

# Advanced Topics in Public Economics: Taxation

Wouter Leenders  
UC Berkeley

April 14, 2025

# Introduction

---

I am a PhD candidate at the University of California, Berkeley, currently visiting the EU Tax Observatory in Paris. You can reach me at [leenders@berkeley.edu](mailto:leenders@berkeley.edu).

My research is in public economics and focuses on inequality and taxation. I have worked on the following topics:

1. *The measurement of inequality and redistribution*: How high is inequality and what do governments do to reduce it?
2. *Taxation of the rich*: How much do they pay? How can we better tax them?
3. *Tax evasion*: Who evades taxes, how much and why? Which policies can help reduce tax evasion?

Course material will be uploaded to [Moodle](#).

- 28 April: Problem set session with Elvin Le Pouhaër
- 5 May: Policy brief due

# Today's lecture

---

Stylised facts of taxation

History of taxation

Recap: Incidence

Income taxes: Theory

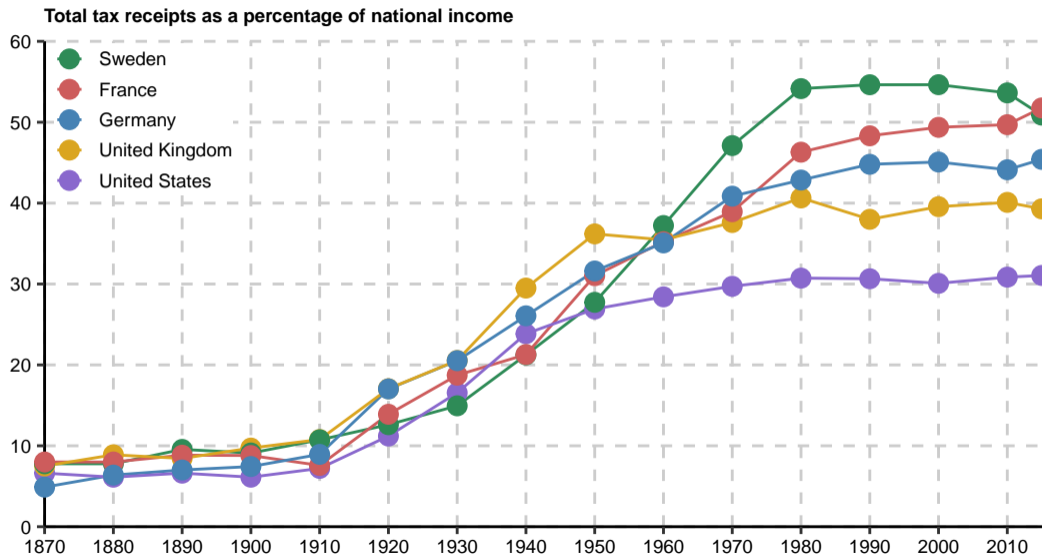
Income taxes: Empirics

Tax evasion

# Stylised facts of taxation

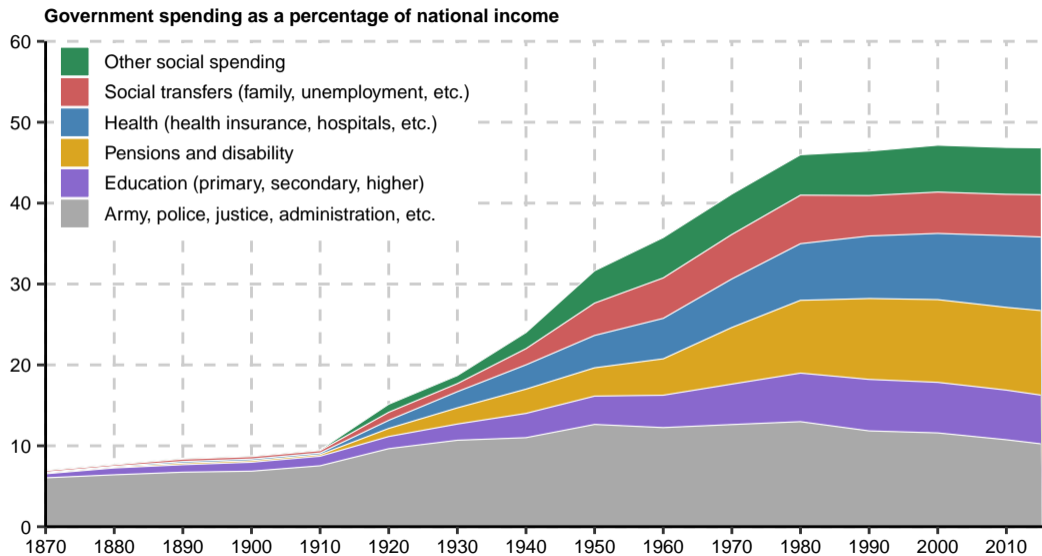
---

# The rise of the fiscal state



Source: Piketty (2020)

# The rise of the social state



Source: Piketty (2020)

## What are taxes?

---

*“Taxes are compulsory unrequited payments, in cash or in kind, made by institutional units to general government or supranational bodies exercising their sovereign or other powers.”* (Eurostat, 2013)

**Consumption taxes:** Levied on the sale or use of goods and services, such as value-added taxes, sale taxes, excise duties, tariffs.

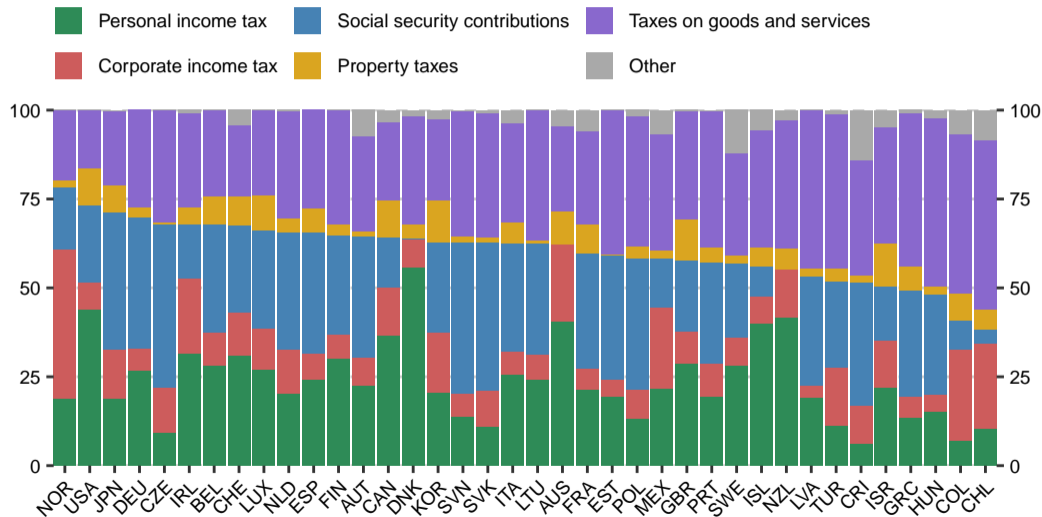
**Payroll taxes:** Levied on employees and employers, often directly linked to specific social insurance programs and calculated as a flat percentage of labour earnings.

**Personal income taxes:** Levied on the income of individuals, often according to a progressive schedule for labour earnings and a reduced, sometimes flat schedule for capital income.

**Corporate income taxes:** Levied on the profits of corporate enterprises, often according to a flat schedule, sometimes with mild progression.

# Tax structure in OECD countries

Tax structures in 2022 as a percentage of total tax revenue



Source: OECD (2024)



# What is income?

---

**National income** consists of domestic output net of capital depreciation plus net foreign income. It is made up of labour income (70-75%) and capital income (25-30%).

**Labour income** is made up of salaries, pension contributions, fringe benefits.

Inequality in labour income is due to

- Education and skills
- Labour market institutions (unions, minimum wages)
- Work effort
- Social norms and discrimination

**Capital income** consists of corporate profits, interest, rental income. Inequality in capital income is due to

- Wealth inequality
- Inequality in rates of return

Income inequality and taxation are often studied using **surveys** where income and taxes are reported for a sample of individuals. Surveys have a number of problems:

1. The sample size is often too small to study the top
2. Income is often top coded
3. Very few surveys existed before the 1950s

There is a long tradition of economists (Pareto, Kuznets, Piketty/Saez) using **tax data**, which avoid some of these problems, but have their own...

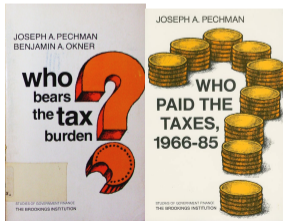
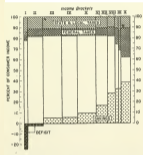
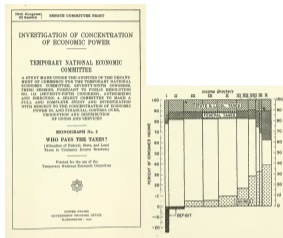
1. Data is distorted by tax evasion and avoidance
2. Differences in tax laws across time and countries complicate comparisons
3. Income concept inconsistent with macroeconomic aggregates

⇒ **Distributional National Accounts (DINA)**

# Distributional National Accounts (DINA) - I

Historically, studies of distributional effects of taxes were based on hypothetical taxpayers (see e.g., [Newcomer \(1937\)](#)).

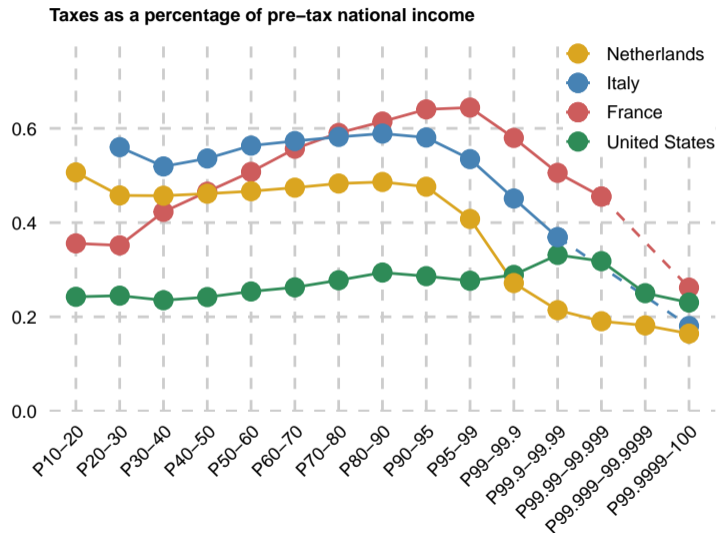
In *Who Pays The Taxes?*, [Tarasov and Colm \(1941\)](#) use statistics on the distribution of income to compute effective tax burdens for different income groups, starting a new line of research ([Musgrave et al., 1951](#); [Pechman and Okner, 1974](#); [Pechman, 1985](#)).



[Piketty, Saez and Zucman \(2018\)](#) and [Garbinti, Goupille-Lebret and Piketty \(2018\)](#) introduced **Distributional National Accounts (DINA)** to measure inequality and redistribution by:

- Combining administrative and survey data with macroeconomic aggregates
- Considering all of national income, including retained profits

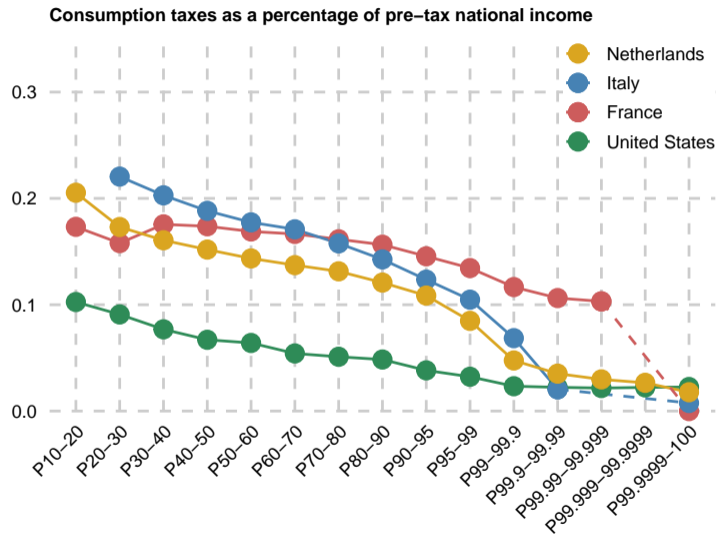
# Distributional National Accounts (DINA) - II



Source: Bruil et al. (2024)

Bruil et al. (2024) show that the effective tax rate is roughly flat for the bottom 95% in the Netherlands, Italy, France and the United States, but falls at the top.

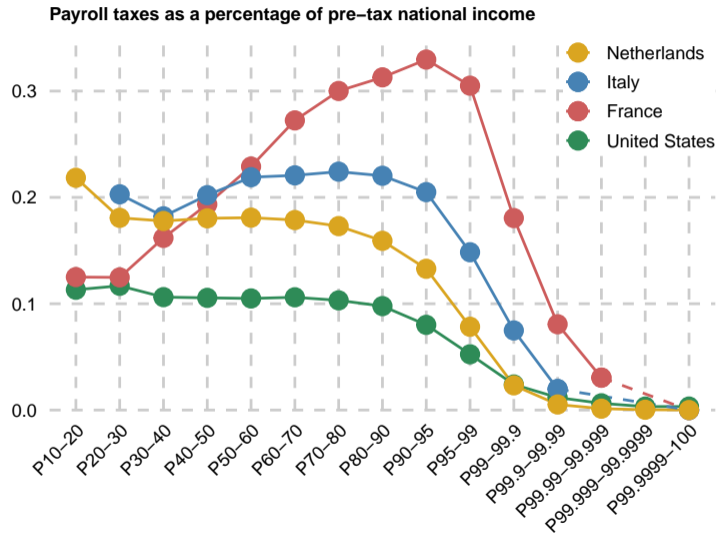
# Consumption taxes



**Consumption taxes** are regressive, even if one accounts for exemptions for basic goods, because the poor consume a greater share of their income.

Source: Bruil et al. (2024)

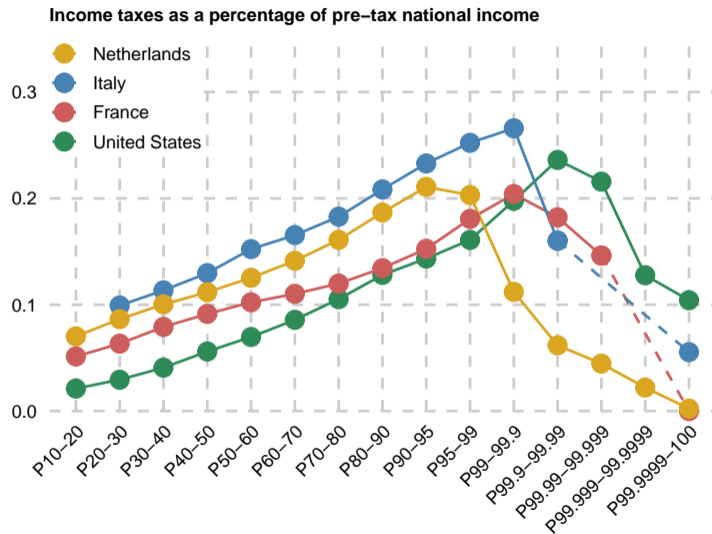
# Payroll taxes



Source: Bruil et al. (2024)

Payroll taxes tend to be regressive because (i) they are calculated as a **flat** percentage of labour earnings, (ii) they are often **capped** above a certain level of labour earnings, and (iii) they are **not** levied on **capital income** or **corporate profits**.

# Income taxes

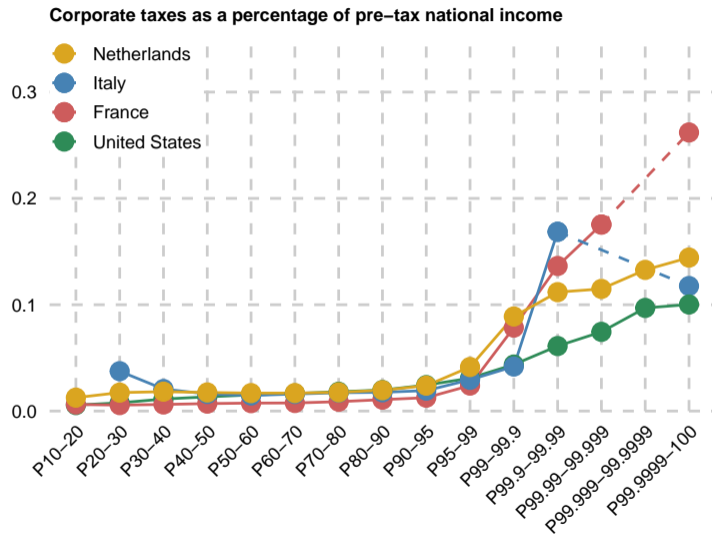


Source: Bruil et al. (2024)

Income taxes are progressive for the bottom 99%, but collapse within the top 1% because the very rich avoid receiving most of their income in the form of personal income.

- Most profits are not paid out as dividend but instead retained within firms
- Even if firms pay out dividends, these may be received by holding firms

# Corporate taxes



Source: Bruil et al. (2024)

**Corporate taxes** are progressive despite usually taxing corporate profits at a flat rate, reflecting the concentration of firm ownership, but the rates are too low to restore overall progressivity at the top.



## How can Scandinavians tax so much?

---

Scandinavian countries are some of the world's highest-income countries despite exceptionally high (marginal) tax rates and generous out-of-work benefits.

How can they seemingly defy the equity-efficiency trade-off?

In *How Can Scandinavians Tax So Much?*, [Kleven \(2014\)](#) proposes three explanations:

1. Extensive **third-party reporting** of income ensure low levels of tax evasion.
2. **Broad tax bases** lead to low levels of tax avoidance.
3. The **subsidisation of goods and services complementary to work** supports a high level of labour supply.

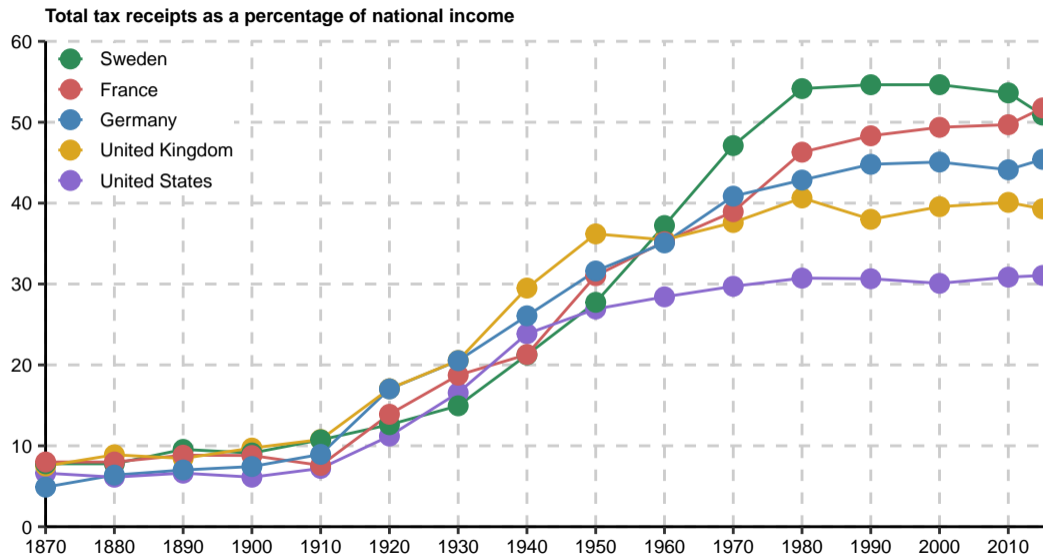
What about cultural explanations? Are Scandinavians just different?

- Scandinavians display high levels of trust in each other.
- Few Scandinavians believe that “poor people are lazy”.
- But, establishing causality is not straightforward...

# History of taxation

---

# The size of the state



Source: Piketty (2020)

## The size of the state: Economic factors

---

In a period when states were still relatively small, [Wagner \(1883, 1893\)](#) posed **Wagner's Law**, that the relative size of the state grows with economic development.

At very early stages of development, economies are mostly agricultural. The lack of record-keeping and the geographical dispersion of economic activity inhibits the levy of income taxes. Governments usually opt for land taxes and in-kind taxes instead.

The expansion of foreign trade is typically concentrated in a few ports and border crossings and thus provides an convenient tax base, explaining the dependence of pre-industrial nations on import and export taxes.

At later stages of development, industrialisation leads to a greater concentration of production in larger establishments. The replacement of self-employment by wage labour enables the taxation of labour income. The increasing rationalisation of private firms and adoption of accounting practices makes it possible to tax business income.

# Why Can Modern Governments Tax So Much?

---

Kleven, Kreiner and Saez (2016) try to explain the following stylised facts:

1. The positive cross-country correlation between the tax take and economic development is entirely driven by “modern taxes”.
2. The growth of the tax take over time is entirely driven by modern taxes.
3. There is a positive cross-country correlation between the tax take and the share of employees working in large firms.

In their model:

- Large firms keep business records in order to organise production and access financial services. The government can request these records through an audit.
- Some employees have access to the firm’s business records and can trigger an audit by whistleblowing (for which the government may reward them).
- The size and complexity of firms grows with technological progress.

**Prediction:** If a company is sufficiently large, in terms of the number of employees, or complex, such that it needs to keep business records, it will be tax compliant.

## The size of the state: Wars and democracy

---

In *Coercion, Capital, and European States, AD 990-1990*, Tilly (1990) emphasises the importance of wars as drivers of state formation.

Wars impose substantial revenue needs on states and generate the political conditions for tax reform and investments in fiscal capacity. Many important fiscal innovations emerged in wartime: the introduction and expansion of the income tax, centralisation of tax administrations, tax withholding, and the erosion of bank secrecy.

In Western Europe, the voting franchise was repeatedly extended in the 19th and 20th centuries. These extensions were associated with the rising prominence of mass parties with Christian democratic and social democratic orientations, leading to a growing demand for social programs and progressive taxation.

# Recap: Incidence

---

## Taxation and deadweight loss

---

If taxes lead to changes in behaviour, this can create “deadweight loss”, the loss in consumer and producer surplus because some transactions no longer take place.

Feldstein (1999) argued that this deadweight loss could be captured by the **elasticity of taxable income** rather than the more commonly studied elasticity of the labour supply.

Slemrod (1998) points out that

- This elasticity largely represents the shifting of income across time periods and tax bases, resulting in offsetting revenue gains.
- This elasticity is affected by government policy (e.g., the broadness of the tax base, tax enforcement) and not an immutable parameter.



# Tax incidence anomalies

---

Economic theory contains several predictions about tax incidence that are sometimes contradicted by empirical evidence. [Benzarti \(2024\)](#) discusses a few of such cases:

1. “Statutory incidence is irrelevant for economic incidence.”
  - [Chetty, Looney and Kroft \(2009\)](#) conduct an experiment where they post tax-inclusive price tags and find that the increased salience of taxes reduces demand.
  - [Saez, Matsaganis and Tsakloglou \(2012\)](#) study differences in payroll taxes across cohorts and find that employers compensate workers for increases in the *employer*, but not for the *employee* part of payroll taxes.
2. “The elasticities of demand and supply are the only relevant factors for incidence.”
  - [Saez, Schoefer and Seim \(2019\)](#) study an age-specific payroll tax cut and find that the tax savings were shared among eligible and ineligible workers.
3. “The incidence of tax increases and decreases is symmetric.”
  - [Benzarti et al. \(2020\)](#) find that VAT increases are largely passed on to consumers while VAT cuts are not.

# Tax incidence anomalies



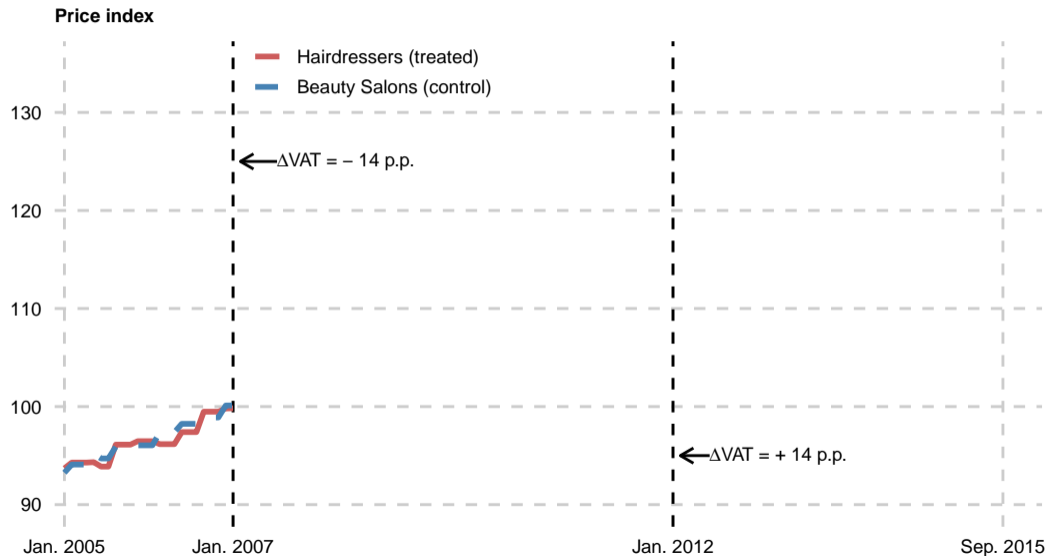
# Tax incidence anomalies

---

Economic theory contains several predictions about tax incidence that are sometimes contradicted by empirical evidence. [Benzarti \(2024\)](#) discusses a few of such cases:

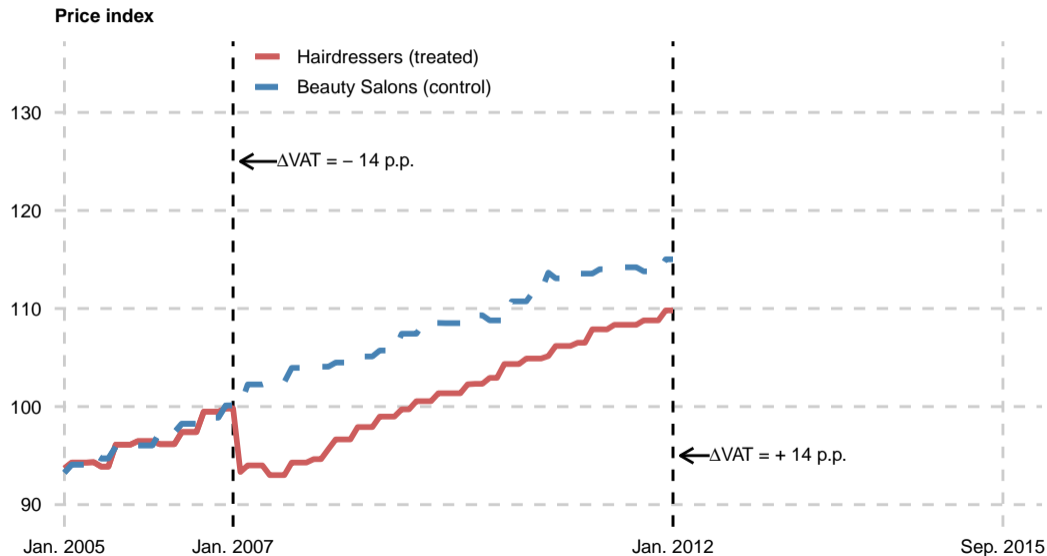
1. “Statutory incidence is irrelevant for economic incidence.”
  - [Chetty, Looney and Kroft \(2009\)](#) conduct an experiment where they post tax-inclusive price tags and find that the increased salience of taxes reduces demand.
  - [Saez, Matsaganis and Tsakloglou \(2012\)](#) study differences in payroll taxes across cohorts and find that employers compensate workers for increases in the *employer*, but not for the *employee* part of payroll taxes.
2. “The elasticities of demand and supply are the only relevant factors for incidence.”
  - [Saez, Schoefer and Seim \(2019\)](#) study an age-specific payroll tax cut and find that the tax savings were shared among eligible and ineligible workers.
3. “The incidence of tax increases and decreases is symmetric.”
  - [Benzarti et al. \(2020\)](#) find that VAT increases are largely passed on to consumers while VAT cuts are not.

# Tax incidence anomalies



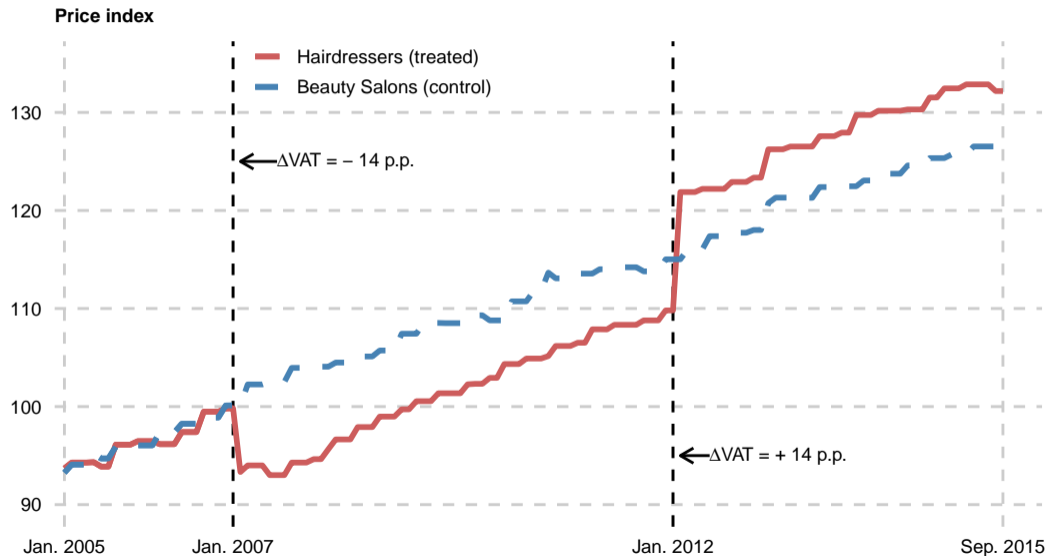
Source: Benzarti, Carloni, Harju and Kosonen (2020)

# Tax incidence anomalies



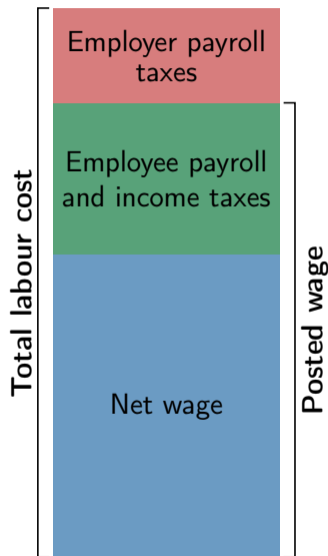
Source: Benzarti, Carloni, Harju and Kosonen (2020)

# Tax incidence anomalies



Source: Benzarti, Carloni, Harju and Kosonen (2020)

# The incidence of payroll taxes: Theory



In a competitive market, the marginal product of labour equals total labour cost and the posted wage is irrelevant.

Suppose that labour supply is perfectly inelastic

- If employer-borne taxes increase, employers would reduce the posted wage (and thereby the net wage) such that total labour cost equals the marginal product of labour again.
- If employee-borne taxes increase, the net wage would decrease and total labour cost is unaffected, so it still equals the marginal product of labour.

If labour supply is elastic, the burden of taxes is shared between employers and employees, but whether taxes are legally borne by employers or employees remains irrelevant for the economic incidence (= who ultimately bears the burden).

## The incidence of payroll taxes: Empirical evidence

---

In 1992, Greece raised the marginal payroll tax rate for high earners by raising the payroll tax cap for individuals entering the labour market **after** 1 January, 1993.

Comparing workers who entered the labour market just before and after 1 January, 1993, [Saez, Matsaganis and Tsakloglou \(2012\)](#) find no response in labour supply, suggesting that the incidence of payroll taxes should fall fully on workers.

Workers who entered the labour market just before and after 1 January, 1993, do not differ meaningfully and should be equally productive. Theory predicts that they should therefore have similar total labour costs (despite facing different payroll tax schedules).

Instead, they find that new entrants have higher total labour costs, identical posted wages, and lower net wages. This suggests that firms face constraints (e.g., legal or related to fairness) in letting posted wages depend on individual worker characteristics (e.g., the tax schedule they face). As a result, employers compensate new entrants for higher employer-borne, but not for higher employee-borne payroll taxes.



# Income taxes: Theory

---

## The optimal taxation of labour income without behavioural responses

---

Suppose that

- Labour income,  $z$ , is fixed
- The government taxes labour income according to  $T(z)$ , which can be negative
- Utility depends on consumption, which equals post-tax income  $u(c) = u(z - T(z))$
- $u'(c) > 0$  and  $u''(c) < 0$
- The government is utilitarian and maximises a weighted sum of utilities

What does the optimal labour income tax look like?

Because of diminishing marginal utility, increasing taxes for someone with high  $z - T(z)$  to lower the taxes for someone with low  $z - T(z)$  increases the weighted sum of utilities.

As pointed out by [Edgeworth \(1897\)](#), the optimal tax is then 100% and perfectly equalises consumption.

## The Mirrlees model: Accounting for behavioural responses

---

Mirrlees (1971) was the first to solve the optimal labour income tax problem:

- Individuals maximise utility by choosing earnings given their level of productivity.
- Individuals differ in their level of productivity.
- The government maximises a social welfare function based on individual utilities.
- The government does not observe productivity, but levies taxes on earnings,  $T(z)$ .

The fundamental tension in the Mirrlees model is that the government wants to redistribute from high to low productivity individuals, but that high productivity individuals reduce their earnings in response: the **equity-efficiency tradeoff**.

The influence of Mirrlees' solution on tax policy was limited because the lessons for policy were too imprecise:

- $T(z) < 0$  at the bottom and  $T(z) > 0$  at the top.
- $0 \leq T'(z) \leq 1$

## Deriving the optimal top marginal tax rate - I

---

Saez (2001) expresses the solution to the Mirrlees model in terms of parameters related to the shape of the income distribution and behavioural elasticities.

Consider a change in  $\tau$ , the tax rate in the top bracket, by  $d\tau$ . This has three effects on individual  $i$ :

1. **Mechanical effect:**  $d\tau[z^i - z^*]$ , the change in the top tax rate multiplied by the portion of income that lies in the top bracket.
2. **Welfare effect:**  $g^i \cdot$  mechanical effect, the social marginal value of consumption for  $i$ ,  $g^i$ , multiplied by the change in taxes collected from  $i$ .
3. **Behavioural effect:**  $\tau dz = -\tau \varepsilon^i z^i \frac{d\tau}{1-\tau}$ , the loss in tax revenue due to a change in behaviour.

At the optimum, these effects, summed across all earners in the top bracket need to sum to zero:  $dSWF = \left[ (1 - g)(z - z^*) - \varepsilon z \frac{\tau}{1 - \tau} \right] q d\tau = 0$ , where  $q$  is the fraction of individuals in the top bracket.

## Deriving the optimal top marginal tax rate - II

---

Let  $a = \frac{z}{z - z^*}$ , then

$$dSWF = \left[ (1 - g)(z - z^*) - \varepsilon z \frac{\tau}{1 - \tau} \right] q d\tau = 0$$

$$dSWF = \left[ 1 - g - \varepsilon \frac{z}{(z - z^*)} \frac{\tau}{1 - \tau} \right] (z - z^*) q d\tau = 0$$

$$dSWF = \left[ 1 - g - \varepsilon a \frac{\tau}{1 - \tau} \right] (z - z^*) q d\tau = 0$$

Rearranging...

$$1 - g = \varepsilon a \frac{\tau}{1 - \tau}$$

$$1 - g = \varepsilon a \tau + \tau - \tau g$$

$$\tau^* = \frac{1 - g}{1 - g + \varepsilon a}$$

## Deriving the top marginal tax rate - III

---

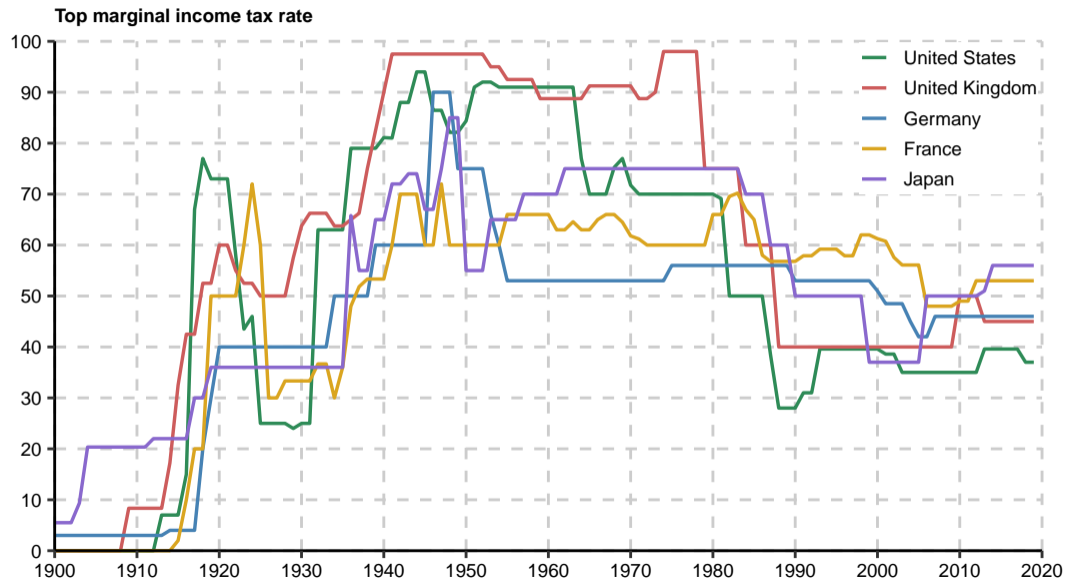
The optimal top marginal tax rate,  $\tau^* = \frac{1 - g}{1 - g + \varepsilon a}$  depends on

1. The social marginal value of consumption for top earners,  $g$ : how much does the government value top earners relative to others at the margin?
2. The elasticity of taxable income of top earners,  $\varepsilon$ .
3. The Pareto parameter  $a$  which reflects how high incomes are at the top.

Note that:

- The higher average income above  $z^*$ ,  $z$ , the lower  $a$ , and thus the higher  $\tau^*$ .
- If  $g = 0$ , then  $\tau^* = \frac{1}{1 + \varepsilon a}$ , the revenue-maximising top tax rate,  $t^{max}$ . Thus, as long as  $g \geq 0$ , it is never optimal to raise taxes above the revenue-maximising rate. For a dissenting view, see “*Beyond Laffer*”, chapter 8 in [Saez and Zucman \(2019\)](#).
- If  $\varepsilon \in (0.25, 0.5)$  and  $a \in (1.5, 2)$ ,  $t^{max} \in (0.5, 0.7)$

# Top marginal tax rates, 1900-2020



## Optimal non-linear income taxation

---

This method can be extended to obtain the optimal marginal tax rate  $T'(z)$  for all  $z$ :

$$T'(z) = \frac{1 - g^+(z)}{1 - g^+(z) + \varepsilon \cdot \alpha}$$

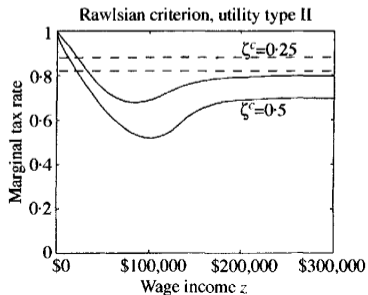
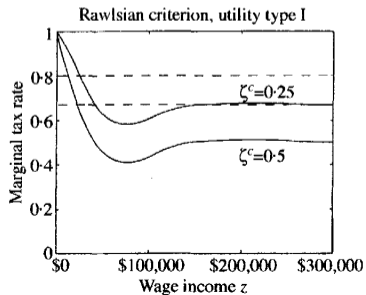
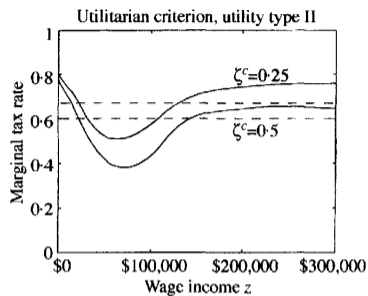
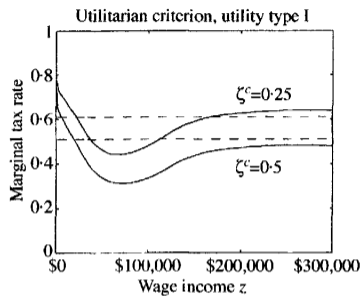
where  $\alpha(z) = \frac{z h(z)}{1 - H(z)}$  and  $g^+$  is the average social marginal welfare weight for individuals with income above  $z$ .

This formula tells us that:

1. The optimal marginal tax rate decreases with  $g^+(z)$ .
2. The optimal marginal tax rate should be lower if the elasticity w.r.t. taxes is high.
3. The optimal marginal tax rate should be low if the density of earnings is high relative to the number of people with higher incomes.



# Optimal non-linear income taxation



## Optimal taxation and utilitarianism

---

Late 19th-century British economists were heavily influenced by **utilitarianism**, the ethical philosophy that aims to maximise the total sum of 'happiness', and it remains the default normative framework in economics today.

Utilitarianism is mathematically convenient, but suffers from several limitations:

- It is **consequentialist** and thus ignores matters such as procedural fairness, the preservation of individual rights and entitlements.
- It depends on **interpersonal comparisons of utility**, which are complicated by differences in expectations, experiences, needs and tastes.

# Income taxes: Empirics

---

# The Effect of Marginal Tax Rates on Taxable Income

---

Feldstein (1995) uses data from a panel of tax returns from 1985-1988 to study the US's 1986 tax reform that cut taxes by a lot for high-income and less so for middle-income taxpayers. Comparing these groups, he estimates the ETI to lie between 1 to 3.

Auten and Carroll (1999) identified several issues with Feldstein (1995):

- **Mean reversion:** Taxpayers in the treatment group had high incomes prior to the tax cut and would have seen a fall in income absent the tax cut.
- **Secular rise of inequality:** If top incomes are rising independent of taxes and tax cuts are concentrated at the top, one would falsely infer a causal relationship.
- **Number of observations:** The treatment group only included 57 tax returns.

In a survey of the literature on the elasticity of taxable income, Saez, Slemrod and Giertz (2012) conclude that the most credible estimates range from 0.12 to 0.40.

## Evidence from Denmark...

---

Kleven and Schultz (2014) study multiple Danish tax reforms between 1984 and 2005

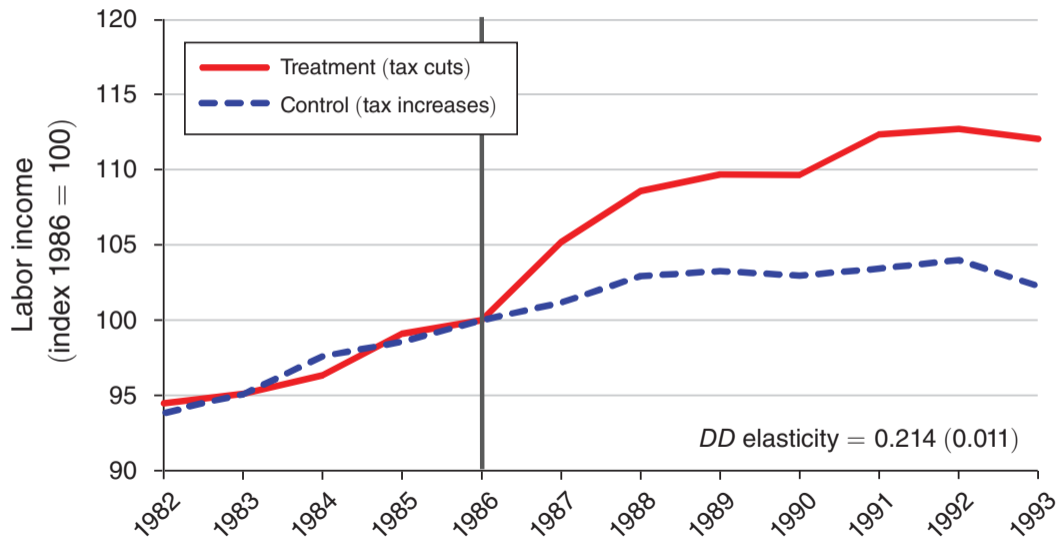
- The income distribution in Denmark is stable over this period.
- The tax reforms affected income groups throughout the income distribution.

Comparing taxpayers experiencing tax cuts to those experiencing increases, they find an elasticity of 0.2, at the lower end of the range of US studies.

A lot of the most compelling research in public economics has come from Scandinavia. An important reason is that these countries have given researchers access to long-run, population-wide administrative data.

Scandinavian countries are small, high-income countries that differ in many aspects from the rest of the world. This raises the question of how generalisable the findings of this research are to other countries.

## Evidence from Denmark...



## Evidence from Denmark...

---

Kleven and Schultz (2014) study multiple Danish tax reforms between 1984 and 2005

- The income distribution in Denmark is stable over this period.
- The tax reforms affected income groups throughout the income distribution.

Comparing taxpayers experiencing tax cuts to those experiencing increases, they find an elasticity of 0.2, at the lower end of the range of US studies.

A lot of the most compelling research in public economics has come from Scandinavia. An important reason is that these countries have given researchers access to long-run, population-wide administrative data.

Scandinavian countries are small, high-income countries that differ in many aspects from the rest of the world. This raises the question of how generalisable the findings of this research are to other countries.

# Tax evasion

---



# The Economics of Tax Evasion

---

Allingham and Sandmo (1972) developed the seminal model of tax evasion, where an individual with true income,  $y$ , decides how much to report to the tax authority,  $\bar{y}$ .

The tax authority conducts an audit with probability  $p$  that would uncover any unreported income, and levy a penalty,  $\theta$ , on the evaded tax liability.

The individual's problem then becomes:

$$\max_{\bar{y}} (1 - p) \cdot u(c^{\text{no audit}}) + p \cdot u(c^{\text{audit}}),$$

$$\text{where } c^{\text{no audit}} = y - \tau \cdot \bar{y},$$

$$c^{\text{audit}} = y - \tau \cdot \bar{y} - \tau (y - \bar{y})(1 + \theta).$$

Taking the derivative and setting it to zero yields yields the FOC:

$$\frac{u'(c^{\text{audit}})}{u'(c^{\text{no audit}})} = \frac{1 - p}{p\theta}$$

## The puzzle of low tax evasion

---

In practice, audit rates are low ( $p \approx 0.01$ ) and so are penalties ( $\theta \approx 0.2$ ).

$$\frac{u'(c^{\text{audit}})}{u'(c^{\text{no audit}})} = \frac{1-p}{p\theta} = \frac{1-0.01}{0.01 \cdot 0.2} = 495$$

In words, the marginal utility of consumption in the audited state should be almost 500 times that in the non-audited state, which is only true if  $c^{\text{audit}} \ll c^{\text{no audit}}$ , which is only true when evasion is very high,  $\bar{y} \ll y$ .

Kleven et al. (2011) consider two explanations:

1. Due to social norms and personal morality, taxpayers refrain from evading taxes.
2. Due to third-party reporting, the probability of being caught is higher than the audit rate suggests.

Finding that the evasion rate is near-zero for third-party reporting, but substantial for self-reported income, they favour the second explanation.

## Offshore tax evasion

---

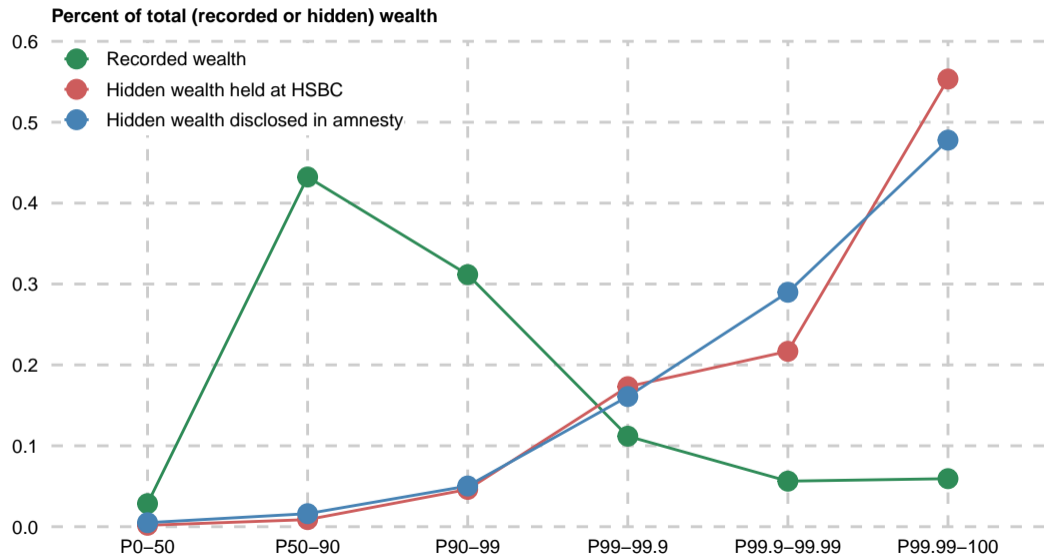
The emergence of tax havens coincided with the spread of modern forms of taxation based on income and wealth (Laffitte, 2024). According to Zucman (2013), 8% of global financial wealth is held in tax havens.

Alstadsæter, Johannesen and Zucman (2019) obtain lists of tax evaders from a tax amnesty and from a leak at HSBC Switzerland, and match these to administrative wealth records in Scandinavia.

1. Offshore tax evasion is concentrated at the top: the 0.01% richest households evade 25% of their taxes.
2. Accounting for offshore wealth raises top wealth shares considerable.

For the most up-to-date analysis of offshore tax avoidance and evasion, see the EU Tax Observatory's *Global Tax Evasion Report 2024*.

# Offshore tax evasion



Source: Alstadsæter, Johannesen and Zucman (2019)

## Offshore tax evasion

---

The emergence of tax havens coincided with the spread of modern forms of taxation based on income and wealth (Laffitte, 2024). According to Zucman (2013), 8% of global financial wealth is held in tax havens.

Alstadsæter, Johannesen and Zucman (2019) obtain lists of tax evaders from a tax amnesty and from a leak at HSBC Switzerland, and match these to administrative wealth records in Scandinavia.

1. Offshore tax evasion is concentrated at the top: the 0.01% richest households evade 25% of their taxes.
2. Accounting for offshore wealth raises top wealth shares considerable.

For the most up-to-date analysis of offshore tax avoidance and evasion, see the EU Tax Observatory's *Global Tax Evasion Report 2024*.

## References I

---

- Allingham, Michael, and Agnar Sandmo.** 1972. "Income Tax Evasion: A Theoretical Analysis." *Journal of Public Economics*, 1(3-4): 323–338. [48](#)
- Alstadsæter, Annette, Niels Johannesen, and Gabriel Zucman.** 2019. "Tax Evasion and Inequality." *American Economic Review*, 109(6): 2073–2103. [50](#), [52](#)
- Alstadsæter, Annette, Sarah Godar, Panayiotis Nicolaides, and Gabriel Zucman.** 2023. "Global Tax Evasion Report 2024." EU Tax Observatory.
- Auten, Gerald, and Robert Carroll.** 1999. "The Effect of Income Taxes on Household Income." *Review of Economics and Statistics*, 81(4): 681–693. [43](#)
- Benzarti, Youssef.** 2024. "Tax Incidence Anomalies." *Annual Review of Economics*. Forthcoming. [24](#), [26](#)
- Benzarti, Youssef, Dorian Carloni, Jarkko Harju, and Tuomas Kosonen.** 2020. "What Goes Up May Not Come Down: Asymmetric Incidence of Value-Added Taxes." *Journal of Political Economy*, 128(12): 4438–4474. [24](#), [26](#)

## References II

---

- Bruil, Arjan, Céline Van Essen, Wouter Leenders, Arjan Lejour, Jan Möhlmann, and Simon Rabaté.** 2024. "Inequality and Redistribution in the Netherlands." working paper. [11](#)
- Campbell, John.** 1993. "The State and Fiscal Sociology." *Annual Review of Sociology*, 19: 163–185.
- Chetty, Raj, Adam Looney, and Kory Kroft.** 2009. "Salience and Taxation: Theory and Evidence." *American Economic Review*, 99(4): 1145–1177. [24](#), [26](#)
- Edgeworth, Francis Ysidro.** 1897. "The Pure Theory of Taxation. III." *The Economic Journal*, 7(28): 550–571. [33](#)
- Eurostat.** 2013. *European System of Accounts: ESA 2010*. Publications Office of the European Union. [6](#)
- Feldstein, Martin.** 1995. "The Effect of Marginal Tax Rates on Taxable Income: A Panel Study of the 1986 Tax Reform Act." *Journal of Political Economy*, 103(3): 551–572. [43](#)

- Feldstein, Martin.** 1999. “Tax Avoidance and the Deadweight Loss of the Income Tax.” *The Review of Economics and Statistics*, 81(4): 674–680. [23](#)
- Garbinti, Bertrand, Jonathan Goupille-Lebret, and Thomas Piketty.** 2018. “Income Inequality in France, 1900–2014: Evidence from Distributional National Accounts (DINA).” *Journal of Public Economics*, 162: 63–77. [10](#)
- Kleven, Henrik.** 2014. “How Can Scandinavians Tax So Much?” *Journal of Economic Perspectives*, 28(4): 77–98. [16](#)
- Kleven, Henrik, and Esben Schultz.** 2014. “Estimating Taxable Income Responses Using Danish Tax Reforms.” *American Economic Journal: Economic Policy*, 6(4): 271–301. [44](#), [46](#)
- Kleven, Henrik, Claus Kreiner, and Emmanuel Saez.** 2016. “Why Can Modern Governments Tax So Much? An Agency Model of Firms as Fiscal Intermediaries.” *Economica*, 83(330): 219–246. [20](#)



## References IV

---

- Kleven, Henrik, Martin Knudsen, Claus Thustrup Kreiner, Søren Pedersen, and Emmanuel Saez.** 2011. “Unwilling or Unable to Cheat? Evidence From a Tax Audit Experiment in Denmark.” *Econometrica*, 79(3): 651–692. [49](#)
- Laffitte, Sébastien.** 2024. “The Market for Tax Havens.” EU Tax Observatory Working Paper No. 22. [50](#), [52](#)
- Mirrlees, James.** 1971. “An Exploration in the Theory of Optimum Income Taxation.” *The Review of Economic Studies*, 38(2): 175–208. [34](#)
- Musgrave, Richard.** 1969. *Fiscal Systems*. Yale University Press.
- Musgrave, Richard, John Carroll, Lorne Cook, and Lenore Frane.** 1951. “Distribution of Tax Payments by Income Groups: A Case Study for 1948.” *National Tax Journal*, 4(1): 1–53. [10](#)
- Newcomer, Mabel.** 1937. “Estimate of the Tax Burden on Different Income Classes.” In *Studies in Current Tax Problems*. Twentieth Century Fund. [10](#)

## References V

---

- OECD.** 2024. *Revenue Statistics 2024: Health Taxes in OECD Countries*. OECD Publishing.
- Pechman, Joseph.** 1985. *Who Paid the Taxes, 1966–1985?* Brookings Institution. 10
- Pechman, Joseph, and Benjamin Okner.** 1974. *Who Bears the Tax Burden?* Brookings Institution. 10
- Piketty, Thomas.** 2020. *Capital and Ideology*. Harvard University Press.
- Piketty, Thomas, and Emmanuel Saez.** 2013. “Optimal Labor Income Taxation.” In *Handbook of Public Economics*. Vol. 5, , ed. Alan Auerbach, Raj Chetty, Martin Feldstein and Emmanuel Saez, 391–474. Elsevier.
- Piketty, Thomas, Emmanuel Saez, and Gabriel Zucman.** 2018. “Distributional National Accounts: Methods and Estimates for the United States.” *Quarterly Journal of Economics*, 133(2): 553–609. 10
- Saez, Emmanuel.** 2001. “Using Elasticities to Derive Optimal Income Tax Rates.” *Review of Economic Studies*, 68: 205–229. 35

- Saez, Emmanuel, and Gabriel Zucman.** 2019. *The Triumph of Injustice: How the Rich Dodge Taxes and How to Make Them Pay*. W. W. Norton & Company. 37
- Saez, Emmanuel, Benjamin Schoefer, and David Seim.** 2019. "Payroll Taxes, Firm Behavior, and Rent Sharing: Evidence from a Young Workers' Tax Cut in Sweden." *American Economic Review*, 109(5): 1717–1763. 24, 26
- Saez, Emmanuel, Joel Slemrod, and Seth Giertz.** 2012. "The Elasticity of Taxable Income with Respect to Marginal Tax Rates: A Critical Review." *Journal of Economic Literature*, 50(1): 3–50. 43
- Saez, Emmanuel, Manos Matsaganis, and Panos Tsakloglou.** 2012. "Earnings Determination and Taxes: Evidence from a Cohort-Based Payroll Tax Reform in Greece." *The Quarterly Journal of Economics*, 127(1): 493–533. 24, 26, 31
- Slemrod, Joel.** 1998. "Methodological Issues in Measuring and Interpreting Taxable Income Elasticities." *National Tax Journal*, 51(4): 773–788. 23

- Slemrod, Joel.** 2019. "Tax Compliance and Enforcement." *Journal of Economic Literature*, 57(4): 904–954.
- Tarasov, Helen, and Gerhard Colm.** 1941. *Who Pays the Taxes?* Temporary National Economic Committee. Monograph No. 3. 10
- Tilly, Charles.** 1990. *Coercion, Capital, and European States, AD 990–1990.* *Studies in Social Discontinuity*, Basil Blackwell. 21
- Wagner, Adolph.** 1883. *Finanzwissenschaft.* . 3 ed., Winter. 19
- Wagner, Adolph.** 1893. *Grundlegung der politischen Ökonomie: Dritter Teil.* *Finanzwissenschaft.* Vol. 3, Winter. 19
- Zucman, Gabriel.** 2013. "The Missing Wealth of Nations: Are Europe and the U.S. Net Debtors or Net Creditors?" *Quarterly Journal of Economics*, 128(3): 1321–1364. 50, 52