

“Pass-through of tax and cost changes”

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Content: how are final prices affected by a change in tax or production costs? Answering this question is crucial to evaluate who ultimately loses and gains from a policy intervention or a sudden cost change. This entails understanding what influences pass-through, such as the competitive environment in which firms operate and the type of demand they face. In this seminar, we will review and discuss state-of-the-art research, both theoretical and empirical, that explores these issues.

Organization: each participant will choose one of the seminar’s papers at the beginning of the semester and will be asked to read, present, and discuss it in class (~25-30 minutes). After his/her presentation, each presenter will submit a written summary and assessment of the paper (its contributions, strengths and weaknesses, and possible extensions). All the other students are expected to read in advance the introduction of the paper selected and the slides prepared by the presenter, attend the meetings, and actively engage in the discussions during and after the presentation.

The presentations will take place on Wednesday. The exact date(s) and time will be scheduled at the beginning of the semester based on the total number of participants.

Mode of examination: the final grade is based on the

- presentation in class (50%);
- written summary / assessment of the paper (40%);
- participation during other students’ presentations (10%).

Workload: 2 SWS (4 ECTS)

Language: the course will be conducted in English.

Target group: this seminar is aimed at Master’s students. This seminar is complementary to other modules in the field of industrial and competition economics. Attending one additional module in these areas before or while taking this seminar is highly recommended, but this is not a prerequisite.

List of topics and selected papers:

- *Pass-through of tax changes*

Benzarti, Y., & Carloni, D. (2019). Who really benefits from consumption tax cuts? Evidence from a large VAT reform in France. *American Economic Journal: Economic Policy*, 11(1), 38-63.

Pless, J., & van Benthem, A. A. (2019). Pass-through as a test for market power: An application to solar subsidies. *American Economic Journal: Applied Economics*, 11(4), 367-401.

Miravete, E. J., Seim, K., & Thurk, J. (2020). One markup to rule them all: Taxation by liquor pricing regulation. *American Economic Journal: Microeconomics*, 12(1), 1-41.

Conlon, C. T., & Rao, N. L. (2020). Discrete prices and the incidence and efficiency of excise taxes. *American Economic Journal: Economic Policy*, 12(4), 111-143.

Genakos, C., & Pagliero, M. (2022). Competition and pass-through: evidence from isolated markets. *American Economic Journal: Applied Economics*, 14(4), 35-57.

- *Pass-through of energy costs changes*

Miller, N. H., Osborne, M., & Sheu, G. (2017). Pass-through in a concentrated industry: empirical evidence and regulatory implications. *The RAND Journal of Economics*, 48(1), 69-93.

Ganapati, S., Shapiro, J. S., & Walker, R. (2020). Energy cost pass-through in US manufacturing: Estimates and implications for carbon taxes. *American Economic Journal: Applied Economics*, 12(2), 303-342.

Fontagné, L., Martin, P., & Orefice, G. (2024). The many channels of firm's adjustment to energy shocks: Evidence from France. *Economic Policy*.

- *Pass-through of exchange rate shocks*

Nakamura, E., & Zerom, D. (2010). Accounting for incomplete pass-through. *The Review of Economic Studies*, 77(3), 1192-1230.

Berman, Nicolas, Philippe Martin, and Thierry Mayer, "How do different exporters react to exchange rate changes?," *The Quarterly Journal of Economics*, 2012, 127 (1), 437– 492.

Amiti, Mary, Oleg Itskhoki, and Jozef Konings, "International Shocks, Variable Markups, and Domestic Prices," *The Review of Economic Studies*, 2019, 86 (6), 2356–2402.

- *Pass-through of tariffs changes*

Fajgelbaum, P. D., Goldberg, P. K., Kennedy, P. J., & Khandelwal, A. K. (2020). The Return to Protectionism. *The Quarterly Journal of Economics*, 135(1), 1-55.

Flaen, A., Hortaçsu, A., & Tintelnot, F. (2020). The production relocation and price effects of US trade policy: the case of washing machines. *American Economic Review*, 110(7), 2103-2127.

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