

## MATTEO BASSI

**Date of Birth:** March, 9th 1979

**Gender:** Male

**Citizenship:** Italy

### Office Address

CSEF Centro Interuniversitario di Studi in Economia e Finanza  
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## CURRENT POSITION

### Sept 2008 - Present

**CSEF Centro Interuniversitario di Studi in Economia e Finanza – Salerno, Italy**

Research Fellow (Assegnista di Ricerca) for the project *“Applied analyses in corporate finance and portfolio choices (Marie Curie Host Fellowship contract number HPMD-CT-2001-00069)”* (Supervisor: Prof. Marcello D’Amato).

## EDUCATION

### 2005- 2008

**TOULOUSE SCHOOL OF ECONOMICS – Toulouse, France**

Ph.D. Candidate in Economics.

**Major fields:** Public Economics, Political Economy, Behavioral Economics

### 2005

**TOULOUSE SCHOOL OF ECONOMICS – Toulouse, France**

Diplôme Européen d’Economie Quantitative Approfondie (DEEQA)

**Classes in:** Advanced Microeconomic Theory, Advanced Macroeconomics, Topics in Economics Sociology and Psychology, Advanced Industrial Organization, Labor Economics, Advanced Econometrics.

### 2004

**TOULOUSE SCHOOL OF ECONOMICS – Toulouse, France**

Diplôme d’Etude Approfondie (DEA Ecomath) – M.Sc. “Economic Theory and Econometrics”

**Optional Courses:** Public Economics I and II, Industrial Organization

**GPA:** 14/20    **Mention:** Assez Bien

**Dissertation:** *The Golden Age of Pension System is Over: is Working Longer the Right Answer?*

**Advisor:** Prof. Helmuth Cremer

### 2003

## UNIVERSITA' COMMERCIALE 'L. BOCCONI'- Milano, Italy

BS in Economics. *Summa cum laude.*

**Major:** Public Economics

**Dissertation:** *The Health Insurance in the United States: Theoretical Analysis and Possible Reforms*

**Advisor:** Prof. Roberto Artoni

## RESEARCH AND TEACHING

### Thesis work

**Title:** *Essays on Behavioral Public Economics*

Defense in November 2008

**Essay 1:** An Egg Today and A Chicken Tomorrow: A Positive Model of Social Security with Quasi -Hyperbolic Discounting

**Essay 2:** Mirrlees meets Laibson: Optimal Dynamic Income Taxation with Quasi-Hyperbolic Preferences

**Essay 3:** I Will Survive: Capital Taxation, Voting Turnout, and Time Inconsistency

(summary at page 4)

**Advisor:** Helmuth Cremer (Toulouse School of Economics)

**Jury Members:** Prof. Pierre Pestieau (University of Liege), Vincenzo Galasso (Universita' Bocconi), Emmanuel Thibault (University of Perpignan), Georges Casamatta (Toulouse School of Economics and GREMAQ), Helmuth Cremer (Toulouse School of Economics and IDEI), Philippe De Donder (Toulouse School of Economics and IDEI).

### Other Papers

*The Political Economy of Public and Private Provision of Health Care with Quasi-Hyperbolic Consumers'*, joint with Marie-Louise Leroux (CORE, Louvain, Belgium), in progress.

### Other research work

**Research Assistant** for Professor Roberto Artoni – Center of Research on the Public Sector (ECONPUBBLICA), Bocconi University, 2003.

### Teaching experience

**Teaching Assistant** – *Microeconomics* (Doctorate – Prof. H. Cremer, 2005 and 2006), *Public Economics* (Master 1, Prof. H. Cremer and G. Casamatta, 2008), *Advanced Microeconomics* (Undergraduate - Prof. Y. Hiriart and I. Dubec, 2007), *Microeconomics* (Undergraduate - Prof. A. Chassagnon, 2004), *Macroeconomics* (Undergraduate - Prof. Y. Hiriart, 2006 and 2007), *Public Economics* (Prof. Roberto Artoni, Bocconi University, 2003).

### Scholarships and awards

ATER Scholarship, Toulouse School of Economics, 2007-2008

Allocation de Recherche, French Ministry of Education, 2004-2007

Teaching scholarship (Allocation de Monitorat), Toulouse School of Economics 2004-2007

'Best Graduates' Award, Bocconi University, 2003.

## CONFERENCES

[RES Third PhD Presentation Meeting, UCL London \(2008\)](#), [XXXII Simposio de Analisis Economico, Granada \(2007\)](#), [VI Journées Louis-Gérard Varet, Marseille \(2007\)](#); [Econometric Society Annual Meeting, Budapest \(2007\)](#); [ENTER Jamboree, Mannheim \(2007\)](#); [Final Conference of the RTN Project on Financing Retirement in Europe: Public Sector Reform and Financial Market Development, LSE, London \(2006\)](#), [Toulouse Summer Institute on Economics and Psychology](#), Toulouse, (2005) [CORE-IDEI Conference on Public Economics](#), Toulouse, (2005). "Public Sector Reform and Financial Market Development: [Fifth RTN Workshop on 'Financing Retirement in Europe](#)', Toulouse (2004).

## RESEARCH INTERESTS

Public Economics, Political Economy, Behavioral Economics, Industrial Organization.

## LANGUAGES

Italian (native), Fluent English and French. Basic knowledge of Spanish.

## REFERENCES

### **Prof. Helmut Cremer**

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## SUMMARY OF DISSERTATIONS ESSAYS

### **Essay 1: An Egg Today and A Chicken Tomorrow: A Positive Model of Social Security with Quasi-Hyperbolic Discounting**

Strotz (1956) first suggested that individuals are more impatient when making short-run tradeoffs than long-run ones. Many experimental studies support his conjecture. Motivated by recent evidence from the British Department of Work and Pension (2006), this paper applies this behavioral framework to retirement decisions. We propose a three-periods OLG model with quasi-hyperbolic consumers who save for post retirement consumption in the first period and choose their retirement age in the second. We show that this behavioral assumption explains the observed drop in post retirement consumption due to lack of saving and the high level of voluntary (i.e. not due to disability or dismissal from the firm) early exit from the labor force. When deciding about their retirement age, workers weight too much the costs of remaining at work (i.e. disutility of working, implicit tax on continued activity) and too little the benefits of postponed retirement (i.e. increase of the Bismarckian component of the pension formula), perceived as too far in the future. We investigate the implications of time inconsistent preferences for a political economy model in which voters determine simultaneously the size and the degree of redistribution of the pension system. We show that, when voting over the payroll tax, time inconsistent young workers, who look for a commitment device that increases both their saving and retirement age, form a coalition with rich in order to decrease the size of the system. When voting over the degree of redistribution, they form a coalition with poor individuals as to increase the flat part of the pension formula. Our political model provides a political justification for the negative relationship between size and redistribution observed in most OECD countries (Disney 2004).

### **Essay 2: Mirrlees meets Laibson: Optimal Dynamic Income Taxation with Quasi-Hyperbolic Preferences**

This paper studies an optimal taxation problem in a dynamic economy inhabited by individuals subject, every period, to two uncorrelated idiosyncratic shocks: on productivity (as in Kocherlakota, 2006) and on the short-term subjective discount factor. We characterize incentive compatible Pareto optimal allocations in a multidimensional screening model where individuals have to report truthfully both shocks and the tax system that implements them in a competitive equilibrium. The planner is interested in redistribution and its tax policy includes a tax function that is nonlinear in labor and capital income. We consider two applications, each of them considering a particular form of bounded rationality: in the first one, some individuals discount future payoffs at a higher rate than others (myopia). In this application, the planner respects consumers' sovereignty, and maximizes a Paretian social welfare function. In the second application, some individuals are time inconsistent: they systematically change future plans and regret ex-post for the lack of commitment power. We compare the optimal tax function with and without planner's paternalism. We show that the marginal tax on capital income implementing the optimal allocation consists of several elements, which combine incentive compatibility and bounded rationality considerations. The resulting optimal tax is a decreasing function of both the fraction of short-sighted individuals and the intensity of myopia/hyperbolic discounting. Our results are not driven by the paternalistic behavior of the planner, but by the incentive/self control problem and the necessity of providing the right incentive to high productive, far-sighted individuals. However, when the planner does not respect individuals' time inconsistent preferences, and tries to move hyperbolic individuals to the right consumption/saving path, we show that the optimal marginal tax includes also a paternalistic component that further decrease the optimal tax compared to the case with only exponential agents.

### **Essay 3: I Will Survive: Capital Taxation, Voter Turnout, and Time Inconsistency**

This paper reconsiders the debate around the political determination of capital income taxes and explains why such taxes survive in most OECD countries. The political economy literature on redistributive politics (Persson and Tabellini 2003) emphasizes the role played by the lower class in the political arena: being labor more concentrated than capital, the majority of the population benefits by overtaxing capital and undertaxing labour. However, in reality, political participation (voting, lobbying, protesting etc.) is positively correlated with income. Therefore, a paradoxical result emerges: why do the upper class, who is politically more active and own most of the capital, still favor a positive capital tax? Hence, voters' income is not the sole relevant variable in the political determination of the capital tax. To reconcile this apparent puzzle, we propose a model that incorporates time inconsistency a la Laibson in individual preferences. We show that time inconsistent individuals are politically more homogeneous (or "single-minded") than far-sighted, and prefer to tax more capital income, instead of labor income, since accumulated saving are below the planned (and optimal) level and the distortionary effects of a higher capital tax are not only reduced but also delayed in time. We demonstrate that, since politicians find easier to please hyperbolic voters by proposing a tax policy that includes lower labor and higher capital taxes compared to an economy with only far sighted. Moreover, we show that, as the proportion of time inconsistent individuals in the population increases, the tax policy becomes more and more biased towards capital taxation.