

Seminar Public Economics 2, Winter Term 2016/17

Prof. Buettner/Prof. Rincke/Prof. Wrede

Course Description:

During the seminar, participants will discuss a broad range of issues ranging from taxing firms in the digital economy to inequality and redistribution. A first set addresses questions related to **Taxation and Digital Economy**, like sales taxation and E-commerce, taxation in two-sided markets, and the effects of transfer pricing rules on the activities of multinational firms, and the taxation of intellectual property (Prof. Buettner). A second set of issues relates to **Inequality and Redistribution**, like the actual distribution of income and wealth, preferences of redistribution, and limits to redistributive policies (Prof. Rincke). A third set of topics covers **Housing Markets**, like the effects of regulation on house prices, housing quality, and housing supply, and the inequality in housing prices and rents (Prof. Wrede). The list of topics provides more details and briefly comments on the research questions covered in the related literature.

The seminar has two consecutive parts. **In the first part, students write a thesis (15 pages)** under the guidance of their supervisor. The thesis elaborates on the literature (see the list of topics for the main article to be covered). Students are expected to search for additional literature and then work independently on their topic. Supervisors provide close guidance on how to produce the thesis and offer several introductory sessions where participants learn about the principles of scientific work and the scope of analysis that is expected. **The second part consists of a two-day seminar (December 15th/16th) of students' presentations.** Before preparing their presentations, supervisors will provide students with detailed feedback on their thesis.

Organisational details and grading:

- The seminar is jointly organized by the chairs of Prof. Buettner, Prof. Rincke, and Prof. Wrede.
- Students who want to participate should express their interest by filling in the respective form and submitting it to amanda.tuset.cueva@fau.de until **July 28th, 2016**.
- Please indicate your preferred topics. Preference will be given to the earliest submissions.
- Please note that the maximum number of participants is 10 students. After being assigned to a specific topic, students can express their non-participation within a week's time. After that deadline has passed, participation in the seminar is mandatory. Students not handing in a thesis in time will be graded a 5.0.
- Grading: The overall grade will reflect the quality of the thesis (50%), the presentation in the seminar (30%), and the student's contributions to the discussion following each of the presentations (20%).

List of Topics

Block 1: Taxation and Digital Economy (Prof. Buettner)

1. Sales Taxation and E-Commerce (n.a.)

Q: It is often argued that internet commerce is detrimental for sales taxes and, therefore, puts downward pressure on sales tax rates. In contrast, however, internet commerce could facilitate sales tax collection and, thereby, put upward pressure on sales tax rates.

Agrawal, David R., The Internet as a Tax Haven? The Effect of the Internet on Tax Competition (April 2016). Available at SSRN: <http://ssrn.com/abstract=2328479> or <http://dx.doi.org/10.2139/ssrn.2328479>.

2. Taxation in Two Sided Markets (n.a.)

Q: Internet commerce has brought about new forms of market trading such as platforms. Traditional views of tax incidence are challenged on those markets.

Kind, H. J., Koethenbueger, M., & Schjelderup, G. (2010). Tax responses in platform industries. *Oxford Economic Papers*, 62(4), 764-783.

3. Effects of Transfer Pricing Rules on MNE Activities (n.a.)

Q: The current international tax paradigm taxes profits of the subsidiaries of multinational corporations in the host country. To ensure that the profits reflect local production countries impose transfer pricing rules. This may distort production, however.

Grubert, H. (2003). Intangible income, intercompany transactions, income shifting, and the choice of location. *National Tax Journal*, 221-242.

Keuschnigg, C., & Devereux, M. P. (2013). The arm's length principle and distortions to multinational firm organization. *Journal of International Economics*, 89(2), 432-440.

4. Taxation of Intellectual Property (Shonubi Olayiwola)

Q: A basic feature of multinational corporations is their ownership advantage that stems from exploiting an intangible asset such as intellectual property. The mobility of these assets creates important challenges for corporate taxation.

Griffith, R., H. Miller, M. O'Connell (2014). Ownership of intellectual property and corporate taxation, *Journal of Public Economics*, Volume 112, April 2014, 12-23

Block 2: Inequality and Redistribution (Prof. Rincke)

5. Inequality in the long run (Franz Josef Zorzi)

Q: To understand the recent policy debate about inequality and redistribution, we must understand how the actual distribution of income and wealth first actually look like

Piketty & Saez (2014), Inequality in the Long Run, Science 344 (6186), 838-843

6. Preferences for Redistribution and Trust in Government (Janina Hofmann)

Q: What is the perceived distribution of income? How do those perceptions relate to the actual distribution? How are preferences for redistribution related to trust in government?

Kuziemko et al. (2015), How Elastic Are Preferences for Redistribution? Evidence from Randomized Survey Experiments, American Economic Review 105, 1478-1508

7. Ethnic Diversity and Redistribution (Ipek Yükselen)

Q: In societies which are ethnically diverse, redistribution benefits individuals belonging to other ethnic groups. How does this affect the preference for redistribution?

Dahlberg et al. (2012), Ethnic Diversity and Preferences for Redistribution, Journal of Political Economy 120, 41-76

8. Rising Inequality and the Top 1% (Fürkan Gülengil)

Q: The rising levels of inequality have been associated with the strong upward trend in relative pay of the top 1%. Can we substantiate this link using micro data?

Bell & Van Reenen (2014), Bankers and Their Bonuses, Economic Journal 574, F1-F21.

Block 3: Housing Markets (Prof. Wrede)

9. Social networks and housing markets (n.a.)

Q: How do house price experiences within an individual's social network affect her perceptions of the attractiveness of property investments? What are the effects on her housing market activity?

Bailey, M., Cao, R., Kuchler, T. & Stroebel, J. (2016), Social networks and housing markets, Mimeo.

10. Rent control, prices, and quality (Cosmas Aondona Hono)

Q: What is the effect of rent control on housing prices and quality?

Sims, D.P. (2007), Out of control: What can we learn from the end of Massachusetts rent control?, *Journal of Urban Economics* 61, 129-151.

11. Regulation and housing supply (n.a.)

Q: How does regulation affect housing supply?

Gyourko, J. & Raven Molloy, R. (2014), Regulation and housing supply, NBER Working Paper 20536

12. Housing inequality (Christian Speth)

Q: Why is housing so expensive? What explains inequality in housing prices and rents?

Albouy, D. & Zabek, M. (2016), Housing inequality, NBER Working Paper 21916.

Quigley, J. M. & Raphael, S. (2004), Is housing unaffordable? Why isn't it more affordable?, *Journal of Economic Perspectives* 18, 191-214.