

The exam consists of three main questions. The weight of the different questions is indicated in the parentheses. You should allocate available time accordingly.

1. **True/False/Depends Questions (25 %)**. You need to explain your answer, just a true false or “it depends” statement without any arguments, is not rewarded.
 - (a) There are n consumer goods; x_1, x_2, \dots, x_n . There is a tax on every good except good j . Introducing a very small tax on good j have no excess burden in the taxation of good j , but may alter the excess burden associated with taxation of the other goods.
 - (b) It is optimal to concentrate taxes on goods that are inelastic with respect to the price of the good.
 - (c) The government should provide social insurance because it can reduce market problems associated with adverse selection and moral hazard.
 - (d) A subsidized child care program costs the government 30 millions, but increases the labor supply for female workers so that the government obtains 30 millions in increased tax income due to the child care program. This program has a MVPF of 1.
 - (e) In an economy where goods y are produced with capital (K) and labour (L) according to the macro production function $y = f(K, L)$ with $\frac{\partial(\partial f/\partial L)}{\partial K} > 0$. The production capital can be moved to another country at no cost (full mobility). The effect of introducing a tax on capital returns will lower wages and have no effects on the returns to capital.
2. **Mirrlees model (25 %)** Explain briefly the main features and insights of the Mirrlees model of redistribution and non-linear income taxation. Discuss if the Mirrlees model can provide a normative justification for public provision of private goods.
3. **Taxation of net wealth and wealth transfers (50 %)**. Taxation of net wealth and wealth transfers are some of the most debated tax policy issues in Norway. In the following you are asked to discuss some of the arguments in favor and against this type of taxation.
 - (a) The Atkinson-Stiglitz theorem is a public economics benchmark which states that (under some assumptions) there is no need for other types of taxation than a non-linear tax on labor income. All the desired redistribution of the optimal tax system is achieved through the labor income tax. Explain under which conditions the Atkinson-Stiglitz benchmark can be obtained for taxation of wealth according to Scheuer and Slemrod (2020).
 - (b) What are the main arguments for and against a wealth tax (for example in Norway)?
 - (c) Instead of, or in addition to, a tax on net wealth, one may tax intergenerational transfers, which could mean that one re-introduces an inheritance tax in Norway. One main argument for letting intergenerational transfers be taxed is that the efficiency loss from this type of taxation could be small. Discuss distortions of taxation of intergenerational transfers under different transfer models.