

ECONOMICS 8320**PUBLIC ECONOMICS II – TAXATION**

Fall 2016
 Monroe 114
 Mondays and Wednesdays, 11:00-12:15

Leora Friedberg
 Monroe 257, x43225, lfriedberg@virginia.edu
 office hours by appointment

Description: This course will analyze theory and empirical evidence related to taxation and to social insurance. With regards to taxation, the underlying themes are incidence and efficiency – who actually ends up paying a tax and whether people change their behavior to avoid a tax. With regards to social insurance, the themes are the motivation for and impact of government involvement in insurance markets, especially related to old-age pensions. Note: Economics 8310, Public Economics I, which covers the expenditure side of public economics, is not a prerequisite for this course.

Class website: Copies of the syllabus, course calendar, proposal guidelines, referee report guidelines, and problem sets will be posted to Collab.

Assignments	Due date	How to submit	Fraction of grade
<i>Problem sets</i>	October 10	paper or email	10%
	December 5		10%
<i>Referee report</i>	throughout	Collab	10%
<i>Class participation</i>	throughout	in class	10%
<i>Paper presentation</i>	Sept 19, Sept 21, Sept 28, Oct 31, Nov 2, Nov 7, Nov 9	in class	15%
<i>Literature review</i>	October 14, 5 PM submit list of 3+ papers October 28, 5 PM literature review is due	Collab	15%
<i>Research proposal</i>	September 23, 5 PM submit 2+ ideas September 30, 5 PM submit update of main idea October 14, 5 PM submit update of proposal progress November 11, 5 PM submit update of proposal progress December 7, 8, 14, 16 presentation	Collab	30%

- *Problem set.* Students may work together in groups but must turn in their own assignments.
- *Referee report.* Students will write a 3-6 page critical evaluation of one paper in the broad area of public economics that is being presented in the Public Economics, Applied Microeconomics, Batten, or recruiting workshop this semester. The papers will be made available in advance on Collab. The report must offer a well-written discussion the goals and limitations of the paper (“the big picture”) and offer specific recommendations about how to improve the paper (“the little picture”). Guidelines for writing a referee report have been posted on the class website.

- *Class participation:* The class participation grade will depend on three factors.

1. Students are expected to be attentive and involved in class lectures.

2. Students are expected to read the papers that their classmates will present throughout the semester. Please read the paper carefully in advance and be prepared to participate in a discussion of the paper. I will make photocopies of the papers available to you (since that is cheaper than having you print them out on your own).

3. Students are required to attend the Public Economics workshop this semester. The workshop will meet on some Thursdays later this semester at 3:30-5:00 in Monroe 120. Researchers are invited to the workshop to present work in progress. Attending is a valuable way to learn about current topics and general methods of research in the field. A schedule is available through the Department calendar, and copies of the paper being presented are generally made available in advance.

- *Paper presentation.* Students will prepare a 30-minute PowerPoint/Beamer presentation of a research paper that will be assigned from the reading list. In your presentation, focus on what question the paper is answering, how it seeks to answer it, what the paper adds to the literature (new data, new policy change, new model, or new econometric approach), and what its main strengths and weaknesses are. Please finish up your presentation with an evaluation slide: did you think the paper convincingly answer the question it set out to, and if not, why not. Because the audience will ask questions, you should prepare to talk for 25 minutes; I recommend that you practice in advance to make sure that you stay within the specified time limit.

Course Outline

1. Introduction to the course	4.3	Tax subsidies for retirement saving
1.1 Overview of the course	4.4	Other provisions in the taxation of capital
1.2 Overview of public economics		
2. Introduction to taxation	5. Social insurance	
2.1 Taxation in partial equilibrium	5.1	Insurance market failures
2.2 Taxation in general equilibrium	5.2	Social insurance design
2.3 Measuring tax incidence and equity	6. Social Security	
2.4 Measuring efficiency costs	6.1	Theory
2.5 Tax-benefit linkages	6.2	The U.S. Social Security System
3. Taxation of labor income	6.3	Social Security and income distribution
3.1 Theory of labor income taxation	6.4	Social Security and saving
3.2 The U.S. income tax code	6.5	Social Security and retirement
3.3 Taxation and labor supply	6.6	Reform
3.4 Taxation and taxable income		
4. Taxation of saving		
4.1 Saving behavior		
4.2 Consumption versus income taxation		