

ECON890 - Topics in Public Economics

Professor Ross Milton

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Fall 2017

Class Meeting: Tuesdays 4:00-5:15pm & Thursdays 10:00-10:15am

Office Hours (Waters 245): Wednesdays 2:00-3pm, Thursdays 12:30-1:30pm, or by appointment.

This course focuses on the financing, structure, and size of government. While it is not necessary to take it with any other field courses, it is designed to pair well with Dr. Gaulke's ECON832.

This course is designed primarily for students who are embarking on their first PhD level research projects in public economics. As a result it has two broad goals. First, it will introduce the canonical theoretical models that a fellow economist would expect a self-proclaimed public economist to know. Second, it will expose students to the frontier of (primarily empirical) research on a selection of topics within the field. In doing so, it will (a) develop the student's ability to evaluate research and (b) help generate ideas for dissertation research.

After discussing the role and size of government, we will begin with a study of tax incidence. We will continue with the deadweight loss of taxation, and then study optimal tax systems, including the Mirrlees and Ramsey models, that will minimize it (sometimes with additional equity or social welfare aims). We will then discuss externalities and public goods, local public finance, fiscal federalism, and place based policies.

Students are expected to play an active role in the class. A limited number of papers will be assigned for each class. In addition, each student will present papers during the semester.

Prerequisites

This course requires the economics PhD microeconomics, econometrics, and macroeconomics sequences. If you have not already taken them you should speak to the instructor immediately.

Course Materials

There is no textbook for this course. Lecture slides will be distributed electronically. I will distribute any papers not easily available via the library's electronic resources or otherwise on the internet. For each class, students are expected to read the bolded papers on the day's topic.

Grades & Assignments

- **Written Research Paper Proposal (30%)**

The proposal should be approximately 7-10 pages and can be on any *empirical* topic in public economics and is not limited to the topics covered in this class. All proposals must have:

- A clear question
- Motivation as to why it is economically important
- A brief critical review of the relevant literature which makes clear the contribution the project would make to this literature.
- Lay out the data sources, empirical strategy, and how effects will be identified.

Proposal Timeline:

1. Submit 2-3 potential questions, each with a max one page motivation due September 12
 - a. After submitting these questions, I encourage you to meet with me to discuss which to develop further for your proposal.
 - b. In class, we will “workshop” one idea per person on September 14 and/or 19.
 2. A discussion of the relevant literature and theory due October 12
 3. Data and methodology section due November 16
 4. Final proposal due December 12
 - a. Must be turned in electronically.
- **Proposal Presentations and Discussion (20%)**
Each student will make a 25 minute presentation of their proposal and serve as a discussant (with 10 minute presentation) for one other student’s proposal. To allow discussants to develop useful feedback, slides should be distributed to the discussant at least a week in advance of the presentation. Presentations will be during the last two weeks of classes.
 - **Paper Presentations (20%)**
Students will select from the list of starred papers one paper to present. Presentations will be as if you were presenting your own research -- giving the paper the best light possible, while acknowledging and justifying its weaknesses. This is intended to provide practice for presenting your own research and to help us understand why the authors may have made the choices they did. Other students are expected to discuss its merits and ask questions (during these as well as when I present papers).
 - Submit your top three choices of starred articles by August 29.
 - **Referee Reports (15%)**
I will assign 2 papers for you to referee. The reports should briefly summarize the paper and provide a critical discussion. It should be 2-5 single spaced pages in length.
 - The first will be due September 26 and assigned by August 29.
 - The second will be due November 2 and assigned by October 5.
 - **Class Participation (15%)**
For the class to succeed, both for you and your classmates, you must come prepared to discuss the day’s papers. Required readings are bolded below and will continue to be updated as the course progresses.

Topics

1. Role & size of government
2. Tax incidence
3. Excess burden & tax salience
4. Optimal taxation
5. Income taxation & labor supply
6. Externalities & public goods
7. Local public finance

This syllabus and all other course materials build upon and benefited immensely from the materials of Raj Chetty, Gregory Bruich, and many others.

Textbooks and Other References

Methodological References

Angrist, J. and Pischke, J., 2009. *Mostly Harmless Econometrics. An Empiricist's Companion*. Princeton University Press.

Cameron, C.A. and Trivedi, P.K. 2005. *Microeconometrics: Methods and Applications*. Cambridge University Press.

Imbens, G.W. and Rubin, D.B., 2015. *Causal inference in statistics, social, and biomedical sciences*. Cambridge University Press.

Imbens, G. and Wooldridge, J., 2007. What's New in Econometrics: NBER Summer Institute Mini-Course. Available at: <http://www.nber.org/minicourse3.html>

Wooldridge, J., 2002. *Econometric Analysis of Cross-Section and Panel Data*. MIT Press.

Public Economics Resources

Gruber, J., 2004. *Public finance and public policy*. Macmillan.

Background reading and overviews of (primarily US) government programs.

Atkinson, A. and Stiglitz, J. 1980, *Lectures in Public Economics*, New York: McGraw Hill

Auerbach, A, Chetty, R., Feldstein, M, and Saez, E., *Handbook of Public Economics*, Volumes 1-5, Amsterdam: North Holland, 1985, 1987, 2002, 2002, and 2013.

Kaplow, Louis, *The Theory of Taxation and Public Economics*, Princeton University Press, 2008

Salanie, B., *The Economics of Taxation*, Cambridge, MIT Press, 2003

Graduate level tax theory book

Slemrod, J and Bakija, J, *Taxing Ourselves: A Citizen's Guide to the Debate Over Taxes*, Fifth Edition, Cambridge: MIT Press, 2017

Overview of big issues in US tax debates.

Tresch, Richard. *Public Finance: A Normative Theory, 3rd edition*. Academic Press, 2015

A graduate text of theoretical public economics, relatively up to date.

Additional resources for research & presentations on Canvas.

READING LIST:

I reserve the right to, add, subtract, and reorder readings as the course progresses.

Causal Inference

Heckman, J.J., 2008. Econometric causality. *International statistical review*, 76(1), pp.1-27. (Also NBER WP: w13934)

[Holland, P.W., 1986. Statistics and Causal Inference. *Journal of the American Statistical Association*, 81\(396\), pp.945-960.](#)

Rubin, Donald B., 1986. "Statistics and Causal Inference: Comment: Which Ifs Have Causal Answers?," *Journal of the American Statistical Association*, 81, 961-962.

The Role and Size of Government

Alesina, Alberto, and Paola Giuliano. 2011. Preferences for Redistribution. In *Handbook of Social Economics*, A Bisin and Benhabib, J, 93-132. North Holland. (Also NBER WP 14825)

[Meltzer, A.H. and Richard, S.F., 1981. A rational theory of the size of government. *Journal of Political Economy*, 89\(5\), pp.914-927.](#)

Cascio, E.U. and Washington, E., 2013. "Valuing the vote: The redistribution of voting rights and state funds following the voting rights act of 1965". *The Quarterly Journal of Economics*, 129(1), pp.379-433.

Casey, K., 2015. Crossing party lines: The effects of information on redistributive politics. *The American Economic Review*, 105(8), pp.2410-2448.

Finkelstein, A, 2009, "E-ztax: Tax Salience and Tax Rates." *The Quarterly Journal of Economics* 124.3, pp. 969-1010

Lindbeck, A. and Weibull, J.W., 1987. Balanced-budget redistribution as the outcome of political competition. *Public Choice*, 52(3), pp.273-297.

Luttmer, E.F. and Singhal, M., 2011. Culture, context, and the taste for redistribution. *American Economic Journal: Economic Policy*, 3(1), pp.157-179.

Luttmer, E.F., 2001. Group loyalty and the taste for redistribution. *Journal of Political Economy*, 109(3), pp.500-528.

[Kuziemko, I., Norton, M.I., Saez, E. and Stantcheva, S., 2015. How elastic are preferences for redistribution? Evidence from randomized survey experiments. *The American Economic Review*, 105\(4\), pp.1478-1508.](#)

Ashok, V., Kuziemko, I. and Washington, E., 2015. Support for Redistribution in an Age of Rising Inequality: New Stylized Facts and Some Tentative Explanations. *Brookings Papers on Economic Activity*, pp.367-405.

T. Husted and L. Kenny (1997). "The Effect of the Expansion of the Voting Franchise on the Size of Government." *Journal of Political Economy*, 105.1, pp. 54-82

Tax Incidence

Partial Equilibrium Incidence

A. Atkinson and J. Stiglitz. *Lectures on Public Economics*, New York: McGraw Hill, 1980. Chapter 6.

[L. Kotlikoff and L. Summers. "Tax Incidence," in A. Auerbach and M. Feldstein, Volume 2, 1043-1092. Required reading: Sections 0, 1, 2, 3.1, and 4.4.](#)

B. Salanie. *The Economics of Taxation*, Cambridge: MIT Press, 2003, Chapter 1.

Weyl, E.G. and Fabinger, M., 2013. Pass-through as an economic tool: Principles of incidence under imperfect competition. *Journal of Political Economy*, 121(3), pp.528-583.

Empirical Applications

J. Adda and F. Cornaglia. "Taxes, Cigarette Consumption and Smoking Intensity," *American Economic Review*, 96(4): 1013—1028, 2006.

T. Besley and H. Rosen. "Sales Taxes and Prices: An Empirical Analysis", *National Tax Journal* 52, (1999).

[J. Cawley and D. E. Frisvold, 2017, The Pass-Through of Taxes on Sugar-Sweetened Beverages to Retail Prices: The Case of Berkeley, California. *J. Pol. Anal. Manage.*, 36: 303–326.](#)

[J. Doyle and K. Samphantharak. “\\$2.00 Gas! Studying the Effects of a Gas Tax Moratorium.” *Journal of Public Economics*, April 2008.](#)

W. Evans, J. Ringel, and D. Stech. “Tobacco Taxes and Public Policy to Discourage Smoking,” in *Tax Policy and the Economy*, vol. 13, ed. J. Poterba, MIT Press: Cambridge, 1999.

Goolsbee, Austan, Michael F. Lovenheim, and Joel Slemrod. 2010. "Playing with Fire: Cigarettes, Taxes, and Competition from the Internet." *American Economic Journal: Economic Policy*, 2(1): 131–54

S. F. Hamilton, "Excise Taxes with Multiproduct Transactions," *American Economic Review*, vol. 99(1), pages 458-71, March, 2009.

Hastings, Justine, and Ebonya Washington. 2010. "The First of the Month Effect: Consumer Behavior and Store Responses." *American Economic Journal: Economic Policy*, 2(2): 142–62.

Marion, J. and Muehlegger, E., 2011. Fuel tax incidence and supply conditions. *Journal of Public Economics*, 95(9), pp.1202-1212.

R. Kerschbamer and G. Kirchsteiger, 2000. “Theoretically robust but empirically invalid? An experimental investigation into tax equivalence,” *Economic Theory*, 16: 719-734.

J. Poterba. “Lifetime Incidence and the Distributional Burden of Excise Taxes,” *American Economic Review* 79 (May 1989), 325-330.

J. Rothstein. “Is the EITC as Good as an NIT? Conditional Cash Transfers and Tax Incidence,” *American Economic Journal: Economic Policy*, 2(1), February 2010, 177-208.

Mandated Benefits

D. Acemoglu and J. Angrist, “Consequences of Employment Protection? The Case of the Americans with Disabilities Act,” *Journal of Political Economy* 109(5) 915-957, 2001

D. Cutler, and B. Madrian, “Labor Market Implications of Rising Health Insurance Costs”, *RAND Journal of Economics*, Autumn 1998, 509-530.

[J. Gruber. “The Incidence of Mandated Maternity Benefits.” *American Economic Review*, 84\(3\), June 1994, 622-641.](#)

J. Gruber and A. Krueger “The Incidence of Mandated Workers Compensation”, in D. Bradford, ed., *Tax Policy and the Economy*, Volume 5, 111-143, Cambridge, MA: MIT Press, 1991.

J. Gruber, “The Incidence of Payroll Taxation: Evidence from Chile.” *Journal of Labor Economics* 15, 1997, S73-S91.

Kolstad, J.T. and Kowalski, A.E., 2016. Mandate-based health reform and the labor market: Evidence from the Massachusetts reform. *Journal of Health Economics*, 47, pp.81-106.

C. Ruhm, “The Economic Consequences Of Parental Leave Mandates: Lessons From Europe,” *Quarterly Journal of Economics* 113(1): 285-317, 1998.

L. Summers, “Some Simple Economics of Mandated Benefits,” *American Economic Review*, 79(2), May 1989, 177-183.

Excess Burden & Tax Salience

Theory

A. Auerbach, “The Theory of Excess Burden and Optimal Taxation”, in A. Auerbach and M. Feldstein, *Handbook of Public Economics*, Volume 1, 61-127. Amsterdam: North Holland, 1985. Sections 1, 2, 3.1, and 4.

A. Auerbach, J. Hines, “Taxation and Economic Efficiency”, in A. Auerbach and M. Feldstein, *Handbook of Public Economics*, Volume 3, Chapter 21, Amsterdam: North Holland, 2002.

- C. Ballard, D. Fullerton, J. Shoven, and J. Whalley, *A General Equilibrium Model for Tax Policy Evaluation*, Chicago: University of Chicago Press, 1985, Chapters 2, 3.
- C. Ballard, J. Shoven, and J. Whalley., “General Equilibrium Computations of the Marginal Welfare Cost of Taxes in the United States”, *American Economic Review*, March 1985, 128-138.
- E. Browning, “On the marginal welfare cost of taxation.” *American Economic Review* 77: 11–23, 1987.
- D. Bernheim and A. Rangel, 2009. “Beyond Revealed Preference: Choice-Theoretic Foundations for Behavioral Welfare Economics,” *Quarterly Journal of Economics*, 124(1): pages 51-104.
- Blomquist, Sören, Vidar Christiansen, and Luca Micheletto. 2010. "Public Provision of Private Goods and Nondistortionary Marginal Tax Rates." *American Economic Journal: Economic Policy*, 2(2): 1–27.
- R. Chetty, “Sufficient Statistics for Welfare Analysis: A Bridge Between Structural and Reduced-Form Methods.” *Annual Review of Economics* 1: 451-488, 2009. Sections 2 and 6.
- R. Chetty, A. Looney, and K. Kroft. “Salience and Taxation: Theory and Evidence.” *American Economic Review* 99(4): 1145-1177, 2009. Section V.C.
- Chipman, John S. and James C. Moore. “Compensating Variation, Consumer's Surplus and Welfare.” *American Economic Review*, 70(5), 1980, 933-49.
- D. Corlett and E. Hauge, “Complementarity and the Excess Burden of Taxation.” *Review of Economic Studies* 21(1): 21-30, 1953
- P. Diamond and D. McFadden, “Some Uses of the Expenditure Function in Public Finance,” *Journal of Public Economics* 3 (1974), 3-21.
- D. Fullerton, “Reconciling Recent Estimates of the Marginal Welfare Cost of Taxation”, *American Economic Review*, 81(1), March 1991, 302-308.
- A. Harberger, “The Measurement of Waste”, *American Economic Review*, 54(3), 1964, 58-76.
- J. Hausman, “Exact Consumers Surplus and Deadweight Loss”, *American Economic Review*, 71(4), September 1981, 662-676.
- J. Hausman and W. Newey, “Nonparametric Estimation of Exact Consumers Surplus and Deadweight Loss,” *Econometrica* 63 (1995), 1445-1476.
- James J. Heckman, "Building Bridges between Structural and Program Evaluation Approaches to Evaluating Policy," *Journal of Economic Literature*, vol. 48(2), pages 356-98, June, 2010.
- Hines Jr, J.R., 1999. Three sides of Harberger triangles. *The Journal of Economic Perspectives*, 13(2), p.167.
- A. Finkelstein (2009). “E-ztax: Tax Salience and Tax Rates." *The Quarterly Journal of Economics* 124.3, pp. 969-1010
- S. Mullainathan, W. Congdon, and J. Kling, "Behavioral Economics and Tax Policy" *National Tax Journal*, 62, 2009, 375-86.

Applications

- D. Albouy, "The Unequal Geographic Burden of Federal Taxation," *Journal of Political Economy*, vol. 117(4), pages 635-667, 08, 2009.
- A. M. Bento and Lawrence H. Goulder and Mark R. Jacobsen and Roger H. von Haefen, "Distributional and Efficiency Impacts of Increased US Gasoline Taxes," *American Economic Review*, vol. 99(3), pages 667-99, June, 2009.

[Benzarti, Youssef, “How Taxing Is Tax Filing? Leaving Money on the Table Because of Hassle Costs” \(September 28, 2015\). Working Paper](#)

- Carrillo, Paul, Dina Pomeranz, and Monica Singhal. 2017. "Dodging the Taxman: Firm Misreporting and Limits to Tax Enforcement." *American Economic Journal: Applied Economics*, 9(2): 144-64.
- R. Chetty. “Is the Taxable Income Elasticity Sufficient to Calculate Deadweight Loss? The Implications of Evasion and Avoidance.” *American Economic Journal: Economic Policy*: 1(2): 31–52, 2009.

- M. Feldstein, "Tax Avoidance and the Deadweight Loss of the Income Tax," *Review of Economics and Statistics*, 81(4), November 1999, 674-680.
- M. Feldstein, "The Effect of Marginal Tax Rates on Taxable Income: A Panel Study of the 1986 Tax Reform Act," *Journal of Political Economy* 103: 551-572, 1995.
- K. Gallagher and E. Muehlegger, 2008. "Giving Green to Get Green: Incentives and Consumer Adoption of Hybrid Vehicle Technology," *Journal of Environmental Economics and Management*, 61(1): 1-15, January 2011.
- Goldin, J. and Homonoff, T., 2013. Smoke gets in your eyes: cigarette tax salience and regressivity. *American Economic Journal: Economic Policy*, 5(1), pp.302-336.**
- A. Goolsbee, "The Value of Broadband and the Deadweight Loss of Taxing New Technologies," *Contributions to Economic Analysis & Policy* (B.E. Press Journals), 5(1), 2006.
- L. Goulder and R. Williams. "The Substantial Bias from Ignoring General Equilibrium Effects in Estimating Excess Burden, and a Practical Solution," *Journal of Political Economy*, 2003, 111:898-927.
- *J. Marion and E. Muehlegger. "Measuring Illegal Activity and the Effects of Regulatory Innovation: Tax Evasion and the Dyeing of Untaxed Diesel," *Journal of Political Economy* 116:4, p.633-666, August 2008.**
- J. Poterba, "Taxation and Housing: Old Questions, New Answers," *American Economic Review* 82(2): 237-242, May 1992.
- Zidar, O.M., 2015. Tax cuts for whom? Heterogeneous effects of income tax changes on growth and employment (No. w21035). National Bureau of Economic Research.

Optimal Commodity Taxation

- E. Ahmad and N. Stern, "The Theory of Reform and Indian Indirect Taxes", *Journal of Public Economics*, 25(3), December 1984, 259-298.
- A. Atkinson and J. Stiglitz, *Lectures on Public Economics*, New York: McGraw Hill, 1980. Chapter 12-1, 12-2, and 12-5.
- A. Auerbach, "The Theory of Excess Burden and Optimal Taxation", in A. Auerbach and M. Feldstein, *Handbook of Public Economics*, 1985, Volume 1, 61-127, Section 5.
- A. Auerbach and J. Hines, "Taxation and Economic Efficiency," in A. Auerbach and M. Feldstein, 2002, *Handbook of Public Economics*, Volume 3, 61-125.
- T. Besley and I. Jewitt, "Uniform Taxation and Consumer Preferences", *Journal of Public Economics*, September 1995, 58, 73-84.
- Boadway, Robin, and Motohiro Sato. "Optimal Tax Design and Enforcement with an Informal Sector." *American Economic Journal: Economic Policy*, 1(1): 1-27, 2009.
- R. Burgess and N. Stern, "Taxation and Development", *Journal of Economic Literature*, 31(2), 1993, 762-830.
- P. Diamond, "A Many-Person Ramsey Tax Rule," *Journal of Public Economics*, 4, 1975, 335-342.
- P. Diamond and J. Mirrlees, "Optimal Taxation and Public Production," *American Economic Review*, 61, 1971, 8-27 and 261-278.
- T. O'Donoghue, and M. Rabin, 2006. "Optimal Sin Taxes." *Journal of Public Economics* 90: 1825-1849..
- F. Ramsey, "A Contribution to the Theory of Taxation", *Economic Journal*, 37, 1927, 47-61.
- A. Sandmo, "Optimal Taxation: An Introduction to the Literature", *Journal of Public Economics*, 6(1-2), July-Aug 1976, 37-54.
- D. Domeij and P. Klein. "Should day care be subsidized?" *Review of Economic Studies*, 80(2), 2012, pp. 568-595

Optimal Taxation of Savings

- D. Bernheim, "Taxation and Saving", in A. Auerbach and M. Feldstein, *Handbook of Public Economics*, Volume 3, Chapter 18, Amsterdam: North Holland, 2002, Section 4.

- D. Bernheim & A. Fradkin & I. Popov, 2015. "The Welfare Economics of Default Options in 401(k) Plans," *American Economic Review*, vol 105(9), pages 2798-2837
- D. Bernheim and D. Garrett. "The Effects Of Financial Education In The Workplace: Evidence From A Survey Of Households," *Journal of Public Economics*, 87(7-8), August 2003, 1487-1519.
- E. Bronchetti, T. Dee, D. Huffman, and E. Magenheimer, "When a Nudge Isn't Enough: Defaults and Saving Among Low-Income Tax Filers" NBER Working Paper 16887, March 2011.
- D. Card and M. Ransom, "Pension Plan Characteristics and Framing Effects in Employee Savings Behavior," *Review of Economics and Statistics*, 93(1), February 2011, 228-243.
- G. Carroll, J. Choi, D. Laibson, B. Madrian and A. Metrick, "Optimal Defaults and Active Decisions," *Quarterly Journal of Economics*, 124(4), November 2009, 1639-1674.
- Chetty, R., Friedman, J.N., Leth-Petersen, S., Nielsen, T.H. and Olsen, T., 2014. Active vs. passive decisions and crowd-out in retirement savings accounts: Evidence from Denmark. *The Quarterly Journal of Economics*, 129(3), pp.1141-1219.
- J. Choi, D. Laibson and B. Madrian "Reducing the Complexity Costs of 401(k) Participation Through Quick Enrollment", in D.A. Wise, *Developments in the Economics of Aging*, Chicago: University of Chicago Press, March 2009. Also available as NBER Working Paper 11979.
- J. Choi, D. Laibson, B. Madrian, and A. Metrick, "Optimal Defaults", *American Economic Review*, 93, 2003, 180-185.
- E. Duflo, W. Gale, J. Liebman and P. Orszag, E. Saez, "Saving Incentives for Low- and Middle-Income Families: Evidence from a Field Experiment with H&R Block," *Quarterly Journal of Economics*, 121(4), 2006, 1311-1346.
- E. Duflo and E.Saez, "The Role of Information and Social Interactions in Retirement Plan Decisions: Evidence from a Randomized Experiment", *Quarterly Journal of Economics*, 118, 2003, 815-842.
- G. Engelhardt and A. Kumar, "Employer Matching and 401(k) Saving: Evidence from the Health and Retirement Study", *Journal of Public Economics*, 91(10): 1920-1943, 2007.
- E. Engen, W. Gale and J. Scholz, "The Illusory Effects of Saving Incentives on Saving," *Journal of Economic Perspectives*, 10(4), 1996, 113-38.
- W. Gale and J. Scholz, "IRAs and Household Saving", *American Economic Review*, 84, 1994, 1233-1260.
- A. Gelber, "How do 401(k)s Affect Saving? Evidence from Changes in 401(k) Eligibility," *American Economic Journal: Economic Policy*, 3:4, 2011, 103-122.
- Kopczuk, W, 2013 "Taxation of Intergenerational Transfers and Wealth", in Auerbach, A, Chetty, R., Feldstein, M, and Saez, E., *Handbook of Public Economics*, Volumes 5, Amsterdam: North Holland. ([Also NBER WP: w18584](#))
- B. Madrian and D. Shea, "The Power of Suggestion: Inertia in 401(k) Participation and Savings Behavior", *Quarterly Journal of Economics*, 116(4), November 2001, 1149-1187.
- J. Poterba, S. Venti, and D. Wise, "How Retirement Saving Programs Increase Saving" *Journal of Economic Perspectives*, 10, Fall 1996, 91-112.
- R. Thaler and S. Benartzi, "Save More Tomorrow: Using Behavioral Economics to Increase Employee Saving", *Journal of Political Economy*, 112(S1), February 2004, 164-187.
- Piketty, T. and Saez, E., 2013. A theory of optimal inheritance taxation. *Econometrica*, 81(5), pp.1851-1886.
- S. Venti and D. Wise, "Have IRAs Increased U.S. Saving? Evidence from Consumer Expenditure Surveys", *Quarterly Journal of Economics*, 105, 1990, 661-698.

Optimal Income Taxation

- Atkinson, A.B., Stiglitz, J.E., "The design of tax structure: Direct versus indirect taxation." *Journal of Public Economics* 6, 1976, 55-75.

- Bourguignon, F. and Spadaro, A., 2012. Tax–benefit revealed social preferences. *Journal of Economic Inequality*, 10(1), pp.75-108.
- M. Brewer, E. Saez, and A. Shephard “Means Testing and Tax Rates on Earnings”, IFS Working Paper, *The Mirrlees Review: Reforming the Tax System for the 21st Century*, Oxford University Press, 2009.
- R. Chetty, “Sufficient Statistics for Welfare Analysis: A Bridge Between Structural and Reduced-Form Methods.” *Annual Review of Economics* 1: 451-488, 2009. Section 4.
- P. Diamond, “Optimal Income Taxation: An Example with a U-Shaped Pattern of Optimal Marginal Tax Rates”, *American Economic Review*, 88, March 1998, 83-95.
- P. Diamond and E. Saez, “The Case for a Progressive Tax: From Basic Research to Policy Recommendations,” *Journal of Economic Perspectives*, 25(4): 165-190, 2011.**
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- G. Laroque, 2005 “Indirect taxation is superfluous under separability and taste homogeneity: A simple proof”, *Economic Letters*, 87, 141-144.
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- N. G. Mankiw and M. Weinzierl. "The Optimal Taxation of Height: A Case Study of Utilitarian Income Redistribution." *American Economic Journal: Economic Policy* 2, no. 1 (2010): 155-176.
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- J. Mirrlees, “An Exploration in the Theory of Optimal Income Taxation”, *Review of Economic Studies*, 38, 1971, 175-208.
- T. Piketty, "Implementation of First-Best Allocations via Generalized Tax Schedules," *Journal of Economic Theory*, vol. 61(1), October 1993, 23-41.
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- Piketty, T., Saez, E. and Stantcheva, S., 2014. Optimal taxation of top labor incomes: A tale of three elasticities. *American economic journal: economic policy*, 6(1), pp.230-271.
- E. Sadka, “On Income Distribution, Incentives Effects and Optimal Income Taxation”, *Review of Economic Studies*, 43(2), 1976, 261-268.
- E. Saez, “Using Elasticities to Derive Optimal Income Tax Rates”, *Review of Economics Studies*, 68, 2001, 205-229, Sections 1-3 and 5.
- Saez, E. and Stantcheva, S., 2016. Generalized social marginal welfare weights for optimal tax theory. *The American Economic Review*, 106(1), pp.24-45.
- B. Salanie, *The Economics of Taxation*, Cambridge: MIT Press, 2011.
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- J. Stiglitz, “Pareto Efficient and Optimal Taxation and the New New Welfare Economics”, in A. Auerbach and M. Feldstein, Volume 2, 991-1041.

Weinzierl, M., 2014. The promise of positive optimal taxation: normative diversity and a role for equal sacrifice. *Journal of Public Economics*, 118, pp.128-142.

Transfer Programs

- G. Akerlof, "The Economics of Tagging as Applied to the Optimal Income Tax", *American Economic Review*, 68(1), March 1978, 8-19.
- A.B. Atkinson, "Income Maintenance and Social Insurance," in A. Auerbach and M. Feldstein, eds., *Handbook of Public Economics Volume 2* (Amsterdam: North Holland, 1987), 779-908.
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Students with disabilities who need classroom accommodations, access to technology, or information about emergency building/campus evacuation processes should contact the Student Access Center and/or their instructor. Services are available to students with a wide range of disabilities including, but not limited to, physical disabilities, medical conditions, learning disabilities, attention deficit disorder, depression, and anxiety. If you are a student enrolled in campus/online courses through the Manhattan or Olathe campuses, contact the Student Access Center at accesscenter@k-state.edu, 785-532-6441; for K-State Polytechnic campus, contact Academic and Student Services at polytechnicadvising@ksu.edu or call 785-826-2974.

Code of Conduct

All student activities in the University, including this course, are governed by the [Student Judicial Conduct Code](#) as outlined in the Student Governing Association [By Laws](#), Article V, Section 3, number 2. Students who engage in behavior that disrupts the learning environment may be asked to leave the class.