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## WIRTSCHAFTSTHEORETISCHES FORSCHUNGSSEMINAR

### RESEARCH SEMINAR IN ECONOMIC THEORY

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**May 27, 2010**

**University of Vienna**

**"Hörsaal USI 1", on Ground Floor (Erdgeschoss)  
(You need to go through "Hof 3" to reach it)**

**4:00pm**

**Alessandra CASARICO,**

*Università Bocconi, Milano:*

***"Intergenerational transmission of skills during childhood  
and optimal fiscal policy"***

Abstract printed on the next page

**5:30pm**

**Harold O. COLE,**

*University of Pennsylvania:*

***"The International Great Depression, Money,  
Productivity, or Labor Market Policies?"***

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DOWNLOAD SITE FOR PAPERS (IF AVAILABLE) AND SEMINAR SCHEDULE

<http://www.univie.ac.at/vwl/EconomicTheory.html>

NOTE: Participation of advanced students in this seminar is highly recommended.

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**Alessandra CASARICO,**  
Università Bocconi, Milano:

***“Intergenerational transmission of skills during childhood  
and optimal fiscal policy”***

The paper aims at characterizing the optimal tax policy and the optimal level of quality of day care in a two-type OLG model where parental choices over child care (that is, parental time devoted to children and time spent in day care centers) determine the probability of having a high skill child in a type-specific way. Parents derive utility from their own consumption, leisure, time spent with their kids and from the kids' expected human capital (warm-glow component). We consider two different scenarios: first, one where the government can use linear taxation on labor income and a linear tax/subsidy on day care. Second, a set-up where the government can resort to nonlinear taxation of labor income and again a linear tax/subsidy on day care. In both cases we discuss the rules dictating the optimal choice of day care quality enforced by the government. With respect to previous contributions, optimal tax formulas incorporate two new sets of terms.

The first depends on the extent to which the social welfare function reflects the warm-glow component of parental preferences. The second depends on the social marginal utility of turning an unskilled individual into a skilled one.

with Luca Micheletto (University of Milan) and Alessandro Sommacal (University of Verona, and Econpubblica, Bocconi University).

**Harold O. COLE,**  
University of Pennsylvania:

***“The International Great Depression Money, Productivity, or Labor Market  
Policies?”***

with Lee Ohanian (University of California, Los Angeles).

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