Overview: This course provides graduate-level discussion of topics and methods in public finance.

Objectives: This course has two objectives. The first is to teach current topics and methods in public finance. The second is to advance students’ development as economists by providing training in the production of high-quality research. This training may help students read, contribute to, and draw from recent progress in this literature.

The course covers a wide variety of applied econometric and theoretical approaches. It also discusses applications of a wide variety of datasets and methods that are useful in many settings for public finance and applied economics research.

Requirements:
1. Required reading: Papers marked with two stars (**) are required reading
2. Written response papers: There will be short written response papers due at 9 am on the day of each lecture. These written response papers should be 1 page and should summarize a (*) paper that will be discussed in class and provide two “big picture” comments on the assigned paper (e.g., suggestions for future research, questions related to the paper that the paper does not address, alternative interpretations of the evidence, and major substantive concerns with the analysis (ideally with suggestions for investigating/addressing)). The goal is to get you to think actively, critically, and constructively about research.
3. Problem Sets: There will be a couple problem sets focused on learning tools by going through applied examples in the problem set
4. Virtual paper: This will be your main project for the course. The purpose of making the assignment a virtual paper is that I would rather you get 50% of the way toward a project you are excited to continue after the semester finishes than you complete a project in the timeframe of the course to which you will never return. You will formulate an original research idea, develop a practical plan for executing the idea, and take initial steps in the execution. The paper may take the following form:
   a. Introduction: What is the specific question and why is the question of interest?
   b. Literature Review/ Contribution: How does your paper fit into the broader literature? What is the potential contribution of this paper relative to the existing literature? What do we learn about the world that we didn’t know before your paper?
c. Theoretical Motivation: This could be actual theory or just a sketch of the relevant theory that underlies your question.
d. Data: What data would you use to answer/address this question? Why are the data well suited to the question?
e. Empirical Methodology: How would you use the data to answer your question? Be explicit about identification and causality, keeping in mind that the same set of empirical facts can often support many theories. Depending on the nature of your question and the ease of accessing and using the data, I may ask you to make significant progress in the actual implementation of your proposed empirical work.
f. Falsification Tests: What other specifications, tests and investigations could either bolster or cast doubt upon the primary tests of your hypotheses?
g. Preliminary Results: The extent of the results provided will differ across students based on the project and discussions with me.

Grades:
1. 25% for the written response papers and class participation
2. 25% for problem sets
3. 50% for a “virtual” paper

Audit Policy

If you are a 3rd year or above and wish to audit the course, send me an email introducing yourself and so you can be added to the class list (as always, please include “econ523” in the subject line). Auditors are not required to complete the written assignments, but are expected to do the starred readings and participate in class.

Schedule (subject to change):

- **Overview material (during part I)**
  - 9/18 Overview of public finance
  - 9/20 Incidence

- **Spatial Public Finance**
  - 11/6 Overview of spatial public finance & the Rosen Roback model
  - 11/8 Place-based policies: theory
  - 11/13 Place-based policies: evidence
  - 11/15 Sorting, Fiscal federalism

- **Capital Taxation**
  - 11/20 Capital taxation: overview, facts, and theory
  - 11/22 No class (Thanksgiving)
  - 11/27 Henrik Kleven on “Wealth and Bequest taxation”
  - 11/29 Capital taxation: corporate taxation

- **Taxing firms and top earners**
  - 12/4 Firms, taxes, and financial policy
  - 12/6 Investment
Preliminary Syllabus

- 12/11 Entrepreneurship, Innovation, and Top earners
- 12/13 Student presentations of virtual papers

**Reading List (subject to change)**

**General References**

**A. Useful Textbooks**


**B. Public Economics Lecture Notes:**


**C. Applied Microeconomics Lecture Notes:**


Autor, David. Labor Economics Lecture Notes https://economics.mit.edu/faculty/dautor/courses

**D. Trade Lecture Notes:**


I. Overview of Public Finance and the Role of Government, Incidence [2 lectures]

A. Overview

(**) NBER public economics program overview
http://www.nber.org/programs/pe/


B. Incidence


**II. Spatial Public Finance, Rosen-Roback Model, Place-Based Policy [4 lectures]**

A. Spatial Model:


B. Place-based Policies:


C. Agglomeration in Consumption (and Public Goods)


D. Big Push and Agglomeration in Production (skip for time)


E. Fiscal Federalism, Sorting (skip some of these papers for time)


J. Donahue (1997). “Tiebout or not Tiebout.” *JEP* 11.4, pp. 73–82


F. Spatial Disparities in Opportunity: (skip for time)


**III. Business Taxation [2 lectures]**

**A. Overview and Policy:**


**B. Corporate Tax Incidence:**


C. Evidence on Firm Location, Corporate Taxes, and Million dollar plants


D. Corporate Taxation in an Open Economy (skip for time)


**IV. Investment and Payout Taxes [1 lecture]**


**V. Individual Taxation [1 lecture]**

A. Taxation of High-Income Earners:


B. Current policy debate (state and local tax deduction):


VI. Taxes, Innovation, Entrepreneurship [1 lecture]


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


(**) Kline, P, N. Petkova, H. Williams, O. Zidar, 2017, “Who Profits from Patents:
Rent Sharing at Innovative Firms?”
http://faculty.chicagobooth.edu/owen.zidar/research/papers/KPWZ_profits_from_patiens.pdf

Supplemental:


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

VII. Student presentations of their papers [last lecture]