

Inequality-aware Market Design Seminar Series

Pierre Boyer: Pareto-improving tax reforms and the Earned Income Tax Credit

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Details

When: 12 Jul 2023 @ 17:00 GMT+2

Where: GRAPE

Speaker this week

[Pierre Boyer ↗](#)

École Polytechnique-CREST

Pierre Boyer is a Professor of Economics at the École polytechnique and CREST (Centre for Research in Economics and Statistics). His research interests include public economics, political economics, taxation, theory of organizations, banking regulation, public policy evaluation and European integration.

Abstract: We develop a new approach for the identification of Pareto-improving tax reforms. This approach yields necessary and sufficient conditions for the existence of Pareto-improving reform directions. A main insight is that “Two brackets are enough”: When the system cannot be improved by altering tax rates in one or two income brackets, then there is no continuous reform direction that is Pareto-improving. We also show how to check whether a given tax reform is Pareto-improving. We use these tools to study the introduction of the Earned Income Tax Credit (EITC) in the United States in 1975. A robust finding is that, prior to the EITC, the U.S. tax-transfer system was not Pareto-efficient. Under plausible assumptions about behavioral responses, the 1975 reform was not Pareto-improving. Qualitatively, though, it had the right properties: A similar reform with earnings subsidies made available to a broader range of incomes would have been Pareto-improving. Find the paper [here ↗](#).

Should you have any queries please contact the seminar organizers at IMD@grape.org.pl.



Foundation of Admirers and Mavens of Economics
ul. Koszykowa 59/7
00-660 Warszawa
Poland

W | grape.org.pl
E | grape@grape.org.pl
TT | GRAPE.ORG
FB | GRAPE.ORG
PH | +48 799 012 202