

Public Economics I New course outline (more emphasis on empirical part)

Syllabus

The effect of tax on labor supply

1. Theoretical model
 - a. DWL
 - b. DWL graphical analysis
- Alan Auerbah, “The Theory of Excess Burden and Optimal Taxation, Hand book of Public Economics” Chapter 2
2. Classical analysis of tax and labor supply
 - Robert E. Hall, “Wages, Income, and Hours of Work in the U.S. Labor Force”, in H. Watts and G. Cain, Income Maintenance and Labor Supply: Econometric Studies, Rand McNally, 1973, pp. 102-162.
3. Structure estimation
 - J. Hausman, Handbook of Public Economics Chapter 4
 - J. Hausman, “Stochastic problems in the simulation of labor supply” in Behavioral Simulation Method in Public Finance Chapter 2.
 - Leora Friedberg “The Labor Supply Effects of the Social Security Earnings Test”, The Review of Economics and Statistics, Vol. 82, No. 1
4. Critique and following development
 - Comment by Heckman(see the comment section on “Stochastic problems in the simulation of labor supply cited above
 - MaCurdy, T., D. Green and H. Paarsch, 1990, “Assessing empirical approaches for analyzing taxes and labor supply”, Journal of Human Resources 25, 414-490.
 - Soren Blomquist, ”Restrictions in labor supply estimation: Is the MaCurdy critique correct?”, economics letters, 1995, pp229-235
 - Angrist and Kruger, “Empirical Strategy in labor Economics”, Handbook of labor economics Chapter 23
5. Natural experiment type study
 - N. Eissa, “Taxation and labor supply of married women: The Tax Reform Act of 1986 as a Natural experiment, NBER working paper No.5023.
 - Labor supply and the Economic Recovery Tax Act of 1986 in Empirical Foundation of

Household Taxation

6. Critique on Natural experiment

- Read the comment section of the paper by Nada Eissa, "Labor Supply and the effect of the Tax Reform Act of 1986" ,in Empirical Foundation of Household Taxation 1997

7. The effect of Taxation on Earnings :Supply side view

- Lindsey, L., "Individual Taxpayer Response to Tax Cuts, 1982-1984: With Implications for the Revenue Maximizing Tax Rate", Journal of Public Economics, 33, 1987, 173-206.
- Feenberg, D. and J. Poterba, "Income Inequality and the Incomes of Very High Income Households: Evidence from Tax Returns", in J. Poterba, ed., Tax Policy and the Economy, Volume 7, 145-177, Cambridge and London: MIT Press, 1993.
- Feldstein, M. "The Effect of Marginal Tax Rates on Taxable Income: A Panel Study of the 1986 Tax Reform Act", Journal of Political Economy, Vol. 103, 1995, pp551-572.
- Kleven, Henrik and Mazhar Waseem, 2013, Tax Notches in Pakistan: Tax Evasion, Real Responses, and Income Shifting", forthcoming Quarterly Journal of Economics
- Bianchi, M., B. R. Gudmundsson, and G. Zoega. 2001. "Iceland's Natural Experiment in Supply-Side Economics," American Economic Review, 91(5), 1564-79.

The effect of welfare program on labor supply and consumption

1. Labor supply decision and EITC

- Eissa, N. and H. Hoynes, Taxes and the labor market participation of married couples: the earned income tax credit", Journal of Public Economics, Vol. 88, 2004, 1931-1958. (Eissa, N. and J. Liebman "Labor Supply Response to the Earned Income Tax Credit", Quarterly Journal of Economics, Vol. 111, 1996, 605-637.

2. The effect on consumption

- Meyer, B. and X. Sullivan "The effects of welfare and tax reform: the material well-being of single mothers in the 1980s and 1990s", Journal of Public Economics, Vol. 88,

- Orazio Attanasio José-Victor Rios-Rull, “Consumption smoothing in island economies: Can public insurance reduce welfare?”, European Economics Review
- 3. RDD type study
 - Olivier Bargain, Karina Doorley , “Caught in the trap? Welfare's disincentive and the labor supply of single men”
Journal of Public Economics, Volume 95, Issues 9–10, October 2011, Pages 1096-1110
 - Lingsheng Meng , “Evaluating China's poverty alleviation program: A regression discontinuity approach “, Journal of Public Economics 2013,

The effect of taxes and other public policy on human capital

1. Theoretical analysis
2. Simulation analysis
 - Trostel, P. “The Effect of Taxes on Human Capital”, Journal of Political Economy, 1993, pp327-350
3. Correlation between parent income and child human capital accumulation early study
 - Cameron, S., and J.J. Heckman (1998), Life Cycle Schooling and Dynamic Selection Bias: Models and Evidence for Five Cohorts of American Males”, Journal of Political Economy, 106, 262-333.
4. The recent study on the relationship between parent income and child human capital accumulation
 - Lance Lochner and Alexander Monge-Naranjo."The Nature of Credit Constraints and Human Capital" American Economic Review, 101(6): 2487-2529 (October 2011), with
5. Schooling system and education :RDD
 - Joshua D. Angrist; Victor Lavy, “Using Maimonides' Rule to Estimate the Effect of Class Size on Scholastic Achievement”, The Quarterly Journal of Economics, Vol. 114, No.2. (May, 1999), pp. 533-575.

The effect of corporate income tax on firm activity

- Cost of capital
- Robert E. Hall and Dale Jorgenson, “TAX POLICY AND INVESTMENT BEHAVIOR”, AER, 1967, pp391-414

- The effect of corporate income tax on investment Suvery
- Kevin Hasset and Glen Hubbard, “Tax Policy and Investment” in Fiscal Policy Lesson from Economic Research edited by Alan Auerbach, 1997 MIT press
- The effect of corporate income tax on growth, “Tax Structure and Economic Growth” Journal of Public Economics 89 (2005) 1027–1043

Corporate income Tax and FDI

1. Institutional setting
 - Roger H Gordon and James Hines, International Taxation, Handbook of Public Economics
2. Original Hartman’s study
3. Tax Competition
 - Michael P. Devereux, Ben Lockwood, Michela Redoano , “Do countries compete over corporate tax rates?”, Journal of Public Economics, Volume 92, Issues 5–6, June 2008, Pages 1210-1235
 - Matthias Dischinger, Nadine Riedel, “Corporate taxes and the location of intangible assets within multinational firms”, Journal of Public Economics, Volume 95, Issues 7–8, August 2011, Pages 691-707
 - Marco Da Rin, Marina Di Giacomo, Alessandro Sembenelli, “Entrepreneurship, firm entry, and the taxation of corporate income: Evidence from Europe”, Journal of Public Economics, Volume 95, Issues 9–10, October 2011, Pages 1048-1066
 - Austan Goolsbee, “The impact of the corporate income tax: evidence from state organizational form data”, Journal of Public Economics, Volume 88, Issue 11, September 2004, Pages 2283-2299
 - Lars P. Feld, Gebhard Kirchgässner, “The impact of corporate and personal income taxes on the location of firms and on employment: some panel evidence for the Swiss cantons” Journal of Public Economics, Volume 87, Issue 1, January 2003, Pages 129-155
 - Joel Slemrod, “Are corporate tax rates, or countries, converging?”

Tax Incidence-static model

Tax Incidence-Dynamic model