

University of Texas at Dallas

Economics

ECON 7363
Public Economics II
Spring 2020

JO 4.112
TH 4:00 – 5:15

Instructor: Prof. Seth H. Giertz
Office: GR 2.244
Phone: (972) 883-6234
Email: seth.giertz@utdallas.edu
Website: <https://elearning.utdallas.edu>

Post Spring Break Amendments

At the direction of the UTD President, no classes will be held the week of March 23. Classes beginning the week of March 30 and continuing for the remainder of the course will be conducted via Microsoft Teams (team name: [ECON7363_Sp20](#)). All students have been invited to the Team. Make sure to download the MS Teams software and try it out prior to class. If we run into problems with Teams, we will revert to Blackboard Collaborate. Course meetings have been scheduled for the remainder of the semester. Daily questions will be conducted via eLearning. Exams will be “take home” or conducted through eLearning or MS Teams.

Office Hours

By appointment. Individuals meetings will be scheduled on a case by case basis and conducted via WebEx.

Prerequisites

This is a PhD field class. Students should have completed sequences in microeconomic theory and econometrics prior to taking this course.

Materials

Nearly all of the material covered in this class is presented in journal articles, the *Handbook of Public Economics* series, or in other sources freely available (or already purchased by the university) on the web. There are also some very good texts. Some students may find the texts easier to follow, while others may prefer the articles. Below are a number of good resources, however, there is considerable overlap in the material. One text, Tresch (2014) is reasonably priced and is quite comprehensive in its coverage of the theoretical side of public economics – including many topics not covered in this course. It is an excellent resource but is not required

since the topics we will cover are also thoroughly addressed elsewhere. Likewise, Hindriks and Myles is an excellent resource. This course will directly use only a small portion from Hindriks and Myles. However, the text provides excellent background for many of the topics covered in this course. It is unusual, in that it serves a very small market, which is substantially more advanced than undergraduate public finance, but less technical than most PhD material.

Another great resource is Raj Chetty's public economics course site:

<http://www.rajchetty.com/index.php/lecture-videos>

The site includes lecture slides from his course as well as links to videos of the entire course. Much of what we will cover is also covered by Chetty.

Books

Joel Slemrod and Jon Bakija. *Taxing Ourselves: A Citizen's Guide to the Debate over Taxes*, 4th Edition. MIT Press, 2008.

* Good non-technical overview of tax issues, focused on the US.

Alan Auerbach and Martin Feldstein, eds., *Handbook of Public Economics* (Vols 1-5).

Amsterdam: North Holland, 1985, 1987, 2002, 2003 and 2013.

Selected articles will be **available through the instructor or via the library**.

(Recommended) Bernard Salanié, *Economics of Taxation*, 2e, MIT Press, 2011.

Stuart Adam, Timothy Besley, Richard Blundell, Stephen Bond, Robert Chote, Malcolm Gammie, Paul Johnson, Gareth Myles and James Poterba, eds., *Dimensions of Tax Design: The Mirrlees Review*, 2010, 814-893, Oxford University Press: Oxford, UK.

Available for **free download**: www.ifs.org.uk/mirrleesReview/dimensions/

(Recommended) Richard W. Tresch. *Public Finance: A Normative Theory*, Third Edition. San Diego, CA: Academic Press, 2014.

eBook and print options: <http://store.elsevier.com/Public-Finance/Richard-Tresch/isbn-9780124160330/>

Louis Kaplow. *The Theory of Taxation and Public Economics*. Princeton University Press, 2008.

Jean Hindriks and Gareth D. Myles. *Intermediate Public Economics, second edition*. MIT Press, 2013.

Excellent text that is more advanced than undergraduate texts, but more accessible than PhD-level texts. **Free PDF of older version**:

<http://jaimedv.com/eco/3c2-publi/intermediate-public-economics.pdf>

Gareth Myles, *Public Economics*. Cambridge University Press, 1995.

Free PDF version: <http://people.exeter.ac.uk/gdmyles/papers/pdfs/pubec.pdf>

Narayana R. Kocherlakota. *The New Dynamic Public Finance*. Princeton University Press. 2010. **(electronic version available through NBER)**

Alan Auerbach and Daniel Shaviro, *Institutional Foundations of Public Finance: Economic and Legal Perspectives*. Harvard University Press. 2008.

David Bradford, *Taxation, Wealth, and Savings*, MIT Press, 2000.

Undergraduate Texts:

Students should have one of these for reference – although having the latest edition is not necessary.

John E. Anderson, *Public Finance: Principles and Policy*, 2nd edition, Cengage Learning, 2011.

Jonathan Gruber, *Public Finance and Public Policy*, 4th Edition. Worth Publishers, 2012.

Randall G. Holcombe, *Public Sector Economics: The Role of Government in the American Economy*, Prentice Hall, 2005.

David N. Hyman, *Public Finance*, 10th edition. Cengage Learning, 2010.

Harvey Rosen and Ted Gayer, *Public Finance*, 10th Edition, McGraw-Hill/Irwin, 2013.

Joseph Stiglitz and Jay Rosengard, *Economics of the Public Sector*, 4th Edition, Norton, 2015.
<http://books.wwnorton.com/books/detail-features.aspx?ID=4294986932>

Richard W. Tresch, *Public Sector Economics*, Palgrave/Macmillan, 2007.

Overview

This is PhD level course in the economics of taxation. Students will be exposed to both the theory of taxation as well as empirical techniques used to estimate the effects of taxes on economies.

1. Introduction (1)
2. Tax incidence: Partial Equilibrium (4)
3. Tax incidence: General Equilibrium (3)
4. Business Taxation and Corporate Financial Policy (4)

Exam 1

5. Efficiency Costs of Taxation (3)

Thru 9 weeks

12 sessions remaining...

6. Taxation and Labor Supply (2)
7. Elasticity of Taxable Income (3)

Exam 2

8. Income Inequality and Tax Progressivity (2)
9. Optimal Taxation (4)

Final Exam: Thursday May 7, 5-7 pm (or an alternate time, if there is unanimous agreement)

Course Grade

1. **Exams.** 60 percent of each student's grades will be based on two midterm exams (20 percent each) and a final exam (20 percent). Exam schedules will be posted on the course website.

2. **Participation and Presentation.** 14 percent of each student's grade will be based on class preparation, participation. This may include a class presentation, separate from the student's presentation of their research paper.
3. **Research Paper.** This will comprise 20 percent of each student's final grade. Ideally, this project could turn into a publishable paper and/or the beginnings of a dissertation chapter. The project will include several steps:

Brainstorming: Come up with three research paper topics related to the economics of taxation. After discussing and receiving feedback from your instructor, students should pursue one of these ideas for their research project.

Proposal and Outline: Write a one- to two-page research proposal together with a detailed research outline that includes a preliminary list of references.

Presentation: Present a draft of the paper to the class for comments.

4. **Referee Reports:** Six percent of students' grades will be based on a referee report. A referee report is a critical review of a paper submitted for publication to a journal. Students will be provided with a paper to review. Prepare a referee report on the paper. Include a section discussing what you would have done differently if you had written that paper.

Instructions on how to write a referee report will be covered in class. The follow site also provides good advice http://people.bu.edu/rking/JME_files/guide_for_referees.htm.

Also, see

[Berk, Jonathan B., Campbell R. Harvey, and David Hirshleifer, 2017, "How to Write an Effective Referee Report and Improve the Scientific Review Process," *Journal of Economic Perspectives*, \(31\)1: 231-44.](#)

["An Interview with Amitabh Chandra, Editor of the Review of Economics and Statistics,"](#) American Society of Health Economists.

University Policies

For information on a host of UTD course policies, see <http://go.utdallas.edu/syllabus-policies>. Several, but not all, of these policies are addressed in more detail below.

Nondiscrimination

UTD's Nondiscrimination Policy states that, "The University of Texas at Dallas is committed to providing an educational, living and working environment that is welcoming, respectful and inclusive of all members of the university community. An environment that is free of discrimination and harassment allows members of the university community to excel in their academic and professional careers. To that end, to the extent provided by applicable federal and state law, the University prohibits unlawful discrimination against a person because of their race, color, religion, sex (including pregnancy), national origin, age, disability, genetic information, or veteran status. The University's commitment to equal opportunity extends its nondiscrimination protections to include sexual orientation, gender expression and gender identity.

"Retaliation against a person who files a claim of discrimination, participates in a discrimination investigation or proceeding, or otherwise opposes an unlawful employment practice is prohibited.

“A person who believes that he or she has been subjected to discrimination or harassment in violation of this policy and seeks to take action may use either the informal resolution process or the formal complaint process, or both. The informal resolution and formal complaint process described in this policy are not mutually exclusive and neither is required as a pre-condition for choosing the other; however, they cannot both be used at the same time.”

For the full policy statement, see <https://policy.utdallas.edu/utdbp3090>.

Academic Accommodations

It is UTD’s policy to provide “Academic accommodations for eligible students with a documented physical, mental or sensory disability.” Students with disabilities relevant to this course should contact the Office of Student AccessAbility (OSA, <https://www.utdallas.edu/studentaccess/>) as early as possible. “[T]o ensure accommodations will be in place when the academic semester begins, students are encouraged to submit documentation four to six weeks in advance.” Students should also contact the instructor for a confidential discussion of their individual needs and accommodations offered by OSA.

Academic Integrity

Students are expected to adhere to UTD’s Student Code of Conduct:

Because the value of an academic degree depends on the absolute integrity and character of the student the university expects all students to maintain a high level of responsibility with respect to their behavior. As a member of the university community, it is imperative that a student maintain a high standard of individual responsibility and civility.

The dean may initiate disciplinary proceedings under Subchapter D against a student accused of a violation of the Code of Conduct upon complaint by a faculty member, a student or other source.

Academic dishonesty could result in disciplinary action from the university. Penalties could include receiving a grade of “F” for this course, expulsion or even the revocation of a degree. With respect to academic dishonesty, see Section 49.10 from the Student Code of Conduct (<http://policy.utdallas.edu/utdsp5003>), which includes:

Plagiarism: The adoption or reproduction of ideas, words, statements, images or works of another person as one's own without proper acknowledgement.

Cheating: Using or attempting to use unauthorized materials, information, or study aids in any academic exercise. Academic exercise includes all forms of work submitted for credit or hours.

Fabrication: Falsification or creation of any information, data or citation in an academic exercise.

Collaboration and/or Collusion: Seeking or providing aid to another student in completion of any assignment submitted for academic credit without permission from the faculty member.

For the full Student Code of Conduct, see <http://policy.utdallas.edu/utdsp5003>, noting the standards discussed in Section 49.10.

Topics and Readings

Readings listed in bold will be the most important. Detailed handouts will be provided on the course site. The readings and handouts supplement each other.

Part 1: Introduction, Welfare Economics and the Development of Modern Public Finance

Tresch (2002), Chapter 1

Slemrod & Bakija, Chapter 1 & 2

Tresch, Chapters 2-3

Buchanan, James M., "Public Finance and Public Choice," *National Tax Journal*, v28(4), 383-394, December 1975.

Feldstein, Martin. "The transformation of public economics research: 1970-2000," *Journal of Public Economics*, v86(3), 319-326, December 2002.

Part 2: Tax Incidence: Partial Equilibrium

Slemrod & Bakija, Chapter 3

L. Kotlikoff and L. Summers. "Tax Incidence," in A. Auerbach and M. Feldstein, v2, 1043-1092. Required reading: Sections 0, 1, 2, 3.1, and 4.4.

R. Chetty, A. Looney, and K. Kroft. "Salience and Taxation: Theory and Evidence," *American Economic Review* 99(4): 1145-1177, 2009. Sect. III, V.A & V.B.

W. Evans, J. Ringel, and D. Stech. "Tobacco Taxes and Public Policy to Discourage Smoking," in *Tax Policy and the Economy*, vol. 13, ed. J. Poterba, MIT Press: Cambridge, 1999.

Salanié. Chapter 1.1. pp 15-22

Tresch, Chapter 16, pp 271-281

Kaplow, Chapters 2 & 8

Part 3: Tax Incidence: General Equilibrium, Property Taxation, and Capitalization

A. General Equilibrium and Corporate Taxation

A. Harberger. "The Incidence of the Corporation Income Tax," *Journal of Political Economy*, 1962, 215-240.

William M. Gentry, "[A Review of the Evidence on the Incidence of the Corporate Income Tax](#)," OTA Paper 101, December 2007.

Congressional Budget Office. 1996. "[The Incidence of the Corporate Income Tax](#)," Washington, D.C.

David Cutler, "Tax Reform and the Stock Market: An Asset Price Approach," *American Economic Review*, 78(5), December 1988, 1107-1117.

L. Kotlikoff and L. Summers. “Tax Incidence,” in A. Auerbach and M. Feldstein, Vol 2, Sections 2.2.1-2.2.3, 2.3 and 3.1.

Desai, Mihir A., C. Fritz Foley, and James R. Hines Jr., “Labour and Capital Shares of the Corporate Tax Burden: International Evidence,” Working Paper, Harvard University, December 2007.

M. Feldstein and C. Horioka, “Domestic Savings and International Capital Flows,” *Economic Journal*, 90(358), June 1980, 314-329.

Fullerton, Don and Gilbert Metcalf. (2002), A. Auerbach and M. Feldstein, eds, “Tax Incidence,” *Handbook of Public Economics*, 4(26):1787-1872. (See pp 1815-1817 on property tax incidence.)

Tresch, Chapter 16

Salanié. Chapter 1.2.

B. Property Taxation and Capitalization

Kotlikoff and Summers, section 3.3

Gravelle, Jennifer 2007. “[Who pays property taxes? A look at the tax effects of property taxes across the states.](#)” *State Tax Notes*, 46 (December 24): 887-890. NTA version

Bruce Hamilton, “Capitalization of Intra-jurisdictional Differences in Local Tax Prices,” *American Economic Review*, 1976, pp. 743-753.

Mclure, C. 1975. “General Equilibrium Incidence Analysis,” *Journal of Public Economics*, February.

Mieszkowski, Peter, “[The Property Tax: An Excise Tax or a Profits Tax?](#)” *Journal of Public Economics* 1 (1972): 73- 96.

Mieszkowski, Peter and George R. Zodrow, “Taxation and The Tiebout Model: The Differential Effects of Head Taxes, Taxes on Land Rents, and Property Taxes,” *Journal of Economic Literature*, 27(3) (1989), 1098-1146.

Netzer, Dick. *Economics of the Property Tax*, Washington D C Brookings, Institution, 1966

Charles M. Tiebout. “A Pure Theory of Local Expenditures,” *Journal of Political Economy*, 64(5), (Oct., 1956), pp. 416-424.

George Zodrow, “[The Property Tax as a Capital tax: A Room with Three Views](#),” 2007.

Part 4: Business Taxation and Corporate Financial Policy

Alan J. Auerbach, “Who Bears the Corporate Income Tax? A Review of What We Know,” *Tax Policy and the Economy*, 2006, v20. Sections 1-7

Auerbach, Alan, “[Taxation and Corporate Financial Policy](#),” *Handbook of Public Economics*, v3, Amsterdam: North Holland, 2002, v3, 1251-1292. Sect 2.2, 2.3, 3.2, 3.3

D. Bradford, *Taxation, Wealth, and Savings*, “The Incidence and Allocation Effects of a Tax on Corporate Distributions,” chapter 8, MIT Press, 2000.

Paul Burnham, 2014, "[Taxing Capital Income: Effective Marginal Tax Rates Under 2014 Law and Selected Policy Options](#)," *CBO Paper*, Congressional Budget Office. pp 1-14

Paul Burnham, 2012, "[Taxing Businesses Through the Individual Income Tax](#)," *CBO Paper*, Congressional Budget Office. pp 1-15

R. Carroll and A. Viard, [Progressive Consumption Taxation: The X Tax Revisited](#), 2012, AEI Press. Chapters 1, 5

Mark Keightley, 2013, "[A Brief Overview of Business Types and Their Tax Treatment](#)," *CRS Report for Congress*, Congressional Research Service

Part 5: Efficiency Costs of Taxation

Slemrod & Bakija, Chapter 4

Tresch, Chapter 13: 209-219, 225-232

A. Auerbach, "The Theory of Excess Burden and Optimal Taxation," in A. Auerbach and M. Feldstein, *Handbook of Public Economics*, Vol 1, 61-127. Amsterdam: North Holland, 1985. Sections 1, 2, 3.1, and 4.

R. Chetty, "Sufficient Statistics for Welfare Analysis: A Bridge between Structural and Reduced-Form Methods," *Annual Review of Economics*, 1: 451-488, 2009. pp 452-459, 479-482.

L. Goulder and R. Williams. "The Substantial Bias from Ignoring General Equilibrium Effects in Estimating Excess Burden, and a Practical Solution," *Journal of Political Economy*, 2003, 111:898-927.

Arnold C. Harberger, "Taxation, Resource Allocation, and Welfare," In *The Role of Direct and Indirect Taxes in the Federal Revenue System*, edited by John Due. Princeton, NJ: Princeton University Press, 1964, pp 25–75.

Arnold C. Harberger, "[The Measurement of Waste](#)," *American Economic Review*, Papers and Proceedings of the Seventy-sixth Annual Meeting of the American Economic Association, May 1964, 54(3):58-76.

J. Hausman, "Exact Consumers Surplus and Deadweight Loss," *American Economic Review*, 71(4), September 1981, 662-676.

J. Hines, "Three Sides of Harberger Triangles," *Journal of Economic Perspectives*, 13(2), Spring 1999, 167-188.

James M. Poterba, (1992), "Taxation and Housing: Old Questions, New Answers," *American Economic Review*, 82(2):237-242.

Part 6: Taxes and Labor Supply

A. Labor Supply Elasticity Estimation: Methodological Issues

R. Blundell and T. MaCurdy, "Labor supply: a review of alternative approaches," in the *Handbook of Labor Economics*, Vol. 3A, O. Ashenfelter and D. Card, eds., 1999, pp. 1559-1695.

J Heckman and M Killingsworth, (1986), “Female Labor Supply: A Survey,” *Handbook of Labor Economics*, v1 chapter 2.

L. Friedberg (2000), “The Labor Supply Effects of the Social Security Earnings Test,” *Review of Economics and Statistics* 82(1), 48-63.

T. Lemieux, B. Fortin, and P. Fréchette (1994), “The Effect of Taxes on Labor Supply in the Underground Economy,” *American Economic Review*, 84, 231-254.

Costas Meghir and David Phillips, “Labour Supply and Taxes,” *Dimensions of Tax Design: The Mirrlees Review*, 2010, 202-274, Oxford University Press: Oxford, UK.

T. Mroz (1987) “The Sensitivity of An Empirical Model of Married Women’s Hours of Work to Economic and Statistical Assumptions,” *Econometrica*, 55.4 (July), 765-799.

John Pencavel, (1986) “Labor Supply of Men: A Survey,” *Handbook of Labor Economics*, v1 chapter 1.

B. Nonlinear Budget Sets and Bunching

Jerry Hausman, “Taxes and Labor Supply,” in A. Auerbach and M. Feldstein, eds, *Handbook of Public Finance*, Vol I, North Holland 1985, sections 1-3.

Emmanuel Saez, “Do Taxpayers Bunch at Kink Points?” *American Economic Journal: Economic Policy*, 2(3), 2010, 180-212.

C. Hours/Participation Elasticities and Responses to Low-income Transfer Programs

Mike Brewer, Emmanuel Saez, and Andrew Shephard, “Means-testing and Tax Rates on Earnings,” *Dimensions of Tax Design: The Mirrlees Review*, 2010, 92-173, Oxford University Press: Oxford, UK. www.ifs.org.uk/mirrleesReview/dimensions/

Nada Eissa, “Taxation and Labor Supply of Married Women: The Tax Reform Act of 1986 as a Natural Experiment” NBER Working Paper 5023, 1995.

N. Eissa and H. Hoynes, “Behavioral Responses to Taxes: Lessons from the EITC and Labor Supply,” *Tax Policy and the Economy*, 20: 74-110 (2006).

N. Eissa and J. Liebman, “Labor Supply Response to the Earned Income Tax Credit,” *Quarterly Journal of Economics* 111 (1996), 605-637

B. Meyer and D. Rosenbaum, “Welfare, the Earned Income Tax Credit, and the Labor Supply of Single Mothers,” *Quarterly Journal of Economics* 116(3): 1063-1114, 2001.

R. Moffitt, “Welfare Programs and Labor Supply,” in A. Auerbach and M. Feldstein, *Handbook of Public Economics*, Volume 4, Chapter 34, Amsterdam: North Holland, 2003 or NBER Working Paper 9168, September 2002.

D. Intertemporal Labor Supply

R. Blundell, A. Duncan and C. Meghir, “Estimating Labor Supply Responses Using Tax Reforms,” *Econometrica* 66 (July 1998), 827-862.

C. Camerer, L. Babcock, G. Loewenstein and R. Thaler (1997), “Labor Supply of New York City Cabdrivers: One Day at a Time,” *Quarterly Journal of Economics*, 112(2), 407-41.

H. Farber, “Is Tomorrow Another Day? The Labor Supply of New York City Cabdrivers,” *Journal of Political Economy*, February 2005.

E. Fehr, and L. Goette, "Do Workers Work more when Wages are High? Evidence from a randomized Field Experiment, IEW Working Paper No. 125, 2003.

T. MaCurdy, (1981), "An Empirical Model of Labor Supply in a Life Cycle Setting," *Journal of Political Economy*, 89(6), 1059-1089

T. MaCurdy, "A Simple Scheme for Estimating an Intertemporal Model of Labor Supply and Consumption in the Presence of Taxes and Uncertainty," *International Economic Review*, Vol. 24, No. 2 (Jun., 1983), pp. 265-289.

G. Oettinger, "An Empirical Analysis of the Daily Labor Supply of Stadium Vendors," *Journal of Political Economy*, April 1999, pp 360-392.

J. Ziliak and T. Kniesner, "Estimating Life Cycle Labor Supply Tax Effects," *Journal of Political Economy*, 107(2): 326-359, 1999.

E. Micro versus Macro Labor Supply Elasticities

Michael Keane and Richard Rogerson, "Micro and Macro Labor Supply Elasticities: A Reassessment of Conventional Wisdom," *Journal of Economic Literature*, 2012, 50:2, 464-476.

Raj Chetty, Adam Guren, Day Manoli, and Andrea Weber, "Does Indivisible Labor Explain the Difference between Micro and Macro Elasticities? A Meta-Analysis of Extensive Margin Elasticities," *NBER Macroeconomics Annual 2012*.

Raj Chetty, "Bounds on Elasticities with Optimization Frictions: A Reconciliation of Micro and Macro Labor Supply Elasticities," *Econometrica*, 80(3): 969-1018, 2012.

Raj Chetty, J. Friedman, T. Olsen, and L. Pistaferri. "Adjustment Costs, Firm Responses, and Micro vs. Macro Labor Supply Elasticities: Evidence from Danish Tax Records" *Quarterly Journal of Economics*, 126(2), 2011, 749-804.

Lee Ohanian, A. Raffo, and R. Rogerson, "Long-Term Changes in Labor Supply and Taxes: Evidence from OECD Countries, 1956-2004," *Journal of Monetary Economics*, 2008.

E. Prescott, "Why Do Americans Work So Much More Than Europeans?" *Federal Reserve Bank of Minneapolis Quarterly Review*, Vol. 28, No. 1, July 2004, pp. 2-13. (NBER WP 10316)

Part 7: Elasticity of Taxable Income

Feldstein, Martin. 1995. "The Effect of Marginal Tax Rates on Taxable Income: A Panel Study of the 1986 Tax Reform Act." *Journal of Political Economy* 103(3): 551-72.

Feldstein, Martin. 1999. "Tax Avoidance and the Deadweight Loss of the Income Tax." *Review of Economics and Statistics* 81 (4): 674-80.

Austan Goolsbee, 1999. "Evidence on the High-Income Laffer Curve from Six Decades of Tax Reforms," *Brookings Papers on Economic Activity* 2:1-47.

Auten and R. Carroll, "The Effect of Income Taxes on Household Behavior," *Review of Economics and Statistics* 81 (November 1999), 681-93.

Chetty, Raj. 2009. "Is the Taxable Income Elasticity Sufficient to Calculate Deadweight Loss? The Implications of Evasion and Avoidance." *American Economic Journal: Economic Policy*, 1(2): 31-52.

- Seth Giertz. “[The elasticity of taxable income over the 1980s and 1990s](#),” *National Tax Journal*, 2007, 60:743–68.
- Seth Giertz, “[The Elasticity of Taxable Income: Influences on Economic Efficiency and Tax revenues, and Implications for Tax Policy](#),” In *Tax Policy Lessons from the 2000s*, edited by Alan Viard. Washington, DC: AEI Press, 2009, 101–36.
- Seth Giertz. “[The Elasticity of Taxable Income during the 1990s: New Estimates and Sensitivity Analyses](#),” *Southern Economic Journal*, 2010, 77(2).
- Jon Gruber and E. Saez, “The Elasticity of Taxable Income: Evidence and Implications” *Journal of Public Economics*, 84, 2002, 1-32.
- W. Kopczuk. “Tax bases, tax rates, and the elasticity of reported income,” *Journal of Public Economics* 89(11-12), pp 2093-2119, 2005.
- J. Liebman and E. Saez, “Earnings Responses to Increases in Payroll Taxes,” UC-Berkeley, mimeo, 2006.
- L. Lindsey, “Individual Taxpayer Response to Tax Cuts, 1982-1984: With Implications for the Revenue Maximizing Tax Rate,” *Journal of Public Economics*, 33(2), July 1987 173-206.
- E. Saez, “Reported Incomes and Marginal Tax Rates, 1960-2000: Evidence and Policy Implications,” in J. Poterba, ed., *Tax Policy and the Economy*, v18, Cambridge: MIT Press, 2004.
- Emmanuel Saez, “Do Taxpayers Bunch at Kink Points?” *American Economic Journal: Economic Policy*, 2(3), 2010, 180-212.
- E. Saez, J. Slemrod, and S. Giertz, “[The Elasticity of Taxable Income with Respect to Marginal Tax Rates: A Critical Review](#),” *Journal of Economic Literature*, (2012) 50(1):3-50.

Part 8: Optimal Taxation

Tresch, ch 13 225-232; ch 14 238-250; ch 15 255-269

Kaplow, ch 4 & 6

Alan Auerbach, “The Theory of Excess Burden and Optimal Taxation,” in A. Auerbach and M. Feldstein, *Handbook of Public Economics*, 1985, Vol 1, 61-127, Section 5.

Boadway, R. (2012). *From Optimal Tax Theory to Tax Policy: Retrospective and Prospective Views*, 2009 Munich Lectures in economics, Cambridge, MA: MIT Press.
<http://mitpress.mit.edu/books/optimal-tax-theory-tax-policy>

Mike Brewer, Emmanuel Saez, and Andrew Shephard, “Means-testing and Tax Rates on Earnings” *Dimensions of Tax Design: The Mirrlees Review*, 2010, 90-173, Oxford University Press: Oxford, UK. www.ifs.org.uk/mirrleesReview/dimensions/

Diamond, Peter, and Emmanuel Saez, 2011, “The Case for a Progressive Tax: From Basic Research to Policy Recommendations.” *Journal of Economic Perspectives*, 25(4): 165-90.

William Gale, “Optimal Taxation,” *The Encyclopedia of Taxation and Tax Policy*, (edited by Joseph J. Cordes, Robert D. Ebel, and Jane G. Gravelle), The Urban Institute Press, (1999). <http://www.urban.org/publications/1000539.html>

Hindriks & Myles. 2013. Chapter 24.2: 810-823

N. G. Gregory Mankiw, D. Yagan, and M. Weinzierl. “Optimal Taxation in Theory and Practice,” *Journal of Economic Perspectives*, 23(4): 147–74, 2009. Available at: <http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.23.4.147>

N. G. Mankiw and M. Weinzierl “The Optimal Taxation of Height: A Case Study of Utilitarian Income Redistribution” *AEJ: Economic Policy*, 2009. Vox summary: <http://www.voxeu.org/index.php?q=node/3651>

James Mirrlees, “An Exploration in the Theory of Optimal Income Taxation,” *Review of Economic Studies*, 38, 1971, 175-208.

Frank Ramsey, “A Contribution to the Theory of Taxation,” *Economic Journal*, 37, 1927, 47-61.

Emmanuel Saez, “Using Elasticities to Derive Optimal Income Tax Rates,” *Review of Economics Studies*, 68, 2001, 205-229, Sections 1-3 and 5.

Thomas Piketty and Emanuel Saez, “Optimal Labor Income Taxation,” *Handbook of Public Economics*, v5, 2013, 391-474. <http://elsa.berkeley.edu/~saez/piketty-saezNBER12handbook.pdf>

Tax Systems, by Joel Slemrod and Christian Gillitzer, <http://mitpress.mit.edu/books/tax-systems>

Paper:

<https://www.dropbox.com/s/6igqzq9xc4801ix/Slemrod%20and%20Gillitzer%202013.pdf>

Slemrod Video Lecture: <http://www.barcelonagse.eu/news-slemrod-tax-policy-lecture.html>

Accompanying slides: <https://www.dropbox.com/s/kd4u8uinmehvrb7/slemrod-tax-systems-barcelona-gse%202013.pdf>

Weinzierl, M., “[Revisiting the Classical View of Benefit-Based Taxation](#),” 2014.

Part 9: Income Inequality and Tax Progressivity

Gerald Auten and David Splinter, “Income Inequality in the United States: Using Tax Data to Measure Long-term Trends”

Thomas Piketty and Emmanuel Saez, Gabriel Zucman, “[Distributional National Accounts: Methods and Estimates for the United States](#),” *Quarterly Journal of Economics* (2018), 553–609.

Tony Atkinson, Thomas Piketty and Emmanuel Saez, “[Top Incomes in the Long Run of History](#),” *Journal of Economic Literature*, 49(1), 2011, 3-71.

Philip Armour, Richard V. Burkhauser and Jeff Larrimore, “Levels and Trends in U.S. Income and its Distribution: A Crosswalk from Market Income towards a Comprehensive Haig-Simons Income Approach,” *Southern Economic Journal*, 2014.

Richard V. Burkhauser, Nicolas Héroult, Stephen P. Jenkins, Roger Wilkins, “What has Been Happening to UK Income Inequality Since the Mid-1990s? Answers from Reconciled and Combined Household Survey and Tax Return Data,” 2016, NBER Working Paper 21991.

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