INTRODUCTION

Actually, Optimal Taxation is the main theory to study properties of fiscal system. Authors has always made referenced to Musgrave’s theory. Thus, Diamond says that “My own work on optimal taxation grew directly out of the general equilibrium formulation in the Theory.” (p.232).

Musgrave has described three functions of the State: Allocation, distribution, stabilization. He considered the existence of complementarities and independences between these various functions of the State. The article of Diamond and Mirrlees (1971) mark the emergence of the public economy like theory with whole share with an own methodology without interaction with the other disciplines. In optimal taxation, only two functions are defined: Allocation and distribution. Indeed, since now ambitious of taxation optimal was to define an optimal tax policy according to the criterions of efficiency and equity, let’s stabilization at the Keynesian Macroeconomics which Musgrave espoused. The methodology is founded on the maximization of a social welfare function.

Until now the way of research of optimal taxation was to understand how a government reacts in front of the tradeoff between efficiency-equity. It was a question, on a side, of minimizing the distortions in an economy with one or two consumers (Sandigmo, Stiglitz, 1982), and other side to estimate that the income is the most reliable indicator of the ability to pay tax of an agent (of Autume, 2000, Diamond 1998). Thus, it is admitted
implicitly that the heart of the problems of optimal taxation resides in the relation between taxation and labour income. However, like the recall Robert Solow (2002), an significant effort must be carried out on behalf of the governments in order to support the “automatic stabilizers” which the budget policy constitutes. In the models of reference, the theory of optimal taxation doesn’t outline.

However, one decade ago, main theoristis of optimal taxation tried to introduce a way to integrate stabilization problem in this theory. Consequently, the aim of this paper would be to expose these models and to discuss them. So, first of all we shall talk about the Musgrave’s filiation to know if both theories are the same view of stabilization problem. Next, we shall introduce the “new” models and finally, I’d like to call your attention to the assumptions and the role of the government in the stabilization policy of optimal taxation theory.

1. **MUSGRAVE’S FILIATION**

During the 60’s, budgetary and monetary policies contributed to assure an expansion of GDP, consumption, encourage investment… State was in centre of economic decisions and his utility was not called in to question. Authors like Friedman or Lucas benefit from the stagflation to criticize the role of government in economy. Thus, academic world know a reversal theory of economic model in favor of macroeconomics models based of solid microeconomics assumptions. The market and free competition are the main tools of economic policy. Let a small place for monetaries policy to control money supply.

“**Business cycle theory**”:

According to the preliminary draft, the macroeconomic models must be able to reproduce the principal stylized facts, without that it is necessary to introduce defects of coordination, a rigidity of the prices (like the neo-Keynesian) or of the monetary shocks. The demand and offer aggregate are always in balance. The budgetary policy and the monetary policy is ineffective. Usually, this theory described an economy founded on the requests a single representative consumer who maximizes a utility function under a whole of perceived constraints. Obviously, in such an economy, macroeconomics policies didn’t have great a deal to make. Then theory was amended and one introduced information imperfections or market failures which made it possible to give him more realistic appearances. That was not sufficient to make economic policies more desirable. The only thing which the authorities must do is to level the ground (tax, lawful…) to encourage the productivity gains. They should not especially seek to stabilize activity.

Musgrave has an opposite point of view. He is located in the Keynesian version of macroeconomic policies, incompatible which optimal taxation vision, as Arnott quotes it: “To these many generations of students, it must be striking that the Stabilization Branch of Musgrave’s Fiscal Departments has all but disappeared from public economics...The « new public economics » insisted on rigorous microfoundations. A requirement that was hard, if not impossible, to reconcile with the Keynesian macroeconomics of the area, which Musgrave espoused”.

According to Musgrave, the modern Capitalism is a mixed economy, with an important public sector, essential in a market economy. A big part of the national product is devoted to the collective needs. Consequently, the budget of the State significantly influences the private sector via the taxes and of the public transfers. Though his state analysis, the three
functions gives discretion to conduct economic and fiscal policy. Musgrave does not hide its preference for the instruments of economic regulation, including Keynesian. Admit as optimal taxation theorists, the absence of the function of "stabilization" in the optimal taxation is justified by the impossibility of economically based micro macro models.

Musgrave’s Problem:

Optimal policy is implemented by three services of the State independent one of the other. Each services act in considering that the other one acts in an optimal way. Thus an optimal allocation of resources correspond a whole of solutions depending of the social assent to equity. A solution can be pareto-optimal, but not necessarily an social optimum. It depends if allocation of income is considered by society as optimal. Finally, “stabilization” is considered as optimal if it doesn’t interfere with resources and income allocation.

However, Musgrave admits that the objectives function can modify the objectives of another function. For example, if the optimal allocation of the resources supposes the investment in many public goods, it then modifies the distribution of the welfare which depends partly of the “distribution” department. Same manner, these public investments modify as a preliminary definite optimal macroeconomic strategy by the department “stabilization”. There exists a contradiction between the various functions; we are in front of a methodological problem. How can we get through this problem?

Optimal taxation ignores this problem. An optimal tax system optimal is defined according to arbitration between efficiency and equity. Stability problem is not considering. Theory keeps only two objectives for the fiscal policy: to distribute in an optimal way resources of the economy and to respect the “social” desire of a more or less equitable distribution of income.

Consequently, filiation between optimal taxation and seems to be less robust. Indeed, resources allocation and the redistribution incomes are two questions which the theory of optimal taxation can answer. However, if these two functions are interdependent with the third, that is to say stabilization, then the theory of optimal taxation should also take into account this criterion to select the best tax instruments. This should be even true when Diamond writes that his work of optimal taxation is a formulation in general stability of Musgrave theory. Yet stabilization function has disappear of this framework, that is two hundred pages about the macroeconomic function of the State which disappeared from optimal taxation. Though, according to Musgrave (1998), the first responsibility for the macroeconomic policy is assigned with the fiscal policy. The deficit or surplus budget has an impact on demand aggregate, output, employment and inflation. The effects of the budget policy are not neutral as for the future trend of the tax system, as can support the neo-classical theorists. Thus, the expansionist expenditure must be understood like an increase in the expenditure or a tax decreases. These measures modify the structure of consumption or of the investments, in the same manner that those can act with a redistributive aim by a more equitable taxation.

To Arnott (1994) the rejection of the function of stabilization by the theory of optimal taxation is explained for two reasons: The first was to found the individual microeconomics behaviors be-with-to say and concentrate only on one approach in terms of incentive. In fact, as pointed Blanchard et Fischer (1989): “Evaluating the full-fledged social welfare function, which is likely depends on the utilities of current and prospective members of society, under
alternative policies, rapidly becomes analytically untractable. Thus we often have to rely on a simpler objective function, a macro welfare function, defined directly over a few macroeconomic variables such as output, unemployment, inflation, or the current account.” It is by this reference that Mirlees (1994) explains the weak interest of the theorists of optimal taxation for the macroeconomics. Moreover, it is difficult to find robust numerical specifications on the macroeconomic variables (rate of inflation or the level of the production). Second, it was be necessary to build the models on microeconomic bases, which was irreconcilable, at the time, with the macroeconomics of Musgrave. Nowadays the micro-macro distinction became much less fallacious, it would be then possible to integrate the department “stabilization” in the models of optimal taxation. It is the issue of our second part.

2. OPTIMAL “STABILIZATION” MODELS

Until now, the macroeconomics was the one forgotten of optimal taxation. Moreover, insofar as near total of the interventions of State modify the distribution of the welfare, it persists well a problem of “propagation” of the effects of a function of the budget policy on the other.

The theorists of optimal taxation must moreover face all the more problems as for the integration of the department “stabilization”, and those for methodological reasons. Methodology employed be the same that previously: a maximization of social welfare function. Our models analysis is executed in two steps:

1. In what manner is justified a market failure.
2. Model’s details.

➢ Arnott : A “moral hazard” problem in a farm economy

1. Market failure:

It is a question in his model to explain markets failures and the public sector benefits. General equilibrium\(^1\) model doesn’t manage to explain the important fluctuations of the economy. Indeed, these fluctuations cannot only be explained like a response of the economic behaviors’ toward an exogenous shock. Arnott retains like failure that known as of the “moral chance”, which contains to him the sufficient conditions with an integration of stabilization problem in the theory of optimal taxation\(^2\).

2. Model’s details:

The model describes a farm economy. A famer’s output depends on his effort and the weather which is imperfectly correlated over farms. Crop insurance is provided because if farmers exert less effort, reduces average aggregate output and increases the variability of output. So the efficiency loss associated to “moral hazard” can be mitigated through optimal taxation.

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\(^1\) Arrow-debreu type.
\(^2\) Uncertainly, price rigidity, and affect individual welfare
The farm economy comprises identical individuals; each of whom farms unit area of land. There is a generic crop. Output farm depends on both effort and weather. Two outputs level is possible: \( h \) (high) and \( l \) (low). It is important to underline that effort is decided before that the weather (or the State of nature) is known. The insurer can observe whether a drop year was good or bad and the total quantity of insurance purchased by a farmer. Insurance contract in aggregate state \( I \) specifies a premium \( \beta_i \) and a net payout \( \alpha_i \). The results of the study are that an insurance system can destabilize the economy instead of stabilizing it.

Then, the author introduces the “stabilizing” function of the fiscal policy by implementing in a multiple goods model. The loss of efficiency due to the informational imperfections can be reduced by taxing the output and to support financially the individuals accomplishing the desired effort in order to increase the output. The objective of the government is to choose the parameters of the contract of insurance as well as the prices the consumer making it possible to maximize the utility awaited by respecting the budgetary balance.

Model conclusion is that the agricultural inputs must be financed as long as the farmers prefer to consume the goods rather than to make more effort in its activity. He deduces that the product taxation/subsidization is desirable to stimulate the effort and to reduce the undesirable effects of the informational asymmetry. For this example, Arnott shows the utility of optimal taxation in the development of a theory of the policy of optimal stabilization. It is in these eyes only one research project which would deserve that one introduces dynamics there in order to give an account of the facts stylized such as the involuntary unemployment or the sensitivity of the economy to exogenous shocks. This prospect fully refers to the theories defended by holding of the “cycle of the businesses”, however opposed to the intervention of the State in the businesses of the private one, but which allows to explain certain stylized facts (cycle of investment, of wages…).

➢ Mirrlees : The influence of the “State of Nature”

1. Market’s failure :

According to Mirrlees, it is very difficult to establish macroeconomic considerations on rigorous microeconomic bases. It takes example of inflation, from which the “social costs” of inflation cannot be derived from a welfare function. In its model, uncertainty relates to the effects and the costs induced by the fiscal policy and the public expenditure. The receipts depend on the State of nature. Two issues: How to reabsorb an important imbalance between supply and? How to evaluate the social costs of an increase in the taxes following this imbalance to finance new public investments? Its model is appeared as a general stability with taxes. He considers a system of tax and transfers proportional to the consumption or the production of goods.
He represents a general equilibrium economy with a tax system incentive-compatible\(^3\), since it requires for its operation only information that is generated by ordinary economic behavior. The structure of the more is simple as possible. Also, Mirrlees assume there are no private-profits, at least in equilibrium. This amount to supposing that there are no economies scale ( untrue of course to him). Public expenditure affects utility. The author treats all public expenditures as public goods, affecting every household’s utility. The utility of the households is noted \(v(q,b,z)\), where \(q\) is the vector of the prices the consumer, \(b\) the contractual income and \(z\) the vector of public goods. Household’s net demands are \(x^h(q,b,z)\) and aggregate production possibilities are described by an equation \(F(y,z) = 0\) in terms of an aggregate net production vector \(y\), available for private consumption, and \(z\). There are constant returns to scale. This way of putting leaves the production technology for public goods implicit, but simplifies the notation.

The innovation integrated by Mirrlees relates to the fixing of the nominal tax rates, of the nominal contractual transfers as well as the real expenditure of the government, which determined way ex-ante in a static and uncertainly environment.

Two problems are related: first, at the time tax rates are set, the price level is unknown, since it is state-contingent. Second, it may be impossible to finance predetermined level of government purchases. In some states, there may exist no set of prices such that the ex ante government purchases can be financed, given the nominal ex ante tax rates and lump-sum transfers. According to Mirrlees, the balance in the budget of the government means the equality between supply-side and demand-side on all the markets. However, uncertainty is still here when precisely the receipts are given ex-handle. It relates to the state of nature of the economy. Consequently, when there is an economic policy change that influences the whole of the agents behaviors of which it is difficult to evaluate these effects, because in the case of a fixing ex-ante of the expenditure and receipts the income of the individuals becomes undetermined.

Mirrlees concludes at a potential nonexistence problem if taxes and lump-sum transfers are indexed to prices. He then argue : “An alternative view of these potential nonexistence problems is that we have found here lurking in the microeconomic optimal tax model some aspects of macroeconomics problems of adjustements and stabilization, and that welfare maximization is not satisfactory way of analyzing the policy issues in this context”.

- **Diamond : Introduction of a new “tradeoff” : efficiency vs. stability**

1. **Market’s failure:**

   The greatest methodological difficulty is to answer to interdependence of Musgrave’s functions. Moreover, Government is confronted at many objectives as many as the possible solutions. To prevent that no reconsidering the initial methodology of the models of optimal taxation no and that the whole of the problems can be treated, Diamond (1994) established an

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\(^3\) Which allows to discriminate the individuals appropriate for their characteristics.
analogy between the function of redistribution and stabilization. He wants to create the favorable conditions with problems in terms of choice, arbitration of the tax variables and budgets according to the economic and social objectives required. One would thus manage to return to the original problems of the models of optimal taxation: a trade-off between two criteria. To Diamond, as much it is possible to define a stable criterion of effectiveness, to as much redistribute perfectly the income and to preserve the system effectiveness seems impossible, just like to stabilize the economy. So his model is presented like a “new” trade-off no between efficiency and equity but between efficiency and stability. He considers two tracks of research to integrate the “stabilization”: Prolonged low output, where public employment is used to mitigate the under-employment, And how to answer exogenous shocks in the presence of price rigidities.

2. Model’s details :

To introduce the new trade off between efficiency and stability, Diamond refers to a study of Haveman and Krutilla (1967). They consider a government investment which will use, directly and indirectly, quantities of labor spread over time. The mix of resources will vary with the aggregate unemployment rate. The combination of resources (direct or indirect) will thus depend on the growth rate envisaged of the economy with constant productivity. This model shows that if it is impossible to stabilize the economy perfectly, then there will be effects on the rules of allocation. Thus a new trade-off is possible.

In his first model, Diamond starts from a search equilibrium model from one of its work in 1982. With a search equilibrium model we can see how a balance of under-employment answers job creation public. Thus, which interest it is of knowing how answers the creation of goods deprived the public goods. The level of private goods is known after “optimal stabilization” and that the public goods are compared to public employment. The author supposes that the required investment to create a public job costs $C$ in the function of disutility. This cost must balance with the updated value of the change induced in the consumption of the private or public goods. What interests Diamond, it is how this balance varies according to the number of employment $K$. Now optimal tradeoff between private employment and public employment depends on the assumptions on the form of the functions of utility as well as nature of the search function. If the function is linear and that coefficient for each type of employment is equal, then there is no place to choose between private or public employment. Diamond uses a logarithmic function search function reflects a preference of the workers for private employment. It is also allowed that an individual will accept a public employment only if this last were seen refused an employment in the private, but on the other hand they act positively on the number of unemployed. Diamond concludes that to reconcile stabilization unit and efficiency seems difficult, because if the level of public goods influences the unemployment rate of public balance and thus the level of employment. It is necessary to choose between more efficiency or more stability. The compromise obtained depend of the search function selected which inevitably affects the level of the production of the private and public goods, insofar as it evaluates how much public employment is create at the expense of private employment.
In the second model, the author wishes to build the principle of stabilization on that of the “automatic stabilizers” to answer shocks of short term. Rigid prices with justifies an adjustment price problem. Then to give a temporal dimension to modeling, Diamond supposes that the government can transfer resources between two states, by knowing that the level of the production is decided before the state of nature is known. There is a continuum of identical potential suppliers of good $x$ with an infinitely elastic supply of good $x$. He (sees) also in these suppliers the workers who will consume the goods produced in the economy. Then, there is a continuum of suppliers of good $y$. There are two state of nature. If a supplier exerts effort that costs $e$, output of that supplier equals $y$ with probability $\Pi$ and equals $y'$ with probability $\Pi'$. In last case, $y'$ is higher than $y$ under a resource state constraint. The objective of the State is to guarantee that the markets of the goods $x$ and $y$ are purified by the use of payments $z$. This is representing an optimal program to obtain a comparative data. Then, Diamond preserves the bases of this model and wishes to examine the same disequilibrium problem in the presence of uncertainty and under the assumption that the suppliers of the good can fix a price of the good before the state of nature was effective. There is this incentive constraint which exploits the level of the premium. Diamond concluded its model by comparing the marginal utility in the presence of flexible price and of fixed prices. Without this incentive constraint, the government could increase until the budgetary constraint is reached. The conclusion is that in a model where the prices are rigid, need for insurance increases. Consequently, to stabilize the economy will tend to increase taxation marginal rates. For flexible prices, it is not optimal to want to stabilize the economy because prices allow market clearance.

The attempt to preserve methodology in the form of a maximization of a function of good being under various governmental, inciting constraints… is successful, but it was done at the price of strong simplifications on the assumptions and especially of State intervention modalities.

3. LIMITS OF THE MODELS

1- Methodology problem

The models have to take certain number of short cuts and simplifications in their modeling. Main problem is that market failures cannot be stopped by only one and single solution but by a plurality of answer. However, this plurality is difficult to implement within the very restrictive framework of the models in general equilibrium. The effects of a measure can have contradictory consequences on the optimum.

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4 The “automatic stabilizers” reduce the extent of the variations around a trend (Solow, 2002). unemployement insurance system for example is a “automatic stabilizer”, because it makes it possible to avoid a too strong contraction of employment at the time of a negative shock of demand to support the income and the consumption of the individuals and then the production.
One of a great difficulty is theoretical, because in a “traditional” demand model, consumption follows an optimal intertemporal pattern for saturated markets. In this case, there would not need obviously to stabilize the economy because at each period the demand level is equal to output. For instance in Diamond model it is not question of outlets because at average costs purchases and the sales equalize themselves. State must guarantee that the level of premium $Z$ is enough to rise so that output is sufficiently. Thus, the place given to a low demand situation is negligible since the agents anticipate the future production. The use of a single representative consumer who allows incorporating behaviors forgets the differences in rate of debt between the deciles of incomes. These levels of incomes suppose propensities to consume different according to the categories of selected individuals and bring a debate of a new grade on the economic consequences of a reduction of the imposition on certain categories of incomes.

The authors had recourse to a certain number; assumption or of short cut not to complex the resolution of the models. For instance, Diamond assumption according to that stabilization absorbs faster the exogenous shocks than prices are not demonstrated. Though in a flexible economic system, price variation are supposed to correspond to the economy variation, under assumptions on adaptative or rational anticipation. The author missed to consider problem that arise during a resource transfers between two states of Nature. According to him, stabilisation issues are summarized at the study of the impact of resource transfers. It is not question of the conditions of execution of stabilization policy. In the same Diamond models there is a theoretical mistake. Thus, in the Haveman-Krutilla model, the authors assume that the number of assets produced by the State depends on the unemployment rate and thus on the growth rate of the economy. However it is usually admitted that the growth rate of the economy and unemployment rates are not necessarily correlated since the growth of the GDP comes primarily from the productivity gains. In this case, the productivity absorbs a big part of the growth to the detriment of the rise of employment and the relation between GDP increase and unemployment decrease seems less robust.

2- Neoclassical models vs. Musgrave models (Keynesian)

Musgrave’s work stabilization described as many the economic policies to answer at an insufficiency demand as to fight against inflation. This point of view of Musgrave on the policy of stabilization places in a Keynesian way in order to justify validity of the intervention of the State. We already showed the weakness of the bonds linking Musgrave’s work with optimal taxation. We can more support this criticism when the theorists recommend the use of the intuitions of the models of neoclassical theorists. Arnott estimates that its model omits the temporal dimension of the shocks to which is subjected the real economy. He proposes to take as a starting point the theory of the real cycles to confront stylized theory and facts. Diamond and Mirrlees refer there also, which shows well the anchoring of optimal taxation with the

5 Because we create public job in response of a insufficiency of private labor demand
6 Business cycles theorists
7 “To develop a satisfactory theory of optimal stabilization policy, it will be necessary to develop a satisfactory theory of business cycle” (1994, p.273)
macroeconomic models champion on the fight against the interference of the State in the economic affairs.

According to this point of view the budget policy and monetary is not desirable since the economy is always balances and it’s able to absorb the exogenous shocks. Thus, in the neo-classic models most current, an increase in the deficit modifies agents anticipations which will make them discount a stronger level of imposition during next period, causing a fall of demand (by effect of anticipation, of Ricardian type for consumption and the financial markets, by the rise of interest rates), and thus of the production. However the deficit has no things to common with a loss of welfare in preparation for the restituting of the debt. In fact all depends if the deficit generates creative expenditure of wealth to that the government is not constrained to dig a new deficit.

However, the government debt is it a burden for the future generations? Is the budget policy ineffective? Sterdiniak and Al (2005), in a critical talk of the “anti-Keynesian” models of public finances, advance three interpretations making it possible to justify the need for a public deficit:

3- Fiscal neutrality means a deficit equal to the investment public, or the investment Net plus the depreciation of the debt or then the deficit which stabilizes the national debt on reasonable levels.

4- The public deficit is structurally necessary to ensure a demand level equal to the natural production with an interest rate equal to the growth rate of the economy.

5- When the consumption is too low, the households will tend to save of advantage to preserve a capital of no risky credits, but these credits are in numerical inferiority compared to what the companies can or want emit.

The debt in this context is not a weight for the future generations because it supposes against part in terms of assets by the households. Moreover, government doesn’t need to increase the taxes in the case of public expenditure rising because they encourage the output and thus an increase in the public receipts with unchanged tax structure.

3- Government critics

To give a place to the macroeconomic policy in the neo-classic theories supposes to leave entire place to the market adjustments. The partial-control of the economy by the State is not effective in that point of view. Analytically the recourse to the economic policy, and more particularly to the concept of stabilization calls on two types of references (Bobbe and LLau, 1978): optimal taxation registered from the neo-classic point of view where the flexibility of the budget is emphasized in order to “direct” the fluctuations of the economy. One stabilizes the economic variables and in particular the incomes around an average trend of growth. In this case, the sensitivity of certain taxes to the state of the economic situation makes it possible to correct the strong or weak fluctuations of the economy. The second line of analysis takes as a starting point a Keynesian perspective where the budget policy and tax adapts to the requirements of the policy of demand. The tax acts in a discretionary way with
respect to the economic situation. Government action is summarized with a role of “regulator” to the direction and its presence makes it possible to ensure the primacy of the market on the public.

In Arnott’s model, the author justifies the intervention of the State by questions of informational deficit. In the presence of uncertainty of with the climatic “shocks”, the State is present to reassure the farmers in their providing a system of insurance in the event of bad weather in order not to degrade the welfare. This model is only a starting point of the stabilization function in an optimal taxation framework, but the Government interference is justified with respect to the landscapes of the markets efficiency. Asymmetry information issue returns to an intervention of the State according to the market, because its intervention is only correlated with the failures of this last. This point of view is that usually defended by orthodox ones of most radical (Lucas, Stokey…) with most moderate (Blanchard, Stiglitz…) and of course by optimal taxation theorists.

4- Public goods analysis

In Diamond, the acceptance of a public employment is correlated with the incapacity to provide an employment in the private sector. Without this assumption, Diamond cannot establish a rule of decision in the form of a tradeoff between efficiency and stabilization. The author assumes that economic efficiency depends on the increasing share of the employment in the private sector of the economy. On the contrary stabilization is obtained by an increase in public employment. Thus, private employment is considered to be more effective with than public employment, because it is as a last resort that an individual will choose it rather public than the private one. However nothing justifies in its article such an assumption. Indeed we could think that an individual will have a preference for public employment if it is aversion with the risk, because this employment is supposed more stable. Thus, the effectiveness is represented by private employment and stability by public employment. The study of Alisena and Al (2002) shows this idea when they discover that for ricardian agents, the reduction of public employment following a fall of the public expenditure coupled with the anticipated fall of the tax on work involves a fall of the wages, therefore a rise of the anticipated profits, which increases investment. As Solow (2002) emphasizes it, the assumption of Ricardian equivalence supposes to refute or deny a certain number of behaviors considered being extremely plausible and quantitatively important (barriers with the loan, confidence in the Treasury, myopia of the agents…). As a general rule Courvisanos, Laramie and Mair (2008) support that the assumption of Ricardian equivalence can’t justify the inefficiency of the budget policy on the aggregate demand. However the neo-classic point of view supposes that a reduction of the rates is preferable with the revival of the budgetary expenditure, while many Keynesian authors (Schclarek, 2004, Hjelm, 2002, Hemmin and Al, 2002) showed that an increase in the public transfers is preferable from a macroeconomic point of view that a reduction of the tax rates.

These limits don’t make of the assumption a limit with the interest of the expansionist expenditure. It thus remains always to be proven for these theorists that the private employment is better than public employment.
In the same order of idea, the simplification brought by Mirrlees according to which the governmental expenditure is connected with the public goods translated correctly the reduced vision which these authors of government intervention have. One made as if a revalorization of the welfare transfers were a public good, whereas it can quite simply be a question of an increase in the budget of the ministry for the social affairs in the objective of increasing the consumption of popular classes. It’s there correspond to the usually definition of public goods. Is the increase in the civil servant wage is a public good according to this definition? Apparently not. In fact, associating social public expenditure and public good precisely allows not to take into account the transmission channels of the budgetary reflation, consumption or the investment, but it simplifies the model resolution and makes it possible to concentrate on the negative effects of the public expenditure which affects the utility of the households via their intertemporal consumption pattern, symbolized by the parameter $z$ of the model.

CONCLUSION

The main theorists’ objective was to define the criteria of an optimal fiscal policy. Efficiency and equity having already been treated, the theory wished to integrate the missing link into its analysis: fiscal policy like instrument of economy stabilization. The purpose of this integration was to continue Musgrave’s filiations.

However, the study of the models made it possible to propose another filiation, far from Keynesian position taken by Musgrave during the Sixties; inspired by the models macroeconomic of “supply side” economists. According to this ideological posture, State and especially taxation are a “brake” with the good performance of the economy. So, we saw that State interference was effective only to repair market failures. Moreover the use of unfavorable assumptions to the benefits of the public expenditure or public goods, skewed examination of the public power as a economy regulator.

Sterdiniak et al. study showed that in the macroeconomic models of neo-classic influence, the “anti-Keynesians” effects appear only in very particular cases. Consequently, if optimal taxation is not able in our eyes to provide a satisfactory theory of the public expenditure, it then becomes necessary to operate a change of paradigm to understand even macroeconomic effects of the tax reforms. Optimal taxation being located exactly in the same theoretical field that the supply-side theorists. It offers only few elements on the instruments of structural stabilization. A macroeconomic analysis in terms of aggregates seems to be a

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8 A public good is a good that is non-rivaled and non-excludable
9 « We shall be dealing with public expenditure, and must take account explicitly of the way that public expenditures affect utility. » (Mirrlees, 1994, p.216).
10 Feldsetin (1986)
more favorable posture to return to a true complementarity between the three functions of Musgrave and to redraw contours of State interference.

We could develop a theory which allowing to evaluate the redistributive impact of a modification of tax schedule as well as the impact of this modification in the distribution of income on the macroeconomic variables. Tobin and Halliassos (1980) article and theoretical renewal initiated by neo-kaleckian models are a good introduction to study a fiscal program in a Keynesian way. Bases of its work will be posed in a latter work.

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