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WIRTSCHAFTSTHEORETISCHES FORSCHUNGSSEMINAR

RESEARCH SEMINAR IN ECONOMIC THEORY

October 9th 2008

Hörsaal II

Institut für Höhere Studien
Stumpergasse 56, 1060 Wien

4:00pm

Helmut Cremer,

University of Toulouse (IDEI and GREMAQ):

“Tagging and income taxation: theory and an application”

Abstract printed on the next page

5:30pm

Marco Piovesan,

University of Copenhagen:

“Team Incentives and Efficient Referrals”

Abstract printed on the next page

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ABSTRACTS

Helmut Cremer,

University of Toulouse (IDEI and GREMAQ):

“Tagging and income taxation: theory and an application”

This paper studies the properties of tagging in an optimal income tax framework à la Mirrlees. Assuming quasi-linear preferences, a Rawlsian social welfare function, and a constant elasticity of labor supply, we derive the following results: (i) The marginal income tax rates in the two tagged groups, bracket the marginal tax rate when all individuals are pooled together. (ii) If the skills distribution in one group first-order stochastically dominates the other, tagging calls for redistribution from the former to the latter group. (iii) If the distribution of skills is lognormal and the hazard rates in the two tagged groups do not cross, every individual in the group with lower average skills would benefit from tagging and has a higher utility level than his counterpart in the group with higher average skills; members of the latter group may lose, as well as gain, from tagging. (iv) Calibrating the model to the population of US prime age workers grouped into young (25—34 years) plus old (55—64) and middle-aged (35—54) workers, tagging increases the welfare of the least well-off individuals in both groups by the equivalent of \$249 per year. Moreover, workers in the young-plus-old group gain from \$585 per year for a worker at the lowest decile to \$3,264 per year at the highest decile. Workers in the middle-aged group lose from \$22 at the lowest decile to \$2,752 at the highest decile.

with Firouz Gahvari, University of Illinois at Urbana-Champaign and
Jean-Marie Lozachmeur, University of Toulouse (IDEI and GREMAQ-CNRS)

Marco Piovesan,

University of Copenhagen:

“Team Incentives and Efficient Referrals”

We consider a principal-agent model in which referrals play a role in production. We study both an individual-based (IBIS) and a team-based incentive schemes (TBIS). We establish a necessary and sufficient condition on “position-specific productivity” for the TBIS to be more profitable for a class of specifications of “team-specific productivity”. Our results are supported with empirical evidences.

with Cheng-Zhong Qin (USCB)

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