

# ECON890 - Topics in Public Economics

Professor Ross Milton

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Class Meeting: Tuesdays 4:00-5:15pm & Thursdays 10:00-11:15am

Office Hours (Waters 245): TBD

Public economics uses the lens of economic efficiency and equity (distributional concerns) to study public policy. Thus, public economists often ask “what is the market failure?” or “what is the equity-efficiency trade-off?”. 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.

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, and issues in local (sub-federal) public finance.

This course is designed for students who are embarking on their first PhD level research projects in public economics. As a result, the primary goal is to put students in a position to begin successfully writing public economics research papers. We will cover the core empirical methods for causal inference used in public economics as well as expose students to the frontier of (primarily empirical) research on a selection of topics within the field. Although our focus will be on empirical work, in order to frame any research it is imperative to understand the basic theoretical models that a fellow economist would expect a self-proclaimed public economist to know. The course will (a) develop the student's ability to evaluate research, (b) help generate ideas for dissertation research, and (c) reinforce students’ ability to implement empirical research projects.

Students are expected to play an active role in the class by coming prepared to discuss the assigned papers. In addition, each student will present papers during the semester.

## *Prerequisites*

This course requires the economics PhD microeconomics (ECON940+945) and econometrics (ECON830+930) sequences. If you have not already taken them, please speak to me immediately.

## *Course Materials*

There is no textbook for this course. Lecture slides will be posted on Canvas. I will distribute any papers not easily available via the library’s electronic resources or otherwise on the internet (if you are having trouble finding a paper, please contact me). For each class, students are expected to read the bolded papers on the day’s topic.

## *Grades & Assignments*

- **3 Brief Research Project Proposals (25%)**

While I encourage you to propose a project related to the course material, the only requirement is that they be empirical projects in public economics. The closer the topic is to the course in both topic and methodology the more valuable the process is likely to be for you. Proposals should be approximately 3-5 pages double spaced. Proposal due dates

are staggered throughout the semester and I encourage you to propose a topic related to the material we have covered in that segment but it is not required. Proposals will be due on October 1, November 5, and December 10 All proposals should have:

- A clear question
  - Motivation as to why it is economically important
  - A *very* brief critical review of the relevant literature which makes clear the contribution the project would make to this literature.
  - Explain the proposed empirical strategy and how effects will be identified.
  - Describe what sort of data/information would be necessary to implement it.
- **Proposal Presentations and Discussion (15%)**

After each proposal is due, each student will make a 10-minute informal presentation of their proposal to the class. In addition, each student will be assigned another student's work to serve as discussion leader. The discussion leader will summarize the idea and mention some strengths and weaknesses.
  - **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 30.
  - **Referee Reports (25%)**

I will assign 2 papers for you to referee. The reports should briefly summarize the paper and provide a critical discussion. It should be 2-4 single spaced pages in length.

    - The first will be due October 15 and assigned by September 3.
    - The second will be due December 17 and assigned by November 5.
  - **Class Participation and Preparation (20%)**

For the class to succeed, both for you and your classmates, you must come prepared to discuss the day's papers. You don't need to have perfectly understood the reading but you must come to class prepared to discuss and ask questions. For each assigned empirical paper you should come prepared (and expect to be asked) to explain the 6 "Questions for Empirical Papers" below to the best of your ability in order to start discussion of the paper.

#### Questions for Empirical Papers:

When we discuss papers in class you should expect to be asked to tell us what you think the answers to these questions are. So come prepared with answers.

1. What question does it ask? Why is it interesting/important?
2. What data do they use?
3. What is the key parameter to be identified?

4. How do they identify it (and overcome the fundamental problem of causal inference)? What assumptions must they make to do so? What evidence do they have to support these assumptions?
5. What are the results and their interpretation? Is there an alternative interpretation?
6. How does the paper contribute to the literature? Why was it published where it is?

### *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 and fiscal federalism

This syllabus and all other course materials build upon and have benefited immensely from the materials of Gregory Bruich, Raj Chetty, Stephen Coate, Ilyana Kuziemko, 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.
- Cunningham, S 2018, *Econometrics Mixtape*. <https://t.co/h2xfsnqUmD>

#### Public Economics Resources

- Gruber, J., 2004. Public finance and public policy. Macmillan.  
Undergraduate PF textbook. Good for 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:*

Causal Inference

Required:

Pages 465-471 [Abadie, A. and Cattaneo, M.D., 2018. Econometric methods for program evaluation. \*Annual Review of Economics\*, 10, pp.465-503.](#)

Background:

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

The Role and Size of Government (and Randomized Experiments)

Required:

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.

Pages 471-475 [Abadie, A. and Cattaneo, M.D., 2018. Econometric methods for program evaluation. \*Annual Review of Economics\*, 10, pp.465-503.](#)

Background theory:

[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.](#)

Additional methodological reading

Young, A., 2018. Channeling fisher: Randomization tests and the statistical insignificance of seemingly significant experimental results. *The Quarterly Journal of Economics*, 134(2), pp.557-598.

What to read next:

- 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)
- 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
- 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.
- Hoffman, M., León, G. and Lombardi, M., 2017. Compulsory voting, turnout, and government spending: Evidence from Austria. *Journal of Public Economics*, 145, pp.103-115.

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 (and Difference-in-Difference methods)

#### Required

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.

Pages 482-484 [Abadie, A. and Cattaneo, M.D., 2018. Econometric methods for program evaluation. \*Annual Review of Economics\*, 10, pp.465-503.](#)

**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.**

\*Rodgers, L.P., 2018. Give credit where? The incidence of child care tax credits. *Journal of Urban Economics*, 108, pp.51-71.

#### Additional Methodological Readings:

Athey, S. and Imbens, G.W., 2018. *Design-based analysis in difference-in-differences settings with staggered adoption* (No. w24963). National Bureau of Economic Research.

Goodman-Bacon, A., 2018. *Difference-in-differences with variation in treatment timing* (No. w25018). National Bureau of Economic Research.

Summary twitter thread: <https://twitter.com/agoodmanbacon/status/1039126592604303360>

#### Theoretical Background

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. Sections 0, 1, 2, 3.1, and 4.4.

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

#### What to read next

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

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

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

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.

### Tax Efficiency, Excess Burden, & Tax Salience

#### Required

\*[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.](#)

R. Chetty, A. Looney, and K. Kroft. "Salience and Taxation: Theory and Evidence." *American Economic Review* 99(4): 1145-1177, 2009. Section V.C.

[\\*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.](#)

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

### Background 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.
- 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. "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.
- Chipman, John S. and James C. Moore. "Compensating Variation, Consumer's Surplus and Welfare." *American Economic Review*, 70(5), 1980, 933-49.
- Hines Jr, J.R., 1999. Three sides of Harberger triangles. *The Journal of Economic Perspectives*, 13(2), p.167.
- M. Feldstein, "Tax Avoidance and the Deadweight Loss of the Income Tax," *Review of Economics and Statistics*, 81(4), November 1999, 674-680.

### What to read next

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

#### Background Theory

- 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.
- 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.
- 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 Income Taxation

Required:

- [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.](#)
- [Mathur, A., Slavov, S. and Strain, M.R., 2012. Should the Top Marginal Income Tax Rate Be 73 Percent?. \*Tax Notes\*, 137\(19\), pp.905-15.](#)
- [Lockwood, B.B. and Weinzierl, M., 2016. Positive and normative judgments implicit in US tax policy, and the costs of unequal growth and recessions. \*Journal of Monetary Economics\*, 77, pp.30-47.](#)
- [N.G. Mankiw, M. Weinzierl, and D. Yagan, 2009."Optimal Taxation in Theory and Practice," \*Journal of Economic Perspectives\*, vol. 23\(4\), pages 147-74, Fall.](#)

### Background Theory

- J. Mirrlees, "An Exploration in the Theory of Optimal Income Taxation", *Review of Economic Studies*, 38, 1971, 175-208.
- B. Salanie, *The Economics of Taxation*, Cambridge: MIT Press, 2011.
- J. Stiglitz, "Pareto Efficient and Optimal Taxation and the New New Welfare Economics", in A. Auerbach and M. Feldstein, Volume 2, 991-1041.

### What to read next

- Bourguignon, F. and Spadaro, A., 2012. Tax-benefit revealed social preferences. *Journal of Economic Inequality*, 10(1), pp.75-108.
- 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.
- Jacobs, Bas, Egbert LW Jongen, and Floris T. Zoutman. "Revealed social preferences of Dutch political parties." *Journal of Public Economics* (2017).
- M. Golosov, A. Tsyvinski, and I. Werning "New Dynamic Public Finance: a User's Guide" NBER Macro Annual 2006.
- Lockwood, B.B., Nathanson, C.G. and Weyl, E.G., 2017. Taxation and the Allocation of Talent. *Journal of Political Economy*, 125(5),
- 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.
- 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.
- J. Slemrod, "Optimal Taxation and Optimal Tax Systems", *Journal of Economic Perspectives*, 4(1), Winter 1990, 157-178.
- 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.

## Taxable Income Elasticities

Required:

Akcigit, Ufuk, Salomé Baslandze, and Stefanie Stantcheva. "Taxation and the International Mobility of Inventors", *American Economic Review* 106 (10), 2016, 2930–2981

\*Moretti, Enrico, and Daniel J. Wilson. 2017. "The Effect of State Taxes on the Geographical Location of Top Earners: Evidence from Star Scientists." *American Economic Review*, 107(7): 1858-1903.

**[Kleven, H.J., Landais, C. and Saez, E., 2013. Taxation and International Migration of Superstars: Evidence from the European Football Market. \*American Economic Review\*, 103\(5\), pp.1892-1924.](#)**

**Saez, Emmanuel. 2010. "Do Taxpayers Bunch at Kink Points?" *American Economic Journal: Economic Policy*, 2(3): 180–212.**

What to read next:

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(3), June 1995, 551-572.

A. Goolsbee, "What Happens When You Tax the Rich? Evidence from Executive Compensation," *Journal of Political Economy*, 2001.

Kleven, H., Landais, C., Muñoz, M. and Stantcheva, S., 2019. Taxation and Migration: Evidence and Policy Implications (No. w25740). National Bureau of Economic Research.

W. Kopczuk. "Tax bases, tax rates, and the elasticity of reported income," *Journal of Public Economics* 89(11-12), pages 2093-2119, 2005.

Moretti, Enrico, and Daniel J. Wilson. 2017. "The Effect of State Taxes on the Geographical Location of Top Earners: Evidence from Star Scientists." *American Economic Review*, 107(7): 1858-1903.

E. Saez, "Reported Incomes and Marginal Tax Rates, 1960-2000: Evidence and Policy Implications", in J. Poterba, ed., *Tax Policy and the Economy*, Volume 18, Cambridge: MIT Press, 2004.

**[E. Saez, J. Slemrod, and S. Gieritz \(2009\) "The Elasticity of Taxable Income with Respect to Marginal Tax Rates: A Critical Review", \*Journal of Economic Literature\* 50\(1\): 3-50, March.](#)**

J. Slemrod, "Income Creation or Income Shifting? Behavioral Responses to the Tax Reform Act of 1986", *American Economic Review*, 85(2), May 1995, 175-180.

J. Slemrod and S. Yitzhaki, "Tax Avoidance, Evasion, and Administration", in A. Auerbach and M. Feldstein, *Handbook of Public Economics*, Volume 3, Chapter 22, Amsterdam: North Holland, 2002.

Young, Cristobal, Charles Varner, Ithai Lurie, Richard Priszano, 2016 "Millionaire Migration and the Taxation of the Elite: Evidence from Administrative Data", *American Sociological Review* 81(3), 421–446

## The Earned Income Tax Credit (and synthetic control methods)

Required:

**[Chetty, R., Friedman, J.N. and Saez, E., 2013. Using Differences in Knowledge across Neighborhoods to Uncover the Impacts of the EITC on Earnings. \*The American Economic Review\*, 103\(7\), pp.2683-2721.](#)**

**[A. Leigh \(2010\). "Who benefits from the earned income tax credit? Incidence among recipients, coworkers and firms." \*The BE Journal of Economic Analysis & Policy\* 10.1](#)**

**[J. Rothstein. 2010. "Is the EITC as Good as an NIT? Conditional Cash Transfers and Tax Incidence." \*American Economic Journal: Economic Policy\*, 2\(1\): 177–208.](#)**

**[Abadie, Diamond, and Hainmueller, 2010. "Synthetic Control Methods for Comparative Case Studies: Estimating the Effect of California's Tobacco Control Program"](#)**

Pages 484-485 **[Abadie, A. and Cattaneo, M.D., 2018. Econometric methods for program evaluation. \*Annual Review of Economics\*, 10, pp.465-503.](#)**



### Additional methodological reading

- Abadie, A. and Gardeazabal, J., 2003. The economic costs of conflict: A case study of the Basque Country. *The American Economic Review*, 93(1), pp.113-132.
- Athey, S. and Imbens, G.W., 2017. The state of applied econometrics: Causality and policy evaluation. *The Journal of Economic Perspectives*, 31(2), pp.3-32.
- Doudchenko, N. and Imbens, G.W., 2016. *Balancing, regression, difference-in-differences and synthetic control methods: A synthesis* (No. w22791). National Bureau of Economic Research.

### What to read next:

- Bitler, M., Hoynes, H. and Kuka, E., 2016. Do In-Work Tax Credits Serve as a Safety Net?. *Journal of Human Resources*.
- Chetty, R. and Saez, E., 2013. Teaching the tax code: Earnings responses to an experiment with EITC recipients. *American Economic Journal: Applied Economics*, 5(1), pp.1-31.
- N. Eissa and H. Hoynes, "Taxes and the Labor Market Participation of Married Couples: The Earned Income Tax Credit," *Journal of Public Economics*, 88(9-10), 1931-1958 (2004).
- N. Eissa and J. Liebman, 1996, "Labor Supply Response to the Earned Income Tax Credit", *Quarterly Journal of Economics* 111, 605-637
- Evans, Williams and Craig L. Garthwaite. 2014. "Giving Mom a Break: The Impact of Higher EITC Payments on Maternal Health", *American Economic Journal: Economic Policy* 6(2): 258–290.
- Hoynes, H.W. and Patel, A.J., 2015. *Effective policy for reducing inequality? The earned income tax credit and the distribution of income* (No. w21340). National Bureau of Economic Research.
- Charles Michalopoulos, Philip K. Robins and David Card, "When financial work incentives pay for themselves: evidence from a randomized social experiment for welfare recipients," *Journal of Public Economics*, Volume 89, Issue 1, January 2005, Pages 5-29.
- B. Meyer and D. Rosenbaum, "Welfare, the Earned Income Tax Credit, and the Labor Supply of Single Mothers", *Quarterly Journal of Economics* 116(3): 1063-1114, 2001.
- R. Moffitt, "Welfare Programs and Labor Supply", in A. Auerbach and M. Feldstein, *Handbook of Public Economics*, Volume 4, Chapter 34, Amsterdam: North Holland, 2003 or NBER Working Paper 9168 September 2002.
- Nichols, Austin and Jesse Rothstein. 2016. "The Earned Income Tax Credit", in ed. Robert Moffitt, *Economics of Means-Tested Transfer Programs in the United States*, volume 2.

### Externalities

#### Required:

**[Chay, K.Y. and Greenstone, M., 2005. Does air quality matter? Evidence from the housing market. \*Journal of Political Economy\*, 113\(2\), pp.376-424.](#)**

#### Background theory:

- B. Salanie, *The Economics of Taxation*, Cambridge: MIT Press, 2003, Chapter 10.
- A. Sandmo, "Optimal Taxation in the Presence of Externalities", *Swedish Journal of Economics*, 77(1), 1975, 86-98.
- M. Weitzman, "Prices vs. Quantities", *Review of Economic Studies*, 41(4), October 1974, 477-491.

#### What to read next:

- Chay, K. and Greenstone, M. (2003) "The Impact of Air Pollution on Infant Mortality: Evidence from Geographic Variation in Pollution Shocks Induced by a Recession," *Quarterly Journal of Economics* 118(3): 1121 – 1167
- J. Currie, M. Greenstone, and E. Moretti, "Superfund Cleanups and Infant Health" *American Economic Review*, 101(3), May 2011, 435–41.

- P. Diamond and J. Hausman, "Contingent Valuation: Is Some Number Better than No Number?", *Journal of Economic Perspectives*, 8, Fall 1994, 45-64.
- A. Edlin and P. Karaca-Mandic, "The Accident Externality from Driving," *Journal of Political Economy* 114(5), 2006.
- E. Glaeser and E. Luttmer, "The Misallocation of Housing Under Rent Control", *American Economic Review*, 93(4), 1027-1046, September 2003.
- M. Kremer and E. Miguel "Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities." *Econometrica*, 2004, 72(1): 159-217.
- Moretti, E. (2004) "Workers' Education, Spillovers, and Productivity: Evidence from Plant-Level Production Functions," *American Economic Review* 94(3): 656 – 690.

### Public Goods (and regression discontinuity)

Required:

**J. Andreoni, "An Experimental Test of the Public Goods Crowding-Out Hypothesis", *American Economic Review* 83 (5), 1317-27, 1993.**

**\*Gruber, J. and Hungerman, D.M., 2007. Faith-based charity and crowd-out during the great depression. *Journal of Public Economics*, 91(5), pp.1043-1069.**

Pages 492-496 Abadie, A. and Cattaneo, M.D., 2018. Econometric methods for program evaluation. *Annual Review of Economics*, 10, pp.465-503.

Background Theory:

J. Andreoni, "Charitable Giving" *New Palgrave Dictionary of Economics*, 2<sup>nd</sup> Edition, 2007.

J. Andreoni, 1990. "Impure Altruism and Donations to Public Goods: A Theory of Warm Glow Giving," *Economic Journal* 100, 464-477.

A. Atkinson and N. Stern, "Pigou, Taxation and Public Goods," *Review of Economic Studies* (1974)

Atkinson and Stiglitz, *Lectures on Public Economics* Chaps. 16 and 17 and pages 457-76

Auerbach and Feldstein, *Handbook of Public Economics* (vol 2), Chap 9; (chap 10); chap 11, pp. 571- 601

T. Bergstrom, L. Blume and H. Varian, "On the Private Provision of Public Goods," *Journal of Public Economics* 29, 1986, 25-49.

P. Samuelson, "The Pure Theory of Public Expenditure," *Review of Economics and Statistics* 387-89, 1954

What to read next:

J. Andreoni, "Why Free-Ride?", *Journal of Public Economics* 37, 1988, 291-304.

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## **Honor Statement**

Kansas State University has an Honor and Integrity System based on personal integrity, which is presumed to be sufficient assurance that, in academic matters, one's work is performed honestly and without unauthorized assistance. Undergraduate and graduate students, by registration, acknowledge the jurisdiction of the Honor and Integrity System. The policies and procedures of the Honor and Integrity System apply to all full and part-time students enrolled in undergraduate and graduate courses on-campus, off-campus, and via distance learning. The Honor and Integrity System website can be reached via the following URL: [www.k-state.edu/honor](http://www.k-state.edu/honor). A component vital to the Honor and Integrity System is the inclusion of the Honor Pledge which applies to all assignments, examinations, or other course work undertaken by students. The Honor Pledge is implied, whether or not it is stated: "On my honor, as a student, I have neither given nor received unauthorized aid on this academic work." A grade of XF can result from a breach of academic honesty. The F indicates failure in the course; the X indicates the reason is an Honor Pledge violation.

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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](mailto:accesscenter@k-state.edu), 785-532-6441; for K-State Polytechnic campus, contact Academic and Student Services at [polytechnicadvising@ksu.edu](mailto:polytechnicadvising@ksu.edu) or call 785-826-2974.

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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.