



**Ben Gurion University**  
**Faculty of Humanities and Social Sciences**  
**Department of Economics**

**Name of course: Issues in Public Economics**

**Course number: 142-2-5631**

**Name of lecturer Prof. Michel Strawczynski**

**Course objectives**

The main goal is to analyze the most prominent models on taxation and fiscal policy, so as to learn about optimal policy and compare it to the implementation in Israel. By the end of the course student will have familiarity with the main issues that are relevant for optimal policy in taxation, transfer programs (mainly Earned Income Tax Credit) and fiscal policy implementation according to the literature in Public Economics. These issues will be compared with the changes that were implemented in Israel in the last decade, under a critical view of the similarities and the differences between optimal rules and actual policy.

**Course outline**

Optimal inheritance tax (with a comparison to the proposal being considered in Israel); optimal linear tax; optimal non-linear tax with an application to Israel; optimal transfer system and the optimal combination between Earned Income Tax credit and child allowances; optimal fiscal policy; optimal fiscal policy when there is a public-debt/gdp reduction guideline; comparison between optimal fiscal policy to the one implemented in Israel.

**Course and grade requirements**

**משקל בציון הסופי :**

100 % - Exams

## Bibliography

### רשימה ביבליוגרפית – נושאים בכלכלה ציבורית

#### 1. מס ירושה

Abel A. (1985), "Precautionary Saving and Accidental Bequests", *The American Economic Review*, Vol. 75, No. 4 (Sep.), pp. 777-791.

Blumkin T. and E. Sadka (2004), "Estate taxation with intended and accidental bequests", *Journal of Public Economics*, Vol. 88 No 1-2, pp. 1-21.

Strawczynski M. (2014), "The optimal inheritance tax in the presence of investment in education", *International Tax and Public Finance* 21, 768-795.

#### 2. מודל מס ההכנסה הקלאסי (ליניארי ולא ליניארי)

##### **ספרים**

Stiglitz, Joseph. "Pareto efficient and optimal taxation and the new new welfare economics", *Handbook of Public Economics*, edited by Auerbach and Feldstein, Elsevier (North Holland), 1987.

Myles, Gareth (1996). *Public Economics*, Chapter 5, Cambridge University Press.

##### **מאמרים**

Mirrlees, James (1971). "An exploration in the theory of optimal income taxation." *Review of Economic Studies*, 38 (2), pp. 175-208.

Tuomala, Matti (1984). "On the optimal income taxation - some further numerical results." *Journal of Public Economics*, 23 (3), pp. 351-366.

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- Dahan M. and M. Strawczynski (2012), "The optimal asymptotic income tax rate", *Journal of Public Economic Theory*, 14 (5), 737-755.

Piketty, Thomas, Emmanuel Saez, and Stefanie Stantcheva (2014), "Optimal Taxation of Top Labor Incomes: A Tale of Three Elasticities", *American Economic Journal – Economic Policy* 6 (1), 230-271.

Blumkin, T., Y. Nargaliot and M. Strawczynski (2016), "The impact of Income tax reductions on emigration reduction", manuscript.

### **3. תכנית מענקי עבודה ("מס הכנסה שלילי")**

Saez E. (2002), "Optimal income transfer programs: intensive versus extensive labor supply responses", *Quarterly Journal of Economics*, 117, 1039-1073.

Brender, A. and Strawczynski M. (2006), "Earned Income Tax Credit in Israel: designing the system to reflect the characteristics of labor supply and poverty", *Israel Economic Review*, Vol. 4 No 1, 27-58.

Regev E. and M. Strawczynski (2016), "The optimal long-run Earned Income Tax Credit", manuscript.

### **4. מדיניות פיסקאלית רצויה כתגובה לעזוועים**

Barro, Robert (1979), "On the determination of Public Debt", *Journal of Political Economy*, 87, pp. 240-271.

,70 צבי הרקוביץ ומישל סטרבצינסקי (1996), "מדיניות חוב ציבורי בישראל", סקר בנק ישראל 70, 3-26.

### **5. מדיניות פיסקאלית עם יעד גירעון**

; - דוח"ות בנק ישראל (לא חובה);

Brender A. (2007), "If you want to cut, cut, don't talk: the role of formal targets in Israel's fiscal consolidation efforts, 1985-2007", March (published at the Bank of Italy annual fiscal conference; available at the Bank of Israel site).

- הרקוביץ, צ. ומ. סטרבצינסקי (2003), דינמיקה של מדיניות פיסקלית הכפופה להנחית הגבלה של היקף החוב הציבורי", סקר בנק ישראל, 75 עמ' 23-38.

### **6. מחזוריות של המדיניות הפיסקאלית**

Lane, Philip (2003), "The cyclical behavior of fiscal policy: evidence from the OECD", *Journal of Public Economics*, vol. 87 no 12, 2261-2675 (December).

Talvi and Vegh (2005), "Tax variability and procyclical fiscal policy", Journal of Development Economics, 78 (1), 156-190.

Strawczynski, M. (1995), "Income uncertainty and Ricardian Equivalence", American Economic Review, 85 (4), 964-967. (\*\*\*)

Vegh, C. and G. Vuletin (2012), "How is tax policy conducted over the business cycle?", NBER Discussion Paper 17753.

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#### **7. כללים פיסקליים ותקציב הממשלה**

-Dahan and Strawczynski (2013), "Fiscal rules and the composition of government expenditure in OECD Countries", Journal of Policy Analysis and Management, 32 (3), 484-504.