EDITORIAL



Introduction to the special issue

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This special issue of *International Tax and Public Finance* consists of selected contributions from the 344 papers presented at the 73nd Annual Congress of the International Institute of Public Finance (IIPF). The IIPF Congress was hosted by the University of Tokyo on August 18–20, 2017, in Tokyo, Japan.

The theme of the conference was Fiscal Reform. Four excellent plenary speakers discussed a variety of topics on this theme: Alan Auerbach (Professor of Economics and Law, University of California, Berkeley, USA) on "Tax Reform in Theory and Practice," David Bradbury (Head of the Tax Policy and Statistics Division, OECD, France) on "Inclusive Fiscal Reform: Ensuring Fairness and Transparency in the International Tax System," Takatoshi Ito (Professor of International and Public Affairs, Columbia University, USA) on "Government Bonds as Inter-generational Transfer of Wealth and Liabilities: Case of Japan," and Hans-Werner Sinn (President Emeritus of the Ifo Institute and Professor, University of Munich, Germany) on "The ECB's Fiscal Policy." In addition, the editors of *International Tax and Public Finance* organized a panel discussion on "Tax Policy in a Post-Brexit World," with Benjamin Lockwood (University of Warwick), Giorgia Maffini (OECD), and Hans-Werner Sinn on the podium.

Many of the papers presented at the conference fell under the theme of Fiscal Reform, but—reflecting diverse research interests of the members of the IIPF—a great number of the papers also dealt with other research areas in public economics. This diversity of presented topics is reflected in the selection of the five papers in this special issue.

In the paper summarizing his keynote speech "The ECB's Fiscal Policy," Hans-Werner Sinn argues that the ECB has stretched its monetary mandate and moved into fiscal territory while acknowledging that the ECB helped mitigate the euro crisis in the aftermath of the Great Recession. It describes and summarizes the crucial role played by the ECB in managing the crisis and comments on the quantitative easing policy adopted. The paper also discusses ongoing competitiveness problems in Southern



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Europe and the austerity policy adopted in these countries as a consequence. Finally, it presents two alternative paths for the future development of Europe.

The paper by David Bradbury and Pierce O'Reilly, which is based on David's keynote talk, explores the OECD's global tax agenda in the context of Inclusive Fiscal Reform by focusing on three major areas of work: (i) the BEPS project; (ii) initiatives involving the exchange of taxpayer information; and (iii) recent work on tax design for inclusive growth. The aim of these projects is to improve the overall levels of both fairness and efficiency of tax systems in OECD countries and international taxation rules. The paper provides evidence of the progress that has been made in these areas, but also points out that in all three of these areas there is still much more to be done.

Many countries have special tax regimes (STRs) for small businesses. Agostini et al. use administrative data from Chile to analyze whether the use of STRs is associated with strategic tax planning at the individual level. A descriptive analysis of the data finds that STRs are used frequently, they are used mainly by high-income taxpayers, and high-income taxpayers are more likely to hold a portfolio of businesses filing taxes under STRs. Taken together, these stylized facts are consistent with strategic behavior. The authors rationalize these facts with a simple model of small business creation and tax planning, and test the model's predictions. They find that following a reform that made a particular STR more restrictive, reported individual incomes from businesses filing under that STR decreased, while income reported from alternative sources increased. Overall taxable income also increased. This increase is explained by the more restrictive scenario for avoiding taxes through STRs, consistent with individuals using these regimes for tax planning.

Buhlmann et al. analyze bunching of self-employed individuals at the first kink point of the Earned Income Tax Credit (EITC) in the USA. The authors exploit the fact that US states can set top-up rates to the federal EITC, which means that at a given point in time, workers with the same income receive different tax refunds in different US states. Using event studies as well as a border pair design, they document that raising the state-level EITC leads to more bunching of self-employed tax filers at the first kink point of the income tax schedule. These findings point to important behavioral responses to the largest welfare program in the USA.

Cashin et al. introduce the fiscal effect (FE) measure to examine the direct effect of federal and subnational fiscal policy on aggregate demand in the USA. FE can be decomposed into three components. The authors use their new metric to examine the contribution of fiscal policy to growth in real GDP over the course of the Great Recession and current expansion. They compare this contribution to the contributions to growth in aggregate demand made by fiscal policy over past business cycles. In doing so, the authors highlight that the relatively strong support of government policy to GDP growth during the Great Recession was followed by a historically weak contribution over the course of the current expansion.

The 2017 Congress featured the inaugural ITAX Ph.D. student award, for the best paper presented by a Ph.D. student at the Congress. The winner of this prize is Daiki Kishishita. This special issue includes a summary of his work, showing how populism can emerge in a game-theoretic setting in which voters face uncertainty about politicians.



We are grateful to the various authors for allowing us to consider their papers for the IIPF special issue. We had a high number of submissions and many tough decisions to make. We are grateful to the numerous referees for their valuable insights into the submissions, and to the editors and professional staff of *International Tax and Public Finance* for their assistance in the publication process. Of course, this issue would have not have been possible without the help of the 26 members of the Scientific Committee for the 73nd Annual Congress of the International Institute of Public Finance (IIPF) who initially reviewed hundreds of submissions for the IIPF Congress. Authors offer a special thank you to our keynote speakers, the numerous presenters and discussants of the 73nd Annual Congress and most importantly, the local organizers and—in particular—the chair of the local organizing committee Motohiro Sato (Hitotsubashi University)—for all their time and effort in making the IIPF Congress a great success!

