Overview
This course will evaluate fiscal policies that governments will likely consider in the 21st century, from both empirical and theoretical perspectives. Recent economic developments (including technological change, the rise of robots, and geographic sorting) present many challenges for policymakers. After briefly reviewing some of these developments, the course will focus on assessing several likely policy responses: taxing capital and top-income earners, the safety net and redistribution, and place-based policies that aim to address spatial disparities in opportunity.

Course Outline (subject to change)
1. Where are we? How did we get here? What’s Next?
   a. Efficiency, economic growth, and technological change
   b. Equity and the distribution of income
   c. Policy discussion: should we tax robots?

2. Place-based policies and local economic development
   a. Background on place-based policies and spatial disparities in opportunity
   b. Policy discussion: What is the economic case (if any) for targeting places instead of people? Should we invest in economic development for places or simply move people away from depressed areas?

3. Capital taxation in the 21st century
   a. Background on capital and business taxation
   b. Policy discussion: how much should we tax corporations? Who benefits from corporate tax cuts? Should we broaden the base and lower rates?

4. Taxing top earners in the 21st century
   a. Background on labor, top income taxation, and key tax expenditures
   b. Policy discussion: How high should top income tax rates be? How large should tax expenditures be? Should we eliminate the state and local tax deduction?

5. Innovation Policy in the 21st century
   a. Background on entrepreneurship/innovation policy, market power, & immigration
   b. Policy discussion: Should innovation be subsidized? How should innovation and entrepreneurship policy be structured? Patent boxes, R&D, S179, H1-B visas, etc?

6. Tax and labor market policy toward low-income families
   a. Background on EITC, minimum wage, and universal basic income
   b. Policy discussion: How generous should the safety net be? And how should we do
it? Specifically, should we expand the EITC, increase the minimum wage, or provide everyone with a universal basic income, or something else?

**Office Hours:**
Office hours will be by appointment

**Grades:**
The course grade will be determined as follows:

- Weekly participation: 25%
- Weekly one-page policy memos: 40%
- One in class policy presentation: 15%
- Four-page policy proposal memo: 20%

**Course Format and Requirements:**
The first class will be different from the remaining classes. The first class will review recent economic developments, describe the course, and then provide an introductory policy discussion on the taxation of robots.

Starting with the second class, each class will have three components outlined below. The goal is to have an engaging, informative, and policy relevant discussion of central fiscal policy issues. Through in-class participation, students will put themselves into the shoes of policymakers sorting through tough policy decisions using economic analysis, evidence, and theory as a basis for debate.

1. Lecture component framing the key economic issues
2. Student-led presentation of background material on the policy
3. Interactive class discussion about the merits of different policy options to accomplish prescribed goal.

**Participation**
Attendance and participation in class discussion are very important components of the class. Students are expected to come to class having read and thought about the assigned materials. Students who are most successful will be those who come to class with initial perspectives on the topics presented grounded in the readings.

**One in class policy presentation**
Starting with the second week of class, each class session will have one group of students jointly present background information for the policy discussion that week. The presentation should include information on: (1) the goal of the policy and the problem it is trying to solve, (2) a description of how the policy works (e.g., what are the policy parameters, eligibility rules, etc.), (3) how have these policy rules evolved overtime, why did they change, and what are they currently, (4) who are the relevant stakeholders, what do they want, and who benefits from the policy, and (5) how well is the policy working and how does it impact economic activity?

**Four one-page policy memos**
Students who are not presenting that week will receive randomly assigned policy positions to
defend in the discussion. They should prepare a one page, bullet point policy memo due midnight the day before class, which will be circulated to the class the morning before class.

*Four-page policy proposal due at the end of the term*
Each student should write a four-page policy proposal memo making the case to enact a new policy or to eliminate an existing policy that was not covered in the course. Similar to the policy presentation, the memo should include information on: (1) the goal of the policy and the problem it is trying to solve, (2) a description of how the policy works or would work (e.g., what are the policy parameters, eligibility rules, etc.), (3) who are the relevant stakeholders, what do they want, and who benefits from the policy, and (4) how does/ would the policy impact economic activity? (5) how much would it impact the budget?
Lecture Schedule and Readings (subject to change):

Week 1: Where we are? How did we get here? What’s Next? And should we tax robots?

A. Economic Overview

*Efficiency, Growth, and Technological Change*


*Equity and the distribution of income*


Piketty, Thomas, Kevin Murphy, and Steven Durlauf, 2015 “Understanding Inequality and What to do about it” *University of Chicago Becker Friedman Institute Debate*  
[https://www.youtube.com/watch?v=qc3u5XGAVco](https://www.youtube.com/watch?v=qc3u5XGAVco)


Krueger, Alan, 2013, “Rock and Roll, Economics, and Rebuilding the Middle Class”  
[https://obamawhitehouse.archives.gov/blog/2013/06/12/rock-and-roll-economics-and-rebuilding-middle-class](https://obamawhitehouse.archives.gov/blog/2013/06/12/rock-and-roll-economics-and-rebuilding-middle-class)

B. Policy Discussion: Should we tax Robots?

video: [https://www.ted.com/talks/david_autor_why_are_there_still_so_many_jobs](https://www.ted.com/talks/david_autor_why_are_there_still_so_many_jobs)  
text: [http://ideas.ted.com/will-automation-take-away-all-our-jobs/](http://ideas.ted.com/will-automation-take-away-all-our-jobs/)
The robot that takes your job should pay taxes, says Bill Gates. Feb 17, 2017. 
https://qz.com/911968/bill-gates-the-robot-that-takes-your-job-should-pay-taxes/

(*) Summers, Larry, 2017, “Picking on robots won’t deal with job destruction,” 

http://voxeu.org/article/job-race-machines-versus-humans


C. Supplemental Material: 
Acemoglu, Daron, 2017, “The Race of Man Against Machine” Lectures 
https://www.youtube.com/watch?v=nfPLiEIfqRU
https://www.youtube.com/watch?v=e4cDNN3HskQ (Very Technical)


Neiman, Brent, and Matt Notowidigdo, 2014, “Are robots contributing to inequality?” 
Booth Capital Ideas video: https://www.youtube.com/watch?v=zDK3KjWXrXM

Hartford, Tim, 2017, “We are still waiting for the robot revolution.” 


https://media.chicagobooth.edu/Mediasite6/Play/40669d3081b845ffae32b1602214da701d
Week 2: Place-based policy

A. Economic Background

Chetty, Raj, Nathan Hendren, Pat Kline, Emmanuel Saez, “Where is the land of opportunity? Intergenerational mobility in the US?” *Voxeu.org*
http://voxeu.org/article/where-land-opportunity-intergenerational-mobility-us

Swanson, Ana, 2016, “They’re some of the unluckiest places in America – and may confirm what’s wrong with the economy” *Washington Post* (on the research of Yagan)

Davis, Bob, and Jon Hilsenrath, “How the China Shock, Deep and Swift, Spurred the Rise of Trump” *WSJ* (on the research of Autor, Dorn, and Hanson)

B. Policy Discussion


(*) Busso, Matias, Jesse Gregory, Pat Kline, 2014, “Results of the federal urban Empowerment Zone program”
http://www.irp.wisc.edu/publications/focus/pdfs/foc301d.pdf


https://www.aeaweb.org/articles?id=10.1257/aer.20141702

https://eml.berkeley.edu/~pkline/papers/TVA_web.pdf

C. Supplemental


http://www.nber.org/papers/w18244


Week 3: Taxing Capital

A. Economic Background


https://eml.berkeley.edu/~auerbach/Auerbach-Hassett%201-8-15.pdf


**B. Policy Discussion**


Reform,” Office of Tax Analysis working paper.  

C. Supplemental:

https://www.nytimes.com/2014/01/06/opinion/abolish-the-corporate-income-tax.html?_r=0

Auerbach, Alan, 2010, “A Modern Corporate Tax” Hamilton project paper.  
http://www.hamiltonproject.org/papers/a_modern_corporate_tax


https://www.nytimes.com/2014/03/24/opinion/krugman-wealth-over-work.html?_r=0


Piketty, Thomas, 2015, Capital in the Twenty-First Century.  

Week 4: Taxing top earners
A. Economic Background
https://www.aeaweb.org/articles.php?f=s&doi=10.1257/jep.27.3.21

http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.25.4.165

http://www.sciencemag.org/content/344/6186/843.full

http://www.nber.org/papers/w21841

https://www.aeaweb.org/articles?id=10.1257/jep.27.3.35

http://faculty.chicagobooth.edu/owen.zidar/research/papers/capitalists.pdf


B. Policy Discussion


http://econweb.ucsd.edu/~jbcullen/research/deductibility.pdf

(**) CBO, 2008, “The Deductibility of State and Local Taxes:  
Walczak, Jared, 2017, “The State and Local Tax Deduction: A Primer”
https://files.taxfoundation.org/20170315142330/Tax-Foundation-FF545.pdf


**Week 5: Innovation policy**

A. Economic Background


http://faculty.chicagobooth.edu/owen.zidar/research/papers/KPWZ_profits_from_patents.pdf


Nick Bloom, Rachel Griffith, and John Van Reenen, “Do R&D Tax Credits


Nirupama Rao “Do Tax Credits Stimulate R&D Spending? The Effect of the R&D Tax Credit in its First Decade”

http://www.nber.org/papers/w24843


B. Policy Debate
(*) Furman, Jason, 2016, “Encouraging Innovation and the Role of Tax Policy,”
https://obamawhitehouse.archives.gov/sites/default/files/docs/20160311_innovation_and_tax_policy_itpf.pdf


Davidson, A. 2017, “Debunking the Myth of the Job-Stealing Immigrant” New York


Week 6: The Safety Net

A. Background on Earned Income Tax Credit, Minimum Wage, Universal Basic Income


https://www.aeaweb.org/articles?id=10.1257/app.20140073


B. Policy Discussion

https://gspp.berkeley.edu/assets/uploads/research/pdf/HoynesRothstein_formatte.pdf

(*) Congressional Budget Office. 2015. Effective Tax Rates on Low and Moderate Income Workers.  

http://www.nytimes.com/2013/03/03/business/the-minimum-wage-employment-and-income-distribution.html


(*) Rothstein, Jesse, and Diane Schazenbach “What Does the Seattle Experience Teach Us About Minimum Wages?” Econofact.  
http://econofact.org/what-does-the-seattle-experience-teach-us-about-minimum-wages

Yglesias, M., 2013, “Martin Luther King’s Case for a Guaranteed Basic Income” *Slate*  
http://www.slate.com/blogs/moneybox/2013/08/28/martin_luther_king_guaranteed_basic_income.html

Lowrey, Annie *Give People Money: How a universal basic income would end poverty,*
revolutionize work, and remake the world (New York, 2018)


