

Reassessing tax policies and tax coordination: The case for a tax on automation

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Objectives

- Assessing the positive and negative impacts of automation on employment
- Analysing how appropriate taxation may be used to compensate those negatively impacted
- Understanding how an appropriate policy could be implemented

A well established principle of optimal taxation is that taxes should not distort production; intermediate goods should not be taxed. Robots are intermediate goods, so it follows they should not be taxed.

However, as automation increasingly replaces the labour workforce occupied in routine tasks, a significant portion of society will find themselves negatively affected by the lack of available jobs. Using fiscal policy to compensate those would create tax discrimination; our system of taxes is based on income and cannot be decided on the skills of an individual or the job they do.

An EU-wide tax on robots, coordinated centrally with polices that do not impact free trade, presents an optimal instrument for redistribution.

Further reading

To read the full paper which accompanies this policy brief, see chapter seven (pages 69-74) of the ADEMU e-book published by VoxEU.org:

www.voxeu.org/The-emu-after-the-crisis

You can see a short video summary of this topic by the author at:

www.ademu-project.eu/ademu-explained-the-case-for-a-tax-on-automation-video-with-pedro-teles

This topic also relates to the following policy briefs:

A European Unemployment Insurance System

www.ademu-project.eu/policy-brief-a-european-unemployment-insurance-system

Macroeconomic stabilisation in heterogeneous societies

www.ademu-project.eu/macroeconomic-stabilisation-in-heterogeneous-societies

Recessions following expansions: The instability of market economies

www.ademu-project.eu/recessions-following-expansions-the-instability-of-market-economies

Stimulus packages? Better be persistent!

www.ademu-project.eu/stimulus-packages-better-be-persistent

There are 38 working papers related to this topic. See the full list:

www.ademu-project.eu/ademu-working-papers-related-to-work-package-2

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