

Accepted Manuscript

Equity and efficiency in rationed labor markets

Aart Gerritsen

PII: S0047-2727(17)30103-2
DOI: doi:[10.1016/j.jpubeco.2017.07.001](https://doi.org/10.1016/j.jpubeco.2017.07.001)
Reference: PUBEC 3787

To appear in: *Journal of Public Economics*

Received date: 21 March 2016
Revised date: 30 June 2017
Accepted date: 10 July 2017



Please cite this article as: Gerritsen, Aart, Equity and efficiency in rationed labor markets, *Journal of Public Economics* (2017), doi:[10.1016/j.jpubeco.2017.07.001](https://doi.org/10.1016/j.jpubeco.2017.07.001)

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

Equity and efficiency in rationed labor markets

Aart Gerritsen*

June 2017

The social welfare implications of income tax policy are shown to critically depend on whether or not labor markets are rationed – i.e., on the existence of involuntary unemployment. With rationed labor markets, raising taxes on the employed and transfers to the unemployed might improve both equity and efficiency. It improves equity by redistributing income from the employed to the unemployed; it improves efficiency as it encourages people with a small utility surplus of employment to exit the labor market, leaving their jobs for people with a higher utility surplus. I derive conditions under which this result continues to hold when only part of the labor market is rationed, when there is both frictional and rationing unemployment, and when rationing endogenously follows from trade unions' monopoly power.

JEL codes: H21; J21; E24

Keywords: Involuntary unemployment, inefficient rationing, optimal taxation

*Erasmus School of Economics, Erasmus University Rotterdam, P.O. Box 1738, 3000DR Rotterdam, The Netherlands. E-mail: agerritsen@ese.eur.nl; Internet: <https://sites.google.com/site/aartgerritsen/>. Part of the research was conducted at the Max Planck Institute for Tax Law and Public Finance. I am grateful to the Editor (Claus Kreiner) and two anonymous referees for their insightful and constructive remarks. I also thank Robin Boadway, Kai Brücknerhoff, Bas Jacobs, Kai Konrad, Jenny Ligthart, Frederick van der Ploeg, Marit ReHAVI, Hendrik Vrijburg, Floris Zoutman, and participants of numerous seminars and conferences for many helpful comments and discussions. Financial support from The Netherlands Organization for Scientific Research (NWO Vidi Grant No. 452-07-013) is gratefully acknowledged.

Download English Version:

<https://daneshyari.com/en/article/5101784>

Download Persian Version:

<https://daneshyari.com/article/5101784>

[Daneshyari.com](https://daneshyari.com)