Optimal UI with Program Interactions

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XXII Bank of Italy Public Finance Workshop

Discussion: Antonio Coran

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- Identification: leverage variation across states and time in UI benefits generosity (max benefit level) to study effect on participation to other programs
- Results:
  - 20% higher costs compensated by lower other transfers. Optimal UI benefits larger!
  - Social Security retirement benefits and DI benefits behind this effect (small effect also on SNAP)
  - Effects driven by larger opportunity cost to leave the labor force

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  - Story of what explains UI benefit variation and why is uncorrelated with confounding (observable and unobservable) variables. Or some evidence based on a diff in diff and pre-trend test (pre = before the reform)

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3. Policy variation from state-level UI. Policy implications for federal-level UI?
   - If state-level, migration responses?

Concluding remarks

- Congratulations on an interesting paper about an important topic!
- It shows how net cost of raising UI benefits is lower than we thought as they discourage leaving the labor force and take-up of other public programs
- As a result, optimal UI benefits larger (via revised Baily-Chetty)

Tax and Transfer Progressivity at the US State Level

Johannes Fleck, Jonathan Heathcote, Kjetil Storesletten, Gianluca Violante

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Discussion: Antonio Coran

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Summary

- Characterize the progressivity of the tax and transfer system, including state-level tax and transfers
- Main results:
  - Federal system progressive
  - State systems close to proportional on average, but heterogeneity
  - States differ in progressivity due to different tax bases (property and consumption tax regressive vs income tax progressive)

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- Could state-level income tax and corporate income tax be less progressive than they seem?
- For state corporate income tax, paper already assigns 60% incidence to owners, 40% high income workers
  $\rightarrow$ Possible that owners pay even less than 60% and also low-income workers pay?

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- Why not seeing how results vary when including/not including public education under different assumptions ?

Concluding Remarks

- Congratulations on a great paper on an important topic!
- It takes into account in a comprehensive way taxes and transfers
- Interesting insight on what explains heterogeneity in state tax and transfer progressivity: choice of tax base

Literature I

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