185.pdf](#)

12:30pm - 2:00pm

K02: Politics and Elections

12:30pm - 12:52pm

Bayesian Persuasion in Tax Competition

Erkin Sagiev

University of Essex, United Kingdom;

Multinational enterprises form long value chains linking subsidiaries in a large number of countries. The latter may provide tax preferences distorting a fair distribution of profit between the subsidiaries. Such a support of profit shifting is elusive for other countries, because no government has a complete view of the global business activity. Hence, truthful communication becomes a chief concern in counteraction to harmful tax competition. To investigate this issue we model intergovernmental information exchange as sequential Bayesian persuasion. We demonstrate how communication promotes tax avoidance through a chain structure and show how countries take their roles in profit shifting schemes. The key outcome is that formal information exchange agreements do not prevent profit shifting but change its beneficiaries. We also argue that, zero-tax rate is not a distinct feature of the countries assisting tax avoidance, as we reveal the reasons for the coexistence of offshore financial centres with tax harbours.

[✉ Sagiev-Bayesian Persuasion in Tax Competition-297.pdf](#)

12:52pm - 1:15pm

Political Devaluation? Lessons from Emancipating Women in Politics

Anna Koukal^{1,2}, Stephanie Fürer^{1,2}, Jonathan Massonnets^{1,2}

1:15pm - 1:37pm

1 Political Cycles and Yardstick Competition in the Recycling of Waste. Evidence from Italian Provinces

Massimiliano Ferraresi¹, Massimiliano Mazzanti², Matteo Mazzarano², Leonzio Rizzo², Riccardo Secomandi²

¹European Commission, Joint Research Centre (JRC); ²University of Ferrara;

Recycling and the recovery of waste are crucial waste management strategies. In light of the new EU circular economy approach, these strategies remain core pillars of a competitive and sustainable waste value chain. Local governments have an important role in controlling and checking the implementation of waste management policies. We study the spatial determinants of waste recovery by using a dataset of 102 Italian provinces from the years 2001-2014. We exploit the political cycle of the provinces to isolate the effects of waste recovery in one province on neighboring provinces. We find that provinces mimic their own neighbors' in the separate collection of waste aimed at recycling and recovery, with this effect being fully guided by provinces where the president can run for re-election but only when waste management policies become politically salient, that is, after the transposition of the 2008 EU Waste Framework Directive.

[✉ Ferraresi-1 Political Cycles and Yardstick Competition in the Recycling-400.pdf](#)

1:37pm - 2:00pm

¹ CRED(TEPP), Université Paris II Panthéon-Assas, France; ²Insee;

We derive a formula to estimate the Laffer tax rates on capital income. Our theory clarifies what sufficient statistics need to be estimated: the "direct" elasticity of capital income and the "cross" elasticity of labor income with respect to the net-of-tax rate on capital income. We estimate these elasticities using reforms between 2008 and 2017 in France. We obtain a direct elasticity around 0.66, which alone, would lead to a Laffer rate around 60%. However, since labor incomes are much larger than capital incomes, the Laffer

Blaming Migrants Doesn't (Always) Pay: The Political Effects Of Immigration During A Pandemic

Boldrini Michela¹, Pierluigi Conzo², Roberto Zotti³

¹University of Torino, Italy; ²University of Torino & Collegio Carlo Alberto, Italy; ³University of Torino, Italy; The paper studies the political effects of the Ebola outbreak in 2014 on local electoral competitions in Italy, exploiting the exogeneity of the virus to the Italian socio-political and economic context. Despite the very limited number of actual Ebola cases in Italy, the outbreak of Ebola caused a major public reaction. We exploit two sources of exogenous variation, i.e. refugee landings and the year of local elections. We create a measure of exposure that varies over time and across municipalities depending on the local share of immigrants having the same nationality as the refugees arrived at Italian ports in a given year and use it in a Difference-in-Differences approach with a continuous treatment. Consistent with 'rally round the flag' hypothesis, we find that risk-Ebola immigration reduced the political consensus to radical and populist parties, while it increased the likelihood that incumbents were re-elected.

[✉ Michela-Blaming Migrants Doesn't-484.pdf](#)

12:30pm - 2:00pm K03: Capital Taxes

12:30pm - 12:52pm

Permanent and Transitory Responses to Capital Gains Taxes: Evidence from a Lifetime Exemption in Canada

Adam Lavecchia¹, Alisa Tazhitdinova²

¹McMaster University; ²University of California, Santa Barbara;

Using panel data on a 20% random sample of Canadian taxpayers, we study behavioral responses to the cancellation of a lifetime capital gains exemption that resulted in increased capital gains taxation for some individuals. The unique setting allows us to distinguish between short-term avoidance responses and permanent responses to capital gains taxes. We show that the exemption did not change the number of taxpayers reporting positive capital gains, and thus unlikely resulted in increased participation in capital markets. However, the exemption cancellation slightly increased capital gains realizations of the existing traders.

[✉ Lavecchia-Permanent and Transitory Responses to Capital Gains Taxes-206.pdf](#)

12:52pm - 1:15pm

The Tax Elasticity of Capital Gains and Revenue-Maximizing Rates

Ole Agersnap, Owen Zidar

Princeton University, United States of America;

This paper uses a direct-projections approach to estimate the effect of capital gains taxation on realizations at the US state level, and then develops a framework for determining revenue-maximizing rates at the federal level. We find that the elasticity of revenues with respect to the tax rate over a ten-year period is -0.5 to -0.3, indicating that capital gains tax cuts do not pay for themselves, and that a 5 percentage point rate increase would yield \$18 to \$30 billion in annual federal tax revenue. Our long-run estimates yield revenue-maximizing capital gains tax rates of 38 to 47 percent.

[✉ Agersnap-The Tax Elasticity of Capital Gains and Revenue-Maximizing Rates-200.pdf](#)

1:15pm - 1:37pm

Estimating the Laffer Tax Rate on Capital Income: Cross-base Responses Matters

Marie-Noëlle Lefebvre¹, Etienne Lehmann¹, Michael Sicsic^{1,2}

tax rate is especially sensitive to the cross elasticity. We estimate this cross elasticity to be positive in France, which contradicts micro-foundations of this cross elasticity that relies on income shifting but which is in line with micro-foundations from two-period labor and savings models. Our estimate for the cross base elasticity dramatically decreases the Laffer rate which can be reduced down to 20%. [✉ Lefebvre-Estimating the Laffer Tax Rate on Capital Income-336.pdf](#)

1:37pm - 2:00pm

The Psychology of Taxing Capital Income: Evidence from a Survey Experiment on the Realization Rule

Zachary Liscow¹, Edward Fox²

¹Yale University, United States of America; ²University of Michigan, United States of America;

The realization rule is central to income taxation, but often decreases the efficiency, equity, and simplicity of taxation. So it is surprising that we do not have a good explanation for why the rule exists for liquid assets. Scholars have long speculated about the role of the public's views here, but little is known empirically about them. We conduct the first survey experiment to understand the psychology of taxing gains on unsold assets. We have three main findings. First, respondents are far less supportive of taxing gains in unsold publicly-traded stock than sold stock. Second, informing people of the arguments on "both sides" of taxing unsold stock considerably decreases support (by 19 percentage points) for taxing unsold stock. And, third, addressing respondents' stated reasons for opposing taxing unsold gains does not change their mind, suggesting that a deep intuition, perhaps driven by mental accounting, may be driving respondents' opposition.

12:30pm - 2:00pm K04: Wealth Tax

12:30pm - 12:52pm

Does a Wealth Tax Improve Equality of Opportunity?

Kristoffer Berg¹, Shafik Hebous²

¹University of Oslo, Norway; ²International Monetary Fund, USA;

Does parental wealth inequality impact next generation \emph{wage} inequality? Does a tax on parental wealth affect the labor income distribution of the next generation? We tackle both questions empirically using detailed intergenerational data from Norway. Results suggest that a net wealth of NOK 1 million increases wages of the children by NOK 14,000---controlling for individual and parents' characteristics such as the level of education. Children of wealthy parents have a higher \emph{labor} income mobility. The estimated hypothetical wage distribution without the wealth tax is more unequal. Moreover, suggestive evidence indicates parental wealth is associated with higher returns to labor. [Berg-Does a Wealth Tax Improve Equality of Opportunity-292.pdf](#)

12:52pm - 1:15pm

Joint Taxation of Income and Wealth

Mehmet Ayaz, Dominik Sachs

LMU Munich;

Empirically, income and wealth are positively correlated. A 'tagging' logic implies that taxing wealth more strongly for individuals with high income would be desirable. However, wealth and income are both endogenous variables and the simple tagging logic needs to be extended to account for this. If e.g., wealth taxes are increased only for individuals that earn more than \$100,000, this creates two distortions: not only the wealth accumulation margin gets distorted, but also the labor earnings margin for those that earn around \$100,000. We derive formulas for the excess burden and the welfare effects of such joint reforms and calibrate them to the U.S. Our first preliminary findings indicate that taxing wealth more progressively for individuals with high income is desirable despite the 'double distortion' it implies. [Ayaz-Joint Taxation of Income and Wealth-515.pdf](#)

1:15pm - 1:37pm

Public support for wealth tax policies in Covid-19 times: Evidence from Luxembourg

Javier Olivera¹, Philippe Van Kerm²

¹Luxembourg Institute of Socio-Economic Research, Luxembourg; ²University of Luxembourg;

In the context of the current debate over how to finance the cost of the Covid-19 pandemic, we study the public support for the introduction of wealth taxes. We rely on data drawn from the Socio-Economic Impact Survey of Luxembourg taken in July 2020. The survey asks for the agreement of the individual over a one-time net wealth tax and an inheritance tax. For comparative reasons, the survey also inquires about the public support for a temporal solidarity income tax and a temporal increase in the VAT. All tax questions include different attributes randomly assigned to the individual. We find a clear divide about a favourable support for new wealth and inheritance taxes on the one hand and a low support for increases in VAT and earnings taxes on the other hand. Our results indicate that a one-time wealth tax could raise substantial revenues and still show public support.

[Olivera-Public support for wealth tax policies in Covid-19 times-510.pdf](#)

12:30pm - 2:00pm K05: Tax Incidence

12:30pm - 12:52pm

The Pass-Through of Temporary VAT Rate Cuts in German Supermarket Retail

Clemens Fuest^{1,2}, Florian Neumeier^{1,2}, Daniel Stöhlker¹

¹ifo Institute, Germany; ²CESifo;

On 1 July 2020, value added tax (VAT) rates were reduced in Germany to fight the economic consequences of the Corona pandemic. The VAT rate reduction is temporary, and rates will go up to their previous level on 1 January 2021. We study the price effects of the temporary VAT rate reduction in German supermarket retail using an extensive webscrapped data set covering the daily prices of roughly 190,000 products. To identify the causal price effects, we compare the development of prices in Germany to those in Austria. Our findings indicate a nearly full pass-through of the VAT rate reduction on prices. On average, prices in German supermarket retail decreased by 2% after the implementation of the VAT rate reduction. We also provide evidence that prices in more competitive product markets decreased to a larger extent.

[Fuest-The Pass-Through of Temporary VAT Rate Cuts in German Supermarket Retail-148.pdf](#)

12:52pm - 1:15pm

Does VAT Remittance Invariance Hold? Evidence From E-Commerce

Giampaolo Arachi, Debora Assisi

University of Salento, Italy;

This paper provides new evidence on the effect of tax remittance on tax incidence. We test whether the repeal of the reverse charge mechanism for a sample of items sold through Amazon.it has had any impact on their prices. The empirical analysis is performed using the Bayesian Structural time series method, as suggested by Brodersen et al. (2015) and extended by Schmitt et al. (2018). The causal impact of the policy change for each item in the dataset is computed by taking the difference between the treated series (observed) and the predicted counterfactual, which is the outcome that would have occurred had no intervention taken place. Finally, we infer the average effect of the repeal of the reverse charge using a fixed-effects meta-regression approach. The preliminary results shows that in the post-intervention period the prices applied by Amazon.it significantly increase.

[\[2\] Arachi-Does VAT Remittance Invariance Hold Evidence From E-Commerce-487.pdf](#)

1:15pm - 1:37pm

Getting into the Weeds of Tax Invariance

Benjamin Hansen², Kendall Houghton², Keaton Miller², Caroline Weber¹

¹University of Kentucky, United States of America; ²University of Oregon, United States of America;

We provide the first general empirical test of tax invariance (TIV). When a 25 percent tax remitted by manufacturers was eliminated in Washington state and the retail cannabis excise tax was simultaneously increased from 25 to 37 percent---a shift intended to be revenue-neutral---TIV did not hold. Manufacturers kept two-thirds of their tax savings instead of passing all their savings through to retail firms via lower prices as predicted by TIV. One-third of the retail tax increase was passed on to consumers via higher retail prices -- TIV would have predicted constant or even declining tax-inclusive retail prices. [\[2\] Hansen-Getting into the Weeds of Tax Invariance-361.pdf](#)

1:37pm - 2:00pm

The Welfare Effects of Property Taxation

Max Löffler², Sebastian Siegloch¹

¹ZEW and Uni Mannheim, Germany; ²Maastricht University;

We analyze the welfare implications of property taxation. Using a sufficient statistics approach, we show that welfare effects depend on a few estimable elasticities: the response of housing prices, labor and other types of incomes as well as public goods to property tax rates. Empirically, we exploit the unique institutional setting of municipal property taxation in Germany with and around 15,000 tax reforms in the years between 2000--2017. Our results shows that higher taxes are fully pass-through to rental prices after three years. The price pass-through is somewhat lower in municipalities with inelastic housing supply. Using these reduced form estimates and our theoretical framework, we simulate the welfare effects of property taxes and show that they are highly regressive with the tax burden decreasing in income.

[\[2\] Löffler-The Welfare Effects of Property Taxation-426.pdf](#)

—12:30pm - 2:00pm

K06: Political Economy V

12:30pm - 12:52pm

Politicians' Neighborhoods: Where do they Live and does it Matter?

Olle Folke¹, Linna Martén², Johanna Rickne², Matz Dahlberg¹

¹Uppsala University, Sweden; ²Stockholm University, Sweden;

We use detailed population-wide data on the location of politicians' and citizens' homes as well as their socioeconomic traits. We combine this information with neighborhood-level data on building permits and proposals to close schools. A descriptive analysis uncovers two features of local politicians' home neighborhoods. First, they have larger shares of socio-economically advantaged people in terms of income, education, immigrant status, and homeownership. Second, they have more voters for their own party. Next, we analyze whether having politicians in a neighborhood reduces the likelihood that local public "bads" are placed there. This analysis compares home neighborhoods for politicians with different degrees of political power (ruling majority or opposition) in elections that were close. We find negative effects on approved building permits for multifamily homes and proposals to close schools. This result is not explained by voters' residential patterns, which makes undue favoritism a more likely explanation. [\[2\] Folke-Politicians' Neighborhoods-537.pdf](#)

12:52pm - 1:15pm

Pre-Electoral Coalitions: Insights into the Creation of Political Parties

Rafael Hortala-Vallve¹, Jaakko Meriläinen², Janne Tukiainen^{3,4}

¹London School of Economics and Political Science; ²Instituto Tecnológico Autónomo de México;

³University of Turku; ⁴VATT Institute for Economic Research;

We evaluate the causes and consequences of pre-electoral coalitions (PECs). In Finland, local elections use a proportional representation system with open lists, and parties may form joint lists. We document that PECs are more common between parties of equal size and similar ideology, and when elections are more disproportional or involve more parties. Using both difference-in-differences and density discontinuity designs we document that voters punish coalescing parties, especially if they are ideologically diverse, and also respond to PECs by targeting personal votes strategically within the PECs. Moreover, small parties become more likely to acquire political leadership positions. Finally, PECs seem to be formed also with the particular purpose of influencing the overall distribution of political power: they lead to more dispersed seat

distributions and prevent absolute majorities in close elections. Thus, voter ideology and electoral rules create natural boundaries for the parties, but the party formateurs also consider wider impacts.

[✉ Hortalà-Vallve-Pre-Electoral Coalitions-234.pdf](#)

1:15pm - 1:37pm

Term Limits: A New Political Scene or Business as Usual?

Catarina Alvarez¹, Mariana Lopes da Fonseca²

¹Nova School of Business and Economics, Portugal; ²University of St. Gallen;

This study investigates empirically the selection effects of the introduction of term limits. That is, whether term limits, by creating more rotation in power, lead to the entry and selection of better politicians. Our contribution is twofold: we construct an extensive and unique dataset on Portuguese mayors' personal characteristics and we take advantage of a recent reform introducing mayoral term limits in Portugal to causally identify the impact on political selection. Our identification strategy relies on a difference-in-differences approach estimating how mayors' personal characteristics differ on average between municipalities with re-eligible and term-limited incumbents. The baseline results show that, after the reform, treated municipalities elected politicians older and with a past political career, on average. This suggests that before the implementation of term limits, being a mayor in Portugal could be considered as a career path, which one would start at a young age and with no previous political experience. [✉ Alvarez-Term Limits-342.pdf](#)

1:37pm - 2:00pm

Disastrous Discretion: Ambiguous Decision Situations Foster Political Favoritism

Stephan A. Schneider¹, Sven Kunze²

¹ETH Zürich, Switzerland; ²Heidelberg University;

Allocation decisions are vulnerable to political influence, but it is unclear in which situations politicians use their discretionary power in a partisan manner. We analyze the allocation of presidential disaster declarations in the United States, exploiting the spatiotemporal randomness of all hurricane strikes from 1965–2018. We show that biased declaration behavior is not politically affordable if a disaster is either very strong or weak, when relief provision is clearly necessary or not. However, in ambiguous situations, after medium-intensity hurricanes, presidents favor areas governed by their co-partisans. Our nonlinear estimations demonstrate that this hump-shaped alignment bias exceeds average estimates up to eightfold.

[✉ Schneider-Disastrous Discretion-380.pdf](#)

12:30pm - 2:00pm

K07: Business Taxes

12:30pm - 12:52pm

Quantifying the OECD BEPS Indicators – An Update to BEPS Action 11

Daniel Klein², Christopher Alexander Ludwig^{1,2}, Katharina Nicolay^{1,2}, Christoph Spengel^{2,1}

¹ZEW Mannheim; ²University of Mannheim;

In 2015 the OECD introduced six indicators to quantify and evaluate base erosion and profit shifting (BEPS) activity over time. In this study, we revisit three selected indicators and point out potential pitfalls when interpreting the indicator results. First, we transparently replicate Indicator 1, which intends to assess the disconnect between financial and real economic activities, and show a moderately decreasing trend of the indicator estimates. Second, replicating Indicator 4, we find that multinational firms have, on average, lower effective tax rates than domestic firms. We confirm this result using a state-of-the-art propensity score matching approach. Third, the replication of Indicator 5, which intends to capture profit shifting through intangibles, shows a stable trend of the annual indicator estimates that extends beyond the OECD's sample period. Overall, we conclude that the proposed indicators in the Final Report on BEPS Action 11 provide only limited information on the extent of BEPS.

[✉ Klein-Quantifying the OECD BEPS Indicators – An Update-208.pdf](#)

12:52pm - 1:15pm

Tax Department Structure and Tax Avoidance

Henning Giese^{1,2}, Reinald Koch^{1,2}

¹Catholic University Eichstaett-Ingolstadt, Germany; ²KU Research Institute for Taxation;

Using a hand-collected data set for large European listed MNEs obtained from a major professional networking website, we investigate whether a centralized tax department leads to a more efficient tax management in terms of reducing tax liability and tax risk minimization. We report three key findings: (1) more centralized tax departments lead to an overall lower ETR but not to a lower tax risk; (2) employees working outside the home country are more frequently found in more tax complex countries; (3) the location of tax employees in tax complex countries reduces the overall tax risk. Our findings shed light on the internal working of the tax department and help explain variation in tax avoidance and tax risk behavior.

[✉ Giese-Tax Department Structure and Tax Avoidance-255.pdf](#)

1:15pm - 1:37pm

Tax and Occupancy of Business Properties: Theory and Evidence from UK Business Rates

Ben Lockwood^{1,2}, Martin Simmler², Eddy Tam²

¹University of Warwick, United Kingdom; ²Oxford University, United Kingdom;

We study the impact of commercial property taxation on vacancy rates in the UK using regression kink and regression discontinuity designs. We exploit exogenous variations in commercial property tax rates from three different reliefs in the UK business rates system: small business rate relief (SBRR), retail relief and empty property relief. A simple theoretical framework predicts: (i) relationships between rateable values and taxes, and vacancies; (ii) that SBRR has a sorting effect on the mix of businesses in small properties. Findings consistent with the theory suggest that SBRR increases the likelihood that a property is occupied by a small business, reduces the likelihood that it is occupied by a large business, and reduces the overall likelihood of being vacant. We estimate that the retail relief reduces vacancies by 48%, and SBRR relief by up to 44%.

[\[PDF\] Lockwood-Tax and Occupancy of Business Properties-343.pdf](#)

1:37pm - 2:00pm

Does Nexus Pay Off? Quantitative Evaluation Of IP Box Regimes In Terms Of Location Attractiveness

Jessica Martina Mueller¹, Daniela Steinbrenner²

¹University of Mannheim, Germany; ²Centre for European Economic Research (ZEW), ZEW GmbH, Germany;

In an international comparison, Germany's location attractiveness is low from the perspective of digital business models, whose core activities are the research and development of intangible assets. Our paper examines whether and in which form the introduction of an IP box into the German tax system is beneficial for the location attractiveness, especially comparing pre- and post-nexus perspectives. We describe the key features of IP box regimes and incorporate them into a forward-looking measure of the effective average tax rate, which is based on the Devereux and Griffith model. We show that introducing an IP box is a suitable instrument for reducing the effective tax burden in both the national and international case from a tax policy perspective. We find that even after the introduction of the modified nexus approach, there is considerable heterogeneity in the generosity of IP boxes based on the respective design features.

[\[PDF\] Mueller-Does Nexus Pay Off Quantitative Evaluation Of IP Box Regimes-279.pdf](#)

2:15pm - 3:45pm

L01: Optimal Taxation

2:15pm - 2:37pm

Tax Preferences and Optimal Income Taxation

Marcelo Arbex¹, Enlinson Mattos²

¹University of Windsor, Canada; ²São Paulo School of Economics, Fundacão Getulio Vargas;

We develop a two-agent model where agents have preferences over consumption, leisure, and independent and interdependent tax preferences. We characterize the optimal labor income taxation under different assumptions regarding tax preferences (tax affinity, hostility, conformity and opposition). We find that tax preferences can either amplify or reduce the marginal tax increase of the low-ability type. When individuals can hide a fraction of their earnings at a resource cost, the link between consumption and tax payments is broken. Tax evasion affects the aggregate measure of taxes and what people take into account and care about when making their optimal decisions. We find that the trade-off associated with tax preferences and consumption have their effects intensified in the optimal low-ability income tax. With evasion, the marginal income tax of high-ability types is no longer zero - it is optimal to subsidize this type and avoid the mimicking of low-ability individuals.

[\[PDF\] Arbex-Tax Preferences and Optimal Income Taxation-201.pdf](#)

2:37pm - 3:00pm

Sufficient Statistics for Nonlinear Tax Systems with Preference Heterogeneity

Antoine Ferey¹, Benjamin Lockwood², Dmitry Taubinsky³

3:00pm - 3:22pm

¹ CREST, Ecole Polytechnique, France; ²Wharton & NBER; ³UC Berkeley & NBER;

A prominent justification for taxation of capital income, capital income, savings, bequests, and certain commodities is that taxes on consumption categories preferred by those with higher earnings ability are efficient even in the presence of nonlinear earnings taxation. This paper provides a method for characterizing optimal nonlinear tax systems in the presence of correlated preference heterogeneity using sufficient statistics that can be estimated from behavioral responses to tax reforms. Our results encompass tax systems that implement the optimal mechanism, as well as simpler tax systems such as those that involve a nonlinear earnings tax and a separable nonlinear capital income tax, or those that involve a nonlinear earnings tax and an earnings-dependent but otherwise linear capital income tax. All optimal tax systems can be expressed using a simple sufficient statistic for preference heterogeneity. Our sufficient-statistic formulas for optimal differential commodity taxes produce empirically-implementable generalizations of the Atkinson-Stiglitz theorem.

[\[PDF\] Ferey-Sufficient Statistics for Nonlinear Tax Systems with Preference Heterogeneity-150.pdf](#)

Comprehensive or Schedular Income Taxation? A General Equilibrium Approach with Nonlinear Taxation

Laurence Jacquet¹, Etienne Lehmann²

¹CY Cergy Paris Université, CNRS, THEMA; ²CRED(TEPP), Université Paris II Panthéon-Assas, France; In a general equilibrium framework, we develop a model of income taxation spanning several types of incomes with multidimensional taxpayer heterogeneity. Starting from any tax schedule, our framework allows one to decide which, of a more comprehensive or a more schedular income tax, is more welfareand efficiency -improving. We express the effects of any tax reform as well as optimal tax formulas in terms of the usual sufficient statistics plus some new ones including mean cross-base responses and general equilibrium effects. These formulas are taken to French data to simulate optimal taxes on labor and capital incomes.

[Jacquet-Comprehensive or Schedular Income Taxation A General Equilibrium Approach with Nonlinear Taxation333.pdf](#)

3:22pm - 3:45pm

Optimal Redistribution or Predistribution? Minimum Wages vs Income Taxes when Workers Differ in Both Hourly Wages and Working Hours

Aart Gerritsen

Erasmus University Rotterdam;

Most theoretical studies have a hard time finding a useful role for the minimum wage alongside the income tax. Virtually all of these studies assume a one-to-one correspondence between wages and income. I reconsider the case for the minimum wage when people differ in both wages and preferences for work, such that a given level of income may correspond to different wage rates. This renders the minimum wage unambiguously desirable in a discrete-type labor market à la Stiglitz (1982). But desirability of the minimum wage is ambiguous and subject to a policy trade-off in a continuous-type labor market à la Mirrlees (1971). Compared to the minimum wage, income taxes are less effective in affecting the wage distribution but more effective in redistributing income. The desirability of the minimum wage depends on this trade-off between the "predistributive" benefits of the minimum wage and the "redistributive" benefits of the income tax.

[Gerritsen-Optimal Redistribution or Predistribution Minimum Wages vs Income Taxes when Workers Differ-267.pdf](#)

2:15pm - 3:45pm

L02: Family Leave Policies

2:15pm - 2:37pm

Family Culture and Childcare Policies

Francesca Carta³, Lorenzo De Masi², Paola Profeta¹

¹Bocconi University; ²Universidad Carlos III; ³Bank of Italy;

We study whether and how the family organization shapes individual references on public childcare provision. Then, we investigate whether politicians' incentives reflect the family organization that prevails among their voters. We proxy the current family organization with historical family principles: living arrangement based on cohabitation, that measures the possibility to rely on other family members to satisfy care needs, and the inheritance rule, that measures how much the offspring is dependent on parental financial help. We find that U.S. citizens whose background is based on large and cohabiting families rely less on the Government as provider for external childcare; on the contrary, traditional financial dependency on parents make individuals more prone to ask for the Government's intervention. Representatives of U.S. districts where these backgrounds are dominant, are respectively less and more prone to vote for childcare interventions.

[Carta-Family Culture and Childcare Policies-284.pdf](#)

2:37pm - 3:00pm

Gender Norms and Specialization in Household Production: Evidence from a Danish Parental Leave Reform

Anne Sophie Lassen

Copenhagen Business School, Denmark;

The arrival of children implies a large reduction in women's earnings and labor supply while fathers' labor market trajectories are unaffected. To understand this specialization, I test theoretical predictions of both the standard model of intra-household specialization and the role of gender identity and prescriptions. For identification, I use variation from a Danish parental leave reform. Mothers increase their leave by 5 weeks while the average leave duration of fathers remains unchanged. Relative earnings have a negligible impact on both mothers' and fathers' leave duration, but mothers' response to the reform is negatively affected by maternal labor supply. These findings are consistent with the notion of pay-off from gender identity. In further support of the role of gender identity, I find peer effects among sisters and interpret this as a reform-induced change in prescriptions of extended leave.

[Lassen-Gender Norms and Specialization in Household Production-240.pdf](#)

3:00pm - 3:22pm

¹ University of Kentucky, United States of America; ²Brandeis University, United States of America;

This paper examines the effect of a maternity benefit program on childbearing, maternal employment and marital stability in the former Soviet republics. The program included one year of partially paid leave and a

Do Family Policies Affect Births, Maternal Employment and Marital Stability?

Elizabeth Brainerd², Olga Malkova¹

small cash payment. We use individual-level panel data on birth, employment and marital status histories and a difference-in-differences strategy to study the short- and long-term effects of the program. We find an increase in fertility rates, particularly for second births among married and older women, providing suggestive evidence of an increase in completed fertility. We find a small positive effect on overall female employment, especially among women not eligible for the benefits, who likely want to qualify. After the birth of a child, we find an increase in the length of maternity leave, but no effect on employment six years after birth. The program also increased marital stability for married couples after the birth of a child.

[PDF](#) Brainerd-Do Family Policies Affect Births, Maternal Employment and Marital Stability-354.pdf

2:15pm - 3:45pm

L03: Mobility and Migration

2:15pm - 2:37pm

Citizenship and Taxes: Evaluating the Effects of the U.S. Tax System on Individuals' Citizenship Decisions

Paul R. Organ

University of Michigan, United States of America;

The United States tax system applies to its citizens' worldwide incomes and estates, whether those citizens live in the U.S. or abroad. Fully escaping the U.S. tax system requires dropping U.S. citizenship, and in recent years a growing number of individuals have done so. I use administrative tax microdata to answer three questions: Who is renouncing? Why are they renouncing? What are the policy consequences? I show that the recent increase in renunciations is mainly driven by those who have always lived abroad dropping citizenship, rather than by individuals leaving the U.S., and that these renunciations are a response to increased compliance costs, not tax liabilities. I then discuss how recent renunciations relate to U.S. tax policy, including the revenue impacts, policy spillovers, and the implied value of U.S. citizenship.

[PDF](#) Organ-Citizenship and Taxes-340.pdf

2:37pm - 3:00pm

Taxation, Public Spending and Internal Migratory Responses in Switzerland: Who Votes with Her Feet?

Laura Fontana-Casellini¹, Veronica Grassi²

¹Università della Svizzera italiana; ²University of St. Gallen;

This study investigates mobility reactions to tax rates and public goods in Switzerland. We match administrative data covering the whole population to income data from the social security earnings, and we analyze almost 1,500,000 households' relocations over eight years (2010-2017). We first show that migration profiles are similar across income groups and decrease in age. We then analyze migration responses to the net-of-tax rate and local spending by income groups using an aggregate model of migration flows between municipality pairs. We tackle policy endogeneity bias by including a set of geographical and time fixed effects. Our preliminary results show heterogeneous responses: the tax base elasticity to net-of-tax rate seems positive and predominantly driven by households without children in the highest quartile of the income distribution. The estimated elasticity is around 4 and stable across specifications. Elasticity estimates to schooling and non-schooling expenditures are unclear and more sensitive to dynamic effects.

[PDF](#) Fontana-Casellini-Taxation, Public Spending and Internal Migratory Responses-236.pdf

3:00pm - 3:22pm

The Effect of Taxes on Where Superstars Work

David Agrawal¹, Kenneth Tester²

¹University of Kentucky, Department of Economics and Martin School of Public Policy & Administration;

²University of Kentucky, Department of Economics;

Prior studies show that taxes matter for the residential locations of high-income earners. But, states raise a significant share of income taxes from nonresidents, especially superstars. Using superstar athletes and variation in state tax rates, we provide causal evidence on the effect of the net-of-participation tax rate on the location of labor supply. The elasticity of working in a state is 0.32, with larger effects at the top of the earnings distribution. Our results suggest a novel margin of labor supply responses for top-earners: the spatial relocation of labor supply by nonresidents.

[PDF](#) Agrawal-The Effect of Taxes on Where Superstars Work-350.pdf

3:22pm - 3:45pm

The EITC and Migrating Out of Rural America

Jacob Bastian¹, Dan Black²

¹Rutgers University, United States of America; ²University of Chicago, United States of America;

There is a strong and growing interest in helping families move to areas with higher economic opportunity. This paper is the first to examine whether the Earned Income Tax Credit (EITC) affects migration, with a focus on women from rural and economically distressed areas. We find that the EITC increases migration

out of rural and distressed areas, with many of these moves occurring across counties or commuting zones. We also find decreases in living ``doubled up'' with another family, and reductions in commute length. Our results suggest that the EITC relaxes credit constraints and helps women move to economic opportunity.

[Bastian-The EITC and Migrating Out of Rural America-344.pdf](#)

2:15pm - 3:45pm

L04: Labor Supply

2:15pm - 2:37pm

Labor Market And Health Effects Of An Activation Program For The Long-term Inactive

Mareen Bastiaans, Anne Gielen, Robert Dur

Erasmus University Rotterdam, Netherlands, The;

Some active labor market programs have been shown to improve labor market outcomes, however they mostly target individuals relatively close to the labor market. Many long-term benefit recipients suffer from mental health issues, indicated by the high rate of mental health care use in this group. Activation strategies for this group may not improve labor market outcomes, but may benefit them by replacing some of the benefits that a job offers such as providing a routine or social network. We evaluate an activation program for individuals with a large distance to the labor market, at least five years out of employment and on general assistance. The staggered implementation of the program allows for a difference-in-difference design. We evaluate both labor market and mental health effects.

[Bastiaans-Labor Market And Health Effects Of An Activation Program-327.pdf](#)

2:37pm - 3:00pm

Inducing Labor: The Impact of Health Insurance on Post-Natal Labor Force Participation

Shanthi Ramnath¹, Elena Patel², Ithai Lurie³

¹Federal Reserve Bank of Chicago; ²University of Utah; Eccles School of Business; ³US Department of Treasury; Office of Tax Analysis;

In this paper we analyze the role of access to health insurance plays in the widely documented, sharp fall in mother's labor supply following childbirth. Our analysis exploits variation created by the Affordable Care Act (ACA), which substantially expanded access to health insurance within the U.S., and richly detailed administrative tax data. We find that mother's relative post-childbirth employment increases by 12% for births that occur after the insurance expansion. This labor supply response is pervasive across mother's pre-birth characteristics, and across the varied impact of the ACA expansion. Our analysis suggests that this response is likely driven by a combination of improved access to maternal health care, increased participation by mothers who do not work before birth, reduced exits among mothers who do work before birth, and a compositional changes in who gives birth following the ACA health insurance expansion. [Ramnath-Inducing Labor-352.pdf](#)

3:00pm - 3:22pm

Means-Tested Child Care Subsidies and Parental Labor Supply

Trine Engh Vattø¹, Kjersti Misje Østbakken²

¹Statistics Norway; ²Institute for Social Research;

An important rationale for providing universal child care subsidies is to encourage maternal labor market participation. Often governments choose to prioritize means-tested child care subsidies, targeted at low-income families. In the present study we discuss the ambivalent effects of means-tested child care subsidies on parents' labor supply both analytically and by microsimulations of a structural labor supply model. We then utilize the introduction of a national scheme of means-tested child care subsidies in Norway, which offers a natural experiment to isolate the price effect (positive effect of subsidized care) and the strategic effects (negative effect of means-testing) on parents' labor supply. Surprisingly, we find no significant effect on either of the two mechanisms. Effects close to zero are confirmed by the structural labor supply model, which helps us shed some light on the likely reasons for the small responses to means-tested child care subsidies in the Norwegian context.

[Vattø-Means-Tested Child Care Subsidies and Parental Labor Supply-401.pdf](#)

3:22pm - 3:45pm

Did the \$660 Billion Paycheck Protection Program and \$220 Billion Economic Injury Disaster Loan Program Get Disbursed to Minority Communities in the Early Stages of COVID-19?

Robert Fairlie¹, Frank Fossen²

¹University of California, Santa Cruz, USA; ²University of Nevada, Reno, USA;

Social distancing restrictions and demand shifts from COVID-19 shut down many small businesses with especially negative impacts on minority owners. Was the unprecedented US federal government response to support small businesses, which had a stated goal of helping disadvantaged groups – the \$659 billion Paycheck Protection Program and the \$220 billion COVID-19 Economic Injury Disaster Loans – disbursed evenly to minority communities? From our analysis of the universe of loans from these programs, we generally find a slightly positive relationship between PPP loan receipt per business and the minority share of the population or businesses, although funds flowed to minority communities later than to communities with lower minority shares. PPP loan amounts, however, are negatively related to the minority share of the population. The EIDL program, in contrast, was distributed positively to minority communities.

[Fairlie-Did the \\$660 Billion Paycheck Protection Program and \\$220 Billion Economic Injury Disaster Loan.pdf](#)

2:15pm - 3:45pm **L05: Housing**

2:15pm - 2:37pm

Market Rate Housing Construction In Urban Neighborhoods

Erlend Eide Bø, Stefan Leknes

Statistics Norway, Norway;

Many urban neighborhoods are characterized by soaring housing prices and gentrification. Can construction of market rate residential housing be a remedy? New housing increases local supply, and could lead to falling prices if local demand is limited. However, new housing generally has higher standard than older housing and may therefore attract wealthier residents, which could increase the prices of existing housing through positive neighborhood externalities. Using detailed housing data from Norway's capital Oslo, we study how housing prices and residential composition of existing housing are affected by market rate construction nearby. We deal with endogeneous location of new constructions by instrumenting with available space for development and controlling for micro neighborhoods. We find that the effects on housing prices and incomes of residents are negative, but small, suggesting that the supply effect is larger than any positive neighborhood effect.

[PDF Bø-Market Rate Housing Construction In Urban Neighborhoods-543.pdf](#)

2:37pm - 3:00pm

Housing Affordability and Transaction Tax Subsidies

Anastasia Girshina², Francois Koulischer¹, Ulf von Lilienfeld¹

¹University of Luxembourg, Luxembourg; ²Stockholm School of Economics;

House prices have increased faster than average income in many countries over the last decade, raising concerns on the affordability of housing. We study the impact of transaction taxes on the real estate market and the effectiveness of tax subsidies to make housing more affordable. We show how the demand and supply elasticities for housing determine the price impact of tax subsidies and the distribution of gains between buyers and sellers. We then use data on all real estate transactions in Luxembourg from 2007 to 2018 to estimate the elasticity of housing supply and demand. For identification, we exploit discontinuities in the transaction tax schedule as well as rules on tax subsidies for new constructions. Our estimates suggest that the elasticity of house prices to transaction taxes is 0.27, so buyers capture a large part of the surplus from the subsidies.

[PDF Girshina-Housing Affordability and Transaction Tax Subsidies-368.pdf](#)

3:00pm - 3:22pm

The Virus That Devastated Tourism: the Impact of Covid-19 on the Housing Market

João Pereira dos Santos, Susana Peralta, Duarte Gonçalves, Mafalda Batalha

Nova School of Business and Economics, Portugal;

We estimate the impact of the sudden and sharp decrease in tourism caused by the pandemic on housing rental and sales in Lisbon, a tourist-intensive capital with a high density of short-term rentals. We use a panel that spans the 24 civil parishes between the third quarter of 2018 and the third quarter of 2020. We estimate difference-in-differences specifications, with both a binary treatmentand a treatment intensity relying on the pre-pandemic intensity of short-term rentals in the civil parishes. Our results are robust to an IV that deals with selection into treatment concerns, and to the inclusion of the second largest city of the country. We show that in the long-term rental market, prices decrease 4.1%, while quantities increase 20% in the treated areas vis-à-vis comparison ones. We also find evidence of an incremental negative impact on sale prices of 4.8% in treated areas, with no effect on quantities.

[PDF Pereira dos Santos-The Virus That Devastated Tourism-440.pdf](#)

3:22pm - 3:45pm

Intrinsic Real Option Value: Empirical Evidence from Commercial Real Estate Investors

Simon Camilo Büchler¹, Alex van de Minne², Olivier Schoeni³

¹Massachusetts Institute of Technology; ²University of Connecticut; ³Laval University;

We investigate how local information externalities affect investments in tangible durable assets via real options. Using geocoded transaction-level data on US commercial properties from 2000 to 2018, we find that investors have a higher propensity to invest in a property for immediate redevelopment when its capital intensity and type of commercial activity differ from those of recently built nearby properties. Information externalities affect 'buy-to-redevelop' investment strategies as much as the asset capital depreciation -- the main determinant of real option exercise highlighted in the literature -- and can increase up to 30 percent the investors' willingness to pay to invest in the property.

[PDF Büchler-Intrinsic Real Option Value-196.pdf](#)

2:15pm - 3:45pm **L06: The Corporate Tax**

2:15pm - 2:37pm

Tax Avoidance with Hybrid Financial Instruments

Svea Holtmann¹, Reinald Koch¹, Dominika Langenmayr^{1,2}

¹Catholic University of Eichstaett-Ingolstadt, Germany; ²CESifo;

Tax avoidance with hybrid financial instruments (HFIs) is difficult to study since financial statements do not disclose the tax treatment of financial instruments. We provide empirical evidence on this tax avoidance channel by studying the effect of implementing a linking rule in Germany in 2014. This rule links the tax treatment of a financial instrument to the tax treatment in the counterparty country, thereby making tax avoidance with HFIs impossible. Using a large panel on investment relations among affiliated companies for the period 2006-2016, we find that the introduction of the linking rule is associated with a change in the capital structure among companies where tax avoidance with HFIs was possible before. [\[2\] Holtmann-Tax Avoidance with Hybrid Financial Instruments-134.pdf](#)

2:37pm - 3:00pm

The Corporate Elasticity of Taxable Income: Event Study Evidence from Switzerland

David Staubli¹, Matthias Krapf²

¹Swiss Federal Tax Administration, Switzerland; ²University of Basel, Switzerland;

We estimate the corporate elasticity of taxable income. Our analysis draws on panel variation in the decentralized system of corporate taxation in Switzerland. We find that an increase in a jurisdiction's corporate net-of-tax rate by 1% results in an increase in aggregate corporate income by about 3.5% over a time span of 4 years. The elasticity is larger in remote, non-central locations. Firm entry, exit, and mobility only account for a small share of the overall elasticity.

[\[2\] Staubli-The Corporate Elasticity of Taxable Income-324.pdf](#)

3:00pm - 3:22pm

Corporate taxes and union wages in the United States

R. Alison Felix¹, James R. Hines Jr.²

¹Federal Reserve Bank of Kansas City; ²University of Michigan;

This paper evaluates the effect of U.S. state corporate income taxes on union wage premiums. American workers who belong to unions are paid more than their non-union counterparts, and this difference is greater in low-tax locations, possibly reflecting that unions and employers share tax savings associated with low tax rates. In 2000 the difference between average union and non-union hourly wages was \$1.88 greater in states with corporate tax rates below four percent than in states with tax rates of nine percent and above. Controlling for observable worker characteristics, a one percent lower state tax rate is associated with a 0.36 percent higher union wage premium, suggesting that workers in a fully unionized firm capture roughly 54 percent of the benefits of low tax rates.

[\[2\] Felix-Corporate taxes and union wages in the United States-358.pdf](#)

3:22pm - 3:45pm

The German Business Panel: Insights on Corporate Taxation and Accounting during the Covid-19 Pandemic

Jannis Bischof, Philipp Dörrenberg, Davud Rostam-Afschar, Dirk Simons, Johannes Voget

University of Mannheim, Germany;

We introduce the German Business Panel (GBP), a novel large-scale survey of German firms. The GBP periodically surveys executives and key decision-makers in a representative sample of German firms, taking stock of their perceptions, views, and expectations. A particular focus of the survey is on the role of accounting and tax regulation for companies. We present findings from the first wave of the GBP which was in the field over the summer 2020 and addressed the consequences of the Covid-19 pandemic for companies in Germany. Relying on more than 10,000 complete responses, we disentangle how the economic impact of Covid-19 hits industries with varying intensity. We also document that state aid was insufficient for the hardest-hit firms. As a consequence, firms systematically took additional measures like cost-cutting or reducing cash outflows. The state interventions did not lead to managers expecting a substantial increase in future tax rates.

[\[2\] Bischof-The German Business Panel-498.pdf](#)

2:15pm - 3:45pm **L07: Taxation in Developing Countries**

2:15pm - 2:37pm

Limited Tax Capacity and the Optimal Taxation of Firms

Marcelo Arbex¹, Enlinson Mattos², Rebeca Regatieri³

¹University of Windsor; ²FGV Fundacao Getulio Vargas, Brazil; ³FGV Fundacao Getulio Vargas and Brazilian Treasury;

Limited tax capacity creates evasion opportunities that weakens the production efficiency argument. Motivated by the SIMPLES tax reform in Brazil that led to heterogeneous responses on revenues and production costs of upstream versus downstream informal firms, we characterize the optimal taxation of firms in a limited tax capacity economy to compare with the optimal value-added and turnover taxes. We show that the elasticities of misreported sales and purchase gaps to policy instruments are behavioral statistics that complement the traditional Diamond and Mirrlees (1971)'s mechanical effect of taxation.

2:37pm - 3:00pm

Tax Policy and Household Businesses in Vietnam

Anh Pham

George Mason University, United States of America;

Small and informal businesses constitute a large fraction of developing economies. This paper examines how a large increase in tax rates affects household businesses in Vietnam, which are a type of small businesses. We use balanced panel data of household businesses and exploit a drastic change in the tax code in 2013-2014 that varied tax rates by industry and locality. Surprisingly, on average, we do not find any evidence for changes in business registration, employment, revenue, and tax payments as a result of the large tax change. Plausibly, many household businesses lacked general understanding of the tax law. Testing this theory, we find that more-educated business owners responded more to the tax change than less-educated business owners. Specifically, when tax rates increased, more-educated owners were less likely to register their business and reduced employment more than less-educated owners.

[\[2\]](#) Pham-Tax Policy and Household Businesses in Vietnam-287.pdf

3:00pm - 3:22pm

Using Computerized Information to Enforce VAT: Evidence from Pakistan

Jawad Ali Shah

University of Kentucky, United States of America;

I exploit quasi-experimental variation created by a Pakistani reform which switched audit and recovery of domestic input tax credits from manual to an algorithm-based computerized system which utilizes information beyond the in-built VAT information trail. I use administrative tax data for the universe of VAT returns filed in Pakistan from tax year 2009 to 2016 to estimate the impact of this reform on non-exporting firms. Using exporters as a comparison group, I find that claims fell by 2.36 million PKR per treated firm aggregating to 86 billion PKR. Firm heterogeneity analysis by business activity and firm structure shows a decline ranging from 30% to 90%. Surprisingly, the claims of corporations and partnerships also fell by 5070%. This shows that VAT may only yield revenue gains when tax administration develops sufficient capability to implement an algorithm-based tracking system which goes beyond simple cross-verification of invoices.

[\[2\]](#) Shah-Using Computerized Information to Enforce VAT-519.pdf

3:22pm - 3:45pm

Electronic Payments and Tax Capacity: Evidence from Uruguay's Financial Inclusion Reform

Anne Brockmeyer^{1,2,3}, Magaly Saenz Somarriba³

¹Institute for Fiscal Studies; ²University College London; ³World Bank;

Can the digitization of transactions in an economy increase tax compliance? We study the effect of financial incentives on the adoption of electronic payment technology and on tax compliance by firms. Exploiting administrative data and policy variation from Uruguay, we show that i) consumer VAT rebates for debit card transactions trigger an immediate 50% increase in the number of card transactions, ii) firms' use of card machines increases only on the intensive margin, and iii) tax compliance is unaffected. Endogenous card machine adoption and a low share of card sales in total reported sales can rationalize the findings.

[\[2\]](#) Brockmeyer-Electronic Payments and Tax Capacity-339.pdf

4:00pm - 5:30pm

Plenary IV, Closing and Awards: Keynote - John N. Friedman (Brown University) on "The Economic Impacts of COVID-19: Evidence from a New Public Database Built Using

Private Sector Data"

Session Chair: Wojciech Kopczuk, Columbia University

5:35pm - 6:30pm

Social Event B: Locals Insight to Iceland, by Sævar Helgi Bragason