ECON 752: GRADUATE PUBLIC ECONOMICS II

Spring 2016
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Office hours: Monday 3-4:30

Course Overview: This course will build on the first semester of graduate public economics, focusing on tax and transfer issues. Topics will be discussed from both a theoretical and empirical perspective. Major topics covered include the theory of optimal income taxation and transfer program design; U.S. anti-poverty and income support programs; taxes and labor supply among both low- and high-income individuals; taxable income elasticities; tax incidence and efficiency; and individual savings behavior, in particular as it relates to taxation and public policy. We will study empirical papers on these topics that span a range of empirical approaches and we will consider the advantages and disadvantages of alternative approaches. The course material will be presented in such a way to help prepare students to write dissertation-appropriate papers in the field of public economics.

Course Assignments and Grades

Problem set: 10%
Referee report: 10%
Paper Summaries (2): 10%
Empirical Paper Presentation: 10%
Paper proposal OR replication/extension: 25%; presentation 5%
Final exam: 25%
Class participation: 5%

Paper summaries – twice during the semester students will be required to turn in a two-page summary of an empirical paper on the syllabus. The summary must be turned in before the start of class. The summary must address the following (please number answers in the write-up): (1) What is the main question? (2) What data are used? (3) What are the key variables? (4) What empirical model/methods are used? (5) What are the key parameters to be identified? (6) What is the identification strategy of the empirical approach? (7) What are the threats to identification and does the author adequately address them? (8) What are the main findings of the paper? (9) How does the paper contribute to the relevant literature?

Empirical paper presentation – Students will be assigned, with some choice, an empirical paper from the syllabus to present to the class. Students will be expected to prepare a 20-minute presentation for the class that includes a discussion of relevant background information and a detailed presentation of the empirical analyses.
**Referee report** – The referee report is a critical assessment of an unpublished paper that I will provide to students to review. This report should be no longer than 5 pages and typically is 2-3 single spaced pages. The report should (1) assess the paper’s contribution to the relevant literature; (2) discuss key weaknesses of the paper; and (3) make suggestions for improvement.

**Paper replication or proposal** – Students will be required to replicate and extend a published empirical paper in economics (chosen in consultation with the professor) OR develop a proposal for a paper that can lead to a completed paper in the field. The primary purpose of this assignment is to help prepare students to do dissertation-style research in the field of public economics.

There are three deliverables: (1) a one-page proposal/replication description that students will informally discuss in class; (2) a written paper/proposal of approximately 12-15 pages; and (3) 30-minute in-class presentation of the paper proposal/replication at the end of the semester.

* Suspected violations of the University Honor Code will be reported immediately to the Office of Judicial Programs, [http://www.jpo.umd.edu/](http://www.jpo.umd.edu/)
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<td>Intro to Course and Subject</td>
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<td>Part I</td>
<td>Poverty and Inequality in the U.S.</td>
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<td>Part 2</td>
<td>Income Support Programs: Efficiency and Optimality</td>
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<td>Part 3</td>
<td>Anti-Poverty Programs in the U.S. (student presentations of empirical papers)</td>
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<td>Part 4</td>
<td>Earned Income Tax Credit: Taxes and Labor Supply among Low-Income Individuals</td>
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<td>Forms of taxation in the U.S.</td>
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<td>Part 6</td>
<td>Theory of optimal income taxation</td>
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<td>Part 7</td>
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<td>Part 8</td>
<td>Taxable Income Elasticities</td>
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<td>Discuss student paper proposal ideas</td>
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<td>A. Theory</td>
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<td>A. Theory</td>
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<td>Part 10</td>
<td>Savings</td>
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<td>A. Facts about savings behavior in the U.S.</td>
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<td>B. Models of saving</td>
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<td>C. Targeted tax subsidies to saving</td>
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<td>D. Behavioral insights</td>
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<td>Student presentations and discussions of paper proposals</td>
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Readings

Bold: required reading

General Reference –


Three popular undergraduate textbooks -


References for applied econometrics methods used in this course


PART I. POVERTY, INEQUALITY, AND SOCIAL MOBILITY IN THE U.S.


PART 2: INCOME SUPPORT PROGRAMS: EFFICIENCY AND OPTIMALITY
PART 3: ANTI-POVERTY PROGRAMS IN THE U.S.

1. Cash Transfers


2. In-Kind Programs


- **Paper summary**


- **Student present**


**PART 4: THE EARNED INCOME TAX CREDIT (EITC)**


**PART 5: FORMS OF TAXATION IN THE U.S.**


Great source for information: www.taxpolicycenter.org


Congressional Budget Office, “Effective Marginal Tax Rates for Low- and Moderate-Income Workers”, November 2012”


**PART 6. THEORY OF OPTIMAL INCOME TAXATION**


PART 7. TAXATION AND LABOR SUPPLY OF HIGHER INCOME HOUSEHOLDS


PART 8. TAXABLE INCOME ELASTICITIES


PART 9. TAX INCIDENCE AND EFFICIENCY

A. Theory

B. Salanie, Economics of Taxation, Chapter 1.


B. Measuring tax incidence: Empirical Analysis


C. Mandated Benefits


PART 10. TAXATION, WEALTH, AND SAVINGS

A. Facts about Savings in the U.S.


B. Savings Models

A. Atkinson and J. Stiglitz, Lectures in Public Economics, Chapter 3.


C. Behavioral Insights and Innovations


D. Empirical Evidence on Targeted Tax Subsidies to Saving


- Paper summary
