Public Finance, Taxes & Means-Tested Transfers  
ECON 881.30 & 881.31 – Fall 2016

Instructors:  
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Location and Meeting Times:  
1:25-2:40PM at Social Sciences 105.

Course Description:  
This course introduces students to the field of public finance at the PhD level. The course gives students a summary of classic topics in public finance, a critical overview of recent contributions, and addresses practical methodological issues with the goal of fostering students’ research. The topics covered include the design of taxation, unemployment insurance, and government spending, as well as the effects of public intervention on economic behavior including labor supply and firm investment.

Grading:  
1. Class Participation and Reading Emails 20%  
2. Problem Sets (5) 25%  
3. Class Project and Presentation 15%  
4. Midterm and Final Exams 20% Each

Posting Comments on Readings  
All students are expected to read all of the papers and actively participate in each class. To facilitate this, all students are expected to post their comments and questions on the readings by 5:00 p.m. the day before each class. These comments will be posted to the Forum section of the Sakai course website. They may include observations about empirical or theoretical methods, suggestions for applications of models with different data, or identification strategies that can be used to identify these models. The comments may also include questions about the material in the papers. Since comments will visible to everyone else, we also encourage students to interact, commenting/responding/etc. to the comments of their course mates. But, to be clear, the comments should reveal that the student has read the papers. Furthermore, they should not be summaries of the articles. Try to keep one’s comments and interactions concise and try to bring your own ideas and insights to these postings.

Problem Sets  
5 problem sets will be assigned to help students attain a better grasp of the material discussed in class and to help them develop their own analytic skills. They will cover a mix of empirical and theoretical content. Completion of the empirical content of these problem sets requires knowledge of STATA. When submitting solutions to the problems sets, students should include do files, log files, tables, and discussion of results.
Research Proposal
The final assignment is a research proposal outlining a project (about 5-6 pages) that applies the concepts developed in the course. The project should focus on answering an important question and should include a model, data to be used, and a potential identification strategy. Students will present their proposal during the last class meeting. Students are encouraged to meet with the instructors to discuss their projects early in the course.

Midterm and Final Exams
The exams are intended as rehearsals for the field exams. The midterm exam will be held in class. The Final exam will cover the material and will be take-home.

University Policies
Grading:  http://registrar.duke.edu/faculty-staff/grading
Disabilities:  http://access.duke.edu/students/faculty.php
Absences:  http://trinity.duke.edu/undergraduate/academic-policies/missing-work-classes

Student Feedback
We would like to continue improving the course and welcome student feedback in person or via email. If you would rather send an anonymous comment, we encourage you to do so by filling out this anonymous form: http://www.jcsuarez.com/teaching_comments.html.

Class Material
The course is mostly based on published and working research papers. We will complement this material with background readings from books. Below, we provide additional useful references:

On public economics:
  http://www.sciencedirect.com/science/handbooks/15734420
- J. Gruber. *Public Finance and Public Policy*

On taxes and transfers and their effects on labor supply and related outcomes:


On the effects of social and mean-tested programs on labor supply and other outcomes:


On applied econometrics:

• *Mostly Harmless Econometrics: An Empiricist’s Companion* by Angrist and Pischke

• *Microeconometrics Using Stata* by Cameron and Trivedi

• *Discrete Choice Methods with Simulation* by Train

  [http://eml.berkeley.edu/books/choice2.html](http://eml.berkeley.edu/books/choice2.html)


On economic analysis:

• *Economics and Consumer Behavior* by Angus Deaton, John Muellbauer

• *Optimization in Economic Theory* by Avinash K. Dixit

• *Microeconomic Analysis* by Hal Varian
Tentative Course Schedule

**NOTE:** Readings with *'s in schedule below should be read before class and will be discussed.

**Class Meeting: 1. August 29, 2016. Instructor: Juan Carlos Suarez Serrato.**
**Topic: Introduction, Role for Public Intervention, and Excess Burden**


**Class Meeting: 2. August 31, 2016. Instructor: Juan Carlos Suarez Serrato.**
**Topic: Tax Incidence in Partial Equilibrium**


**Class Meeting: 3. September 5, 2016. Instructor: Juan Carlos Suarez Serrato.**
**Topic: Tax Incidence in Partial Equilibrium**


**Class Meeting: 4. September 7, 2016. Instructor: Juan Carlos Suarez Serrato.**
**Topic: Optimal Commodity Taxation**

→ **Problem Set #1 Due by Start of Class**

Auerbach and Hines, Section 3.
Chetty “Sufficient Statistics” Sections 3 and 6.


Class Meeting: 5. September 12, 2016. Instructor: Juan Carlos Suarez Serrato. Topic: Tax Incidence in General Equilibrium

Anthony B. Atkinson & Joseph E. Stiglitz, Lecture 6


Handouts on “Labor Supply Trends and Trends & Patterns in U.S. Tax Rates & Deductions.” (see course site on Sakai)


Handouts on Static Labor Supply.


or


https://eml.berkeley.edu/~saez/saezAEJ10bunching.pdf


→ Problem Set #2 Due by Start of Class


or


Class Meeting: 12. October 5, 2016. Instructor: N/A. Topic: Midterm #1

Class Meeting: 13. October 10, 2016. Instructor: N/A. Topic: No Class (Fall Break)

Anthony B. Atkinson & Joseph E. Stiglitz, Lectures 16 and 17


Class Meeting: 15. October 17, 2016. Instructor: Juan Carlos Suarez Serrato.
Topic: Social Insurance, Adverse Selection, and Unemployment Insurance


Chetty “Sufficient Statistics” Section 5.


→ Problem Set #3 Due by Start of Class

Section 2 of Chetty, Raj and Amy Finkelstein. 2013.


Topic: Social Insurance: Health

Panhans, Matthew (2016) “JMP”

Topic: Externalities

⇒ Problem Set #4 Due by Start of Class

Chapter 7 in Salanie

Auerbach and Hines, Section 4.


Topic: Effects of Marginal Tax Rates on Taxable Income


Handout on Life Cycle Labor Supply Models;


Topic: Effects of Taxes on Labor Supply, Savings & Human Capital Formation


Topic: Effects of Cash- and Tax-Based Transfers Programs on Labor Supply: Intro


Topic: Effects of Tax Credits: The EITC

**Problem Set #5 Due by Start of Class**


Topic: Effects of Cash- and Tax-Based Transfers Programs: Multiple & Overlapping Programs


Topic: Optimal Taxation


Anthony B. Atkinson & Joseph E. Stiglitz, Lecture 5


Class Meeting: 27. November 28, 2016. Instructor: N/A. Topic: Presentations Day # 1