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. **Problem Sets:** There will be a couple problem sets focused on learning tools by going through applied examples in the problem set
3. **Written response papers:** There will be a few short written response papers due at 9 am on the day of 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.
4. **Virtual paper:** 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.
f. Falsification Tests: What other specifications, tests and investigations could either bolster or cast doubt upon the primary tests of your hypotheses?

Grades:
1. 40% for the written response papers and class participation
2. 40% for problem sets
3. 20% for virtual paper

Schedule (subject to change):

- **Overview material**
  o 1. Overview of public finance
  o 2. Applied Economics Tools
- **Spatial Public Finance**
  o 3. Overview of spatial public finance & the Rosen Roback model
  o 4a. Place-based policies: theory
  o 4b. Place-based policies: evidence
  o 5. Sorting, Fiscal federalism
- **Capital Taxation**
  o 6. Capital taxation: overview, facts, and theory
  o 7. The distribution and taxation of wealth
  o 8. Capital Gains and Inheritance taxation
  o 9. Business tax policy and firm location
- **Tax policy, investment, and innovation**
  o 10. Investment and corporate financial policy
  o 11. Entrepreneurship, Innovation, and Top earners
- **Optimal Taxation (usually covered by Henrik)**
  o 12. Optimal Taxation

Assignments (subject to change):

- Response to Albouy (2009) due before lecture 3
- Problem Set on spatial taxation due before lecture 4
- Response to Bayer, Ferreira, and McMillan (2007) before lecture 5
- Response to Jakobsen Jakobsen Kleven, Zucman (2020) before lecture 6
- Problem Set on Wealth Tax/ Capital Gains Score before lecture 8
- Problem Set on Million Dollar Plants/ Event Studies due before lecture 9
- Problem Set on Roy Model and Entrepreneurship due before lecture 11
• Virtual Paper Presentations at end of the term

Reading List (subject to change)

General References

A. Useful Textbooks


B. Public Economics Lecture Notes:

Saez, Emmanuel and Gabriel Zucman. Graduate Public Economics Notes (Econ 230B). [https://eml.berkeley.edu/~saez/course/course.html](https://eml.berkeley.edu/~saez/course/course.html)


Finkelstein, Amy. Public Economics lectures. [https://economics.mit.edu/faculty/afink/courses](https://economics.mit.edu/faculty/afink/courses)

Hendren, Nathan. Public Economics lectures. [https://scholar.harvard.edu/hendren/classes/public-economics-ii-2450b](https://scholar.harvard.edu/hendren/classes/public-economics-ii-2450b)


C. Applied Microeconomics Lecture Notes:

Card, David. Labor Economics Notes (Econ 250A). [https://eml.berkeley.edu/~webfac/card/e250a_f16/e250a.shtml](https://eml.berkeley.edu/~webfac/card/e250a_f16/e250a.shtml)
Autor, David. Labor Economics Lecture Notes
https://economics.mit.edu/faculty/dautor/courses

Murphy, Kevin. Chicago Price Theory.
https://home.uchicago.edu/cbm4/cpt/index.html

D. Trade Lecture Notes:

https://sites.google.com/site/treballen/graduate-trade


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


II. Spatial Public Finance, Rosen-Roback Model, Place-Based Policy [3 lectures]

A. Spatial Model:


B. Place-based Policies:


C. Agglomeration in Consumption (and Public Goods)


D. Big Push and Agglomeration in Production


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


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


III. Capital Taxation [4 lectures]


A. The Distribution and Taxation of Wealth


B. Capital Gains and Inheritance Taxation


C. Corporate Tax Incidence and Reform:


Joint Committee on Taxation, December 2017.

- Macroeconomic Analysis Of The Conference Agreement For H.R. 1, The "Tax Cuts And Jobs Act"
- Distributional Effects Of The Conference Agreement For H.R.1, The "Tax Cuts And Jobs Act"
- Estimated Budget Effects Of The Conference Agreement For H.R.1, The "Tax Cuts And Jobs Act"
- [https://www.jct.gov/publications.html?func=select&id=76](https://www.jct.gov/publications.html?func=select&id=76)


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


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E. Corporate Taxation in an Open Economy


IV. Tax policy, Investment, and Innovation [2 lectures]

A. Investment and Payout Taxes


B. Taxes, Innovation, Entrepreneurship

Furman, Jason, 2016, “Encouraging Innovation and the Role of Tax Policy”

**Jones, Chad, 2019, “Taxing Top Income in a World of Ideas,” working paper.


** Kline, Patrick, Neviana Petkova, Heidi Williams, and Owen Zidar (2019) "Who Profits from Patents? Rent-Sharing at Innovative Firms," Quarterly Journal of


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


V. Optimal Taxation [1 lecture]

Optimal Commodity Taxes and Production Efficiency:


**Optimal Income Taxes and Transfers:**


**Income vs Commodity Taxes:**

