

ECO 523: Graduate Public Finance

Princeton University
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Overview.

This is the first part of the graduate Public Finance sequence. Our main focus is redistribution. We begin with why the state share of the economy has grown so much over the twentieth century among high-income nations. We then study the static version of the optimal income tax model (dynamic versions will be covered in other parts of the sequence) as well as empirical estimates of the elasticity of taxable income with respect to the net of tax rate (a key parameter in almost all optimal tax formulae). We close with social insurance: basic models, empirical evidence of moral hazard, empirical evidence of consumption smoothing, and implementation issues. If time permits, we examine fiscal federalism: the study of how different levels (federal, state and local) of government interact and how that informs the optimal level of government for carrying out taxation, social insurance and public goods provision.

Course materials.

You will receive lecture notes before each class. All papers should be available on Google Scholar.

Presentations.

Starred papers on the syllabus are available for students to present. Please choose a paper by next Monday. Presentations will be 10-15 minutes and should be performed in the style of a job paper presentation (even though it is not your own material).

Exam.

There will be a final exam during the exam period in January.

Schedule of topics covered and readings

Overview: The role of government in the economy

Stiglitz1998

meltzer`median

Hustedetal1997

vivek`ebonya

boustan`ineq

edlund`pande`2002

amy`ez

ebonya`valuing

Empirical estimates of taxable income elasticity

three`elasticities

Feldstein95

saez`gruber

chetty`bounds

saez`bunching

kleven2014`jep

eissa`nber

Social insurance: Basic theory

Nicholsetal1982

Akerlof1978

coate1995

peltzman'inkind

Social insurance: Empirical estimates of moral hazard

chetty'liquidity'jpe

CutlerGruber96

*magne'family

*nodo'medicaid

autor'duggan'2003

Social insurance: Consumption smoothing

chetty2007

charite'nber

jesse'scraping

http://eml.berkeley.edu/~jrothst/workingpapers/rothstein_valletta_feb2014.pdf

*manasi'welfare

<http://economics.mit.edu/files/10156>

Social insurance: Implementation issues

*ebonya'foodstamps

*seema'price

<http://faculty.wcas.northwestern.edu/~sjv340/pal.pdf>

*meckel'jmp

http://www.columbia.edu/~khm2110/kmeckel_jmp.pdf

*hartshleifervishny

*leigh'eitc

Public goods

Andreoni1993

*heidi'jpe'2013

Kingma1989

Fiscal federalism

oates'leviathan

besley'coate'2003

Gordon2004

inman'federalism

feldstein'wrobel

saez'football

Local public finance

glaeser'brookings'place

Donahue1997

Rhodeetal2003

Black1999

bayer'property

Eppleetal1984

Fernandezetal1996

roback'1982

mtoc'ecma