

## “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 change in costs paid by firms. This entails understanding which economic factors influence 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 fundamental issues.

**Organization:** at the beginning of the semester, each participant will choose one of the 12 academic papers listed below and will be asked to read, present, and discuss it in class for ~30 minutes. After his/her presentation, each presenter will submit a written assessment of the paper to highlight its contributions, strengths and weaknesses, and possible extensions. All the other students are expected to read 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 either on Wednesday (12:30-14:00). The exact dates 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 and Q&A in class (65%);
- written assessment of the paper (25%);
- degree of 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 and complements other courses in industrial and competition economics. It is highly recommended that students attend additional modules in these areas before or while taking this seminar.

**List of topics and papers to be discussed:**

1. Pass-through and level of competition

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

2. Pass-through with discrete price changes

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.

3. Pass-through and firm conduct

Kim, D., & Cotterill, R. W. (2008). Cost pass-through in differentiated product markets: The case of US processed cheese. *The Journal of Industrial Economics*, 56(1), 32-48.

**4. Pass-through of input costs**

Bettendorf, L., & Verboven, F. (2000). Incomplete transmission of coffee bean prices: evidence from the Netherlands. *European Review of Agricultural Economics*, 27(1), 1-16.

**5. Pass-through with dynamic menu costs**

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

**6. Pass-through of tax changes to workers' and consumers' welfare**

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.

**7. Pass-through of tax changes with heterogeneous consumers**

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.

**8. Pass-through of energy costs (French manufacturing)**

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

**9. Pass-through of energy costs (US cement industry)**

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.

**10. Pass-through of carbon taxes (US manufacturing)**

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.

**11. Pass-through of emissions costs (Electricity)**

Fabra, N., & Reguant, M. (2014). Pass-through of emissions costs in electricity markets. *American Economic Review*, 104(9), 2872-2899.

**12. Pass-through of tariff shocks**

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.

**Contacts:** if you have further questions, please send an e-mail to [biondi@dice.hhu.de](mailto:biondi@dice.hhu.de)