The Public Defense
of the Doctoral Thesis in Economics
by

Pálma Mosberger

on

Essays on Responses to Taxation

will be held on

Tuesday, June 14, 2016 at 10:30 am

in the

Monument Building, Room 201
Central European University
Nádor Street 9, Budapest
Thesis Committee:
László Csaba (Chair)
Gábor Kézdi (Internal member)
Sergei Lychagin (Internal member)
Attila Lindner (External member)
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Gábor Kézdi, Professor of Economics, Central European University, Budapest
(Internal Examiner)
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(External Examiner)

The doctoral thesis is available for inspection at the CEU Economics Department
Abstract

The thesis is about estimating different responses to tax reforms. All three studies are based on administrative tax data. In the first two chapters I display evidence on that both corporations and high-income individuals responded to tax increase reforms. In the third chapter I provide evidence that top tax rates are not the prime determinants behind changes in top income shares, but other institutional determinants, such as liberalized wage settings and capital ownership.

Chapter 1: 1 Accounting versus real production responses among firms to tax incentives: Bunching evidence from Hungary

Existing evidence indicates that companies' reported earnings react to tax incentives, but we do not know whether these are accounting responses, evasion responses or real responses. Chapter 1 tests for the responses using a quasi-experimental design of a corporate minimum tax scheme introduced in Hungary in 2007 that widened the tax base only for firms with low reported profit rate (profit as a share of revenue). With a new panel dataset containing administrative tax records on corporations I replicate previous findings on the earnings responses to tax incentives, but also document three additional pieces of evidence that suggest accounting rather than real responses. First, companies reacted too quickly to the change in incentives to reflect real responses: only a half year after the introduction of the reform the data exhibit sharp bunching in the distribution of profit rates in accordance with the new incentives. Second, direct measures of real production responses suggest no significant behavioral reactions. Additional analysis of the reported cost structure of corporations shows large changes only in reported material cost which is the most easily over-reportable item, supporting the reasoning that reported changes are mostly coming from reduced cost over-reporting.

Chapter 2: The elasticity of taxable income of high earners: Evidence from Hungary (joint work with Áron Kiss)

Chapter 2 studies how high-income taxpayers responded to the introduction of the ‘extraordinary tax on individuals’ in Hungary in 2007. The study is based on a panel
of tax returns containing information on 10 percent of tax-filers from 2005 and three subsequent years. We estimate the elasticity of taxable income with respect to the marginal net-of-tax rate and find that the taxable income of Hungarian high earners is moderately responsive to taxation: the estimated elasticity is about 0.24. We also find evidence for a sizeable income effect. The estimated effect is not caused by income shifting.

Chapter 3: Top Income Shares in Hungary: Capital and Labor, (1914-2008)  
(joint work with Dimitris Mavridis)

In Chapter 3 we present the first top income share series of a Central-Eastern European country, and exploit the “exogenous shock” of the planned economy to analyse main mechanisms that generate income disparities. Within this quasi-natural experiment setup we study top income shares dynamics and the sources of income at the top of the income distribution. We use income tax statistics data from the establishment of income tax in the beginning of the 20th century up until recent years, in order to estimate homogeneous yearly top income shares. The evidence is complemented with earning census data during the state socialist period. To compute comparable series with other countries present in the World Top Incomes Database we follow their estimation strategy. Our estimates suggest that both capital income and labor income played a significant role in increasing income inequality during market economies. The former via the allocation of capital holdings from the state to private owners and securing property rights; and latter via wage-setting decentralization favoring the remuneration of skills.
CURRICULUM VITAE
Pálma Mosberger

EDUCATION
2010 – 2016
Central European University, PhD in Economics
Main interest: public finance, labor economics, fiscal policy
2008 – 2010
Central European University, MA in Economics (with Distinction)
2002 – 2008
Corvinus University of Budapest, MA in Macroeconomics and Forecasting
2006 spring term
Exchange program at the SDA Bocconi University in Milan, Italy
2005 spring term
Exchange program at the Örebro University in Sweden

RESEARCH EXPERIENCE
2015 Jan –
Analyst at MNB - Hungarian Central Bank
2014 Sept – Dec
Visiting Researcher at Institute for Fiscal Studies in London
2013/14 Sept – June
Visiting Student Researcher at UC Berkeley
2013 March – June
Junior Visiting Scholar at Oxford Martin School (INET)
2011 Aug – Oct
Visiting Researcher at MNB - Hungarian Central Bank
2010 August
Internship at MKKT - Hungarian Fiscal Council
2009 July
Internship at the Ministry of Finance
2006 March – April
University business project at Unicredit in Milan

ACADEMIC EXPERIENCE
2010-2013
Teaching Assistant at CEU,
Advanced Microeconomics II (PhD), Econometrics I (MA)

PRESENTATIONS

PUBLICATIONS
‘The elasticity of taxable income of high earners: Evidence from Hungary’

‘The elasticity of taxable income’
With P. Benczúr, Á. Kiss, Hungarian Labor Market Yearbook 2012

SKILLS
English (near native), Italian (intermediate), German (elementary), Hungarian (native)
Stata, MatLab, EViews, MS Office