Instructor: Dr. Hsueh-Hsiang Li
Office: C320 Clark Building
Email: hseek-hsiang.li@colostate.edu
Phone: 491-6305 (Office)
Office hour: Tuesdays 11AM-12PM

Course Website: log in at http://ramct.colostate.edu

Course Description

Econ 720 is one of the two courses in the graduate public economics sequence at CSU. This course focuses primarily on tax and expenditure policy. The topics include incidence and efficiency cost of taxation, optimal taxation, transfers and welfare programs, social insurance programs, and behavioral responses (e.g. labor supply, saving) to public policies.

Prerequisites
First-year graduate microeconomics and econometrics, or equivalent. I will assume that you are already familiar with the first-year level theory and tools from these sequences and therefore can read, understand, and discuss academic literature within economics.

General References

Grading

Problem Sets (40%)
I will assign two to three problem sets that will be collected and lightly graded. You may work together on these, but each of you must turn in your own work. Some of the problems require the use of statistical packages (e.g. Stata) and you shall familiarize yourself with the tools.

Class Discussion (20%)
Each of you will lead a 15-minute discussion on one of the paper marked with * on the syllabus.
Referee Report (10%)

You should attend the department seminars, and write a referee report to one of the paper presented in the seminars. You are strongly encouraged to write a referee report on a job candidate’s paper. This task helps developing your critical thinking skills and provides constructive feedback to your peers to polish their work before entering the job market. For references, Prof. Fortin provides a nice guideline on referee reports: http://faculty.arts.ubc.ca/nfortin/econ560/guidereferee.pdf

Research Proposal (30%)

As a graduate student, you are expected to conduct original research. By mid-October, each of you should develop an original research idea and turn in a one-page research idea that includes: a research question, why do we care about the question, literature gap, your contribution, and how you plan to answer this question (including what data and tools that you consider using). You should discuss this research idea with me no later than the end of October. Once the research idea is developed, you continue working on the research proposal which includes an introduction, literature review, and research design. The deadline for turning in your final research proposal is December 12, 2014, the last day of the semester.

Grading Scale: Letter Grade Percentage Points

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage Points</th>
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<tbody>
<tr>
<td>A</td>
<td>Above 93</td>
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<tr>
<td>A-</td>
<td>90 – 92.9</td>
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<tr>
<td>B+</td>
<td>87 – 89.9</td>
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<tr>
<td>B</td>
<td>83 – 86.9</td>
</tr>
<tr>
<td>B-</td>
<td>80 – 82.9</td>
</tr>
<tr>
<td>C+</td>
<td>77 – 79.9</td>
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<tr>
<td>C</td>
<td>67 – 76.9</td>
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<tr>
<td>D</td>
<td>60 – 66.9</td>
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<tr>
<td>F</td>
<td>Below 60</td>
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The instructor reserves the right to lower the number of points required for any grade.

Expected Weekly Work Hours

Average daily hours required for taking this course over the semester:
Lectures/Class meetings: 2.5 hours
Reading: 2 hours
Preparation for presentation: 0.5 hour
Problem sets: 2 hour
Research proposal: 2 hour
Total: 9 hours

Academic Integrity
This course will adhere to the Academic Integrity Policy of the General Catalog and the Student Conduct Code. As per university policy, "Any student found responsible for having engaged in academic dishonesty will be subject to academic penalty and/or University disciplinary action." (General Catalog 2011-2012, 1.6, p.7). Any academic dishonesty in this course may result in a grade of "F" for the course and may be reported to the Office of Conflict Resolution and Student Conduct Services.

The General Catalog specifically identifies the following examples of academic dishonesty: cheating in the classroom, plagiarism, unauthorized possession or disposition of academic materials, falsification, and facilitation of cases of academic dishonesty. Plagiarism is defined as follows:

"Plagiarism includes the copying of language, structure, ideas, or thoughts of another, and representing them as one's own without proper acknowledgment. Examples include a submission of purchased research papers as one's own work; paraphrasing and/or quoting material without properly documenting the source." (General Catalog 2011-2012, 1.6, p. 7).

Accommodations for Students with Disabilities

Students requesting special accommodations should contact Resources for Disabled Students (RDS) at 970-491-6385. Special accommodations for exams will not be granted without pre-approval from RDS. If this applies to you, please make arrangements and contact me immediately so I can provide accommodations to facilitate your learning.

Class Policies:

To provide a class environment where students can focus on learning, I will not tolerate any form of disruptive in-classroom behavior. Please refrain from carrying on conversation with your classmates, texting messages, reading newspapers, or conducting any disruptive behavior while the instructor or any student, or invited guest, is speaking to the entire class. Please silence your cell phone during the class meetings. Also, if you must occasionally arrive to class late or leave early, please enter and leave in as non-disrupting manner as possible.

If you are having any problems with the course, please bring these problems to my attention. The sooner you come for help, the better. Please use your judgment in asking questions via email; if you think a question will take more than one exchange or is algebraically or graphically involved, it would be best for you to meet me in person during my office hours.

Grievance Procedure

Colorado State University has developed a grievance procedure by which students may file complaints about a course or an instructor. Students are encouraged to resolve any concerns informally by contacting their instructor within ten (10) business days of the
initial complaint or the complaint/grievance will be deemed untimely. If an informal resolution cannot be reached, students should contact their advisor for further assistance.

**Course Outline and Reading List**

Journal abbreviations for the reading list:

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Title</th>
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<tbody>
<tr>
<td>AER</td>
<td>American Economic Review</td>
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<tr>
<td>Econ</td>
<td>Econometrica</td>
</tr>
<tr>
<td>JEP</td>
<td>Journal of Economic Perspectives</td>
</tr>
<tr>
<td>JPE</td>
<td>Journal of Political Economy</td>
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<tr>
<td>NTJ</td>
<td>National Tax Journal</td>
</tr>
<tr>
<td>QJE</td>
<td>Quarterly Journal of Economics</td>
</tr>
<tr>
<td>BPEA</td>
<td>Brookings Papers on Economic Activity</td>
</tr>
<tr>
<td>JEL</td>
<td>Journal of Economic Literature</td>
</tr>
<tr>
<td>JHR</td>
<td>Journal of Human Resources</td>
</tr>
<tr>
<td>JPubE</td>
<td>Journal of Public Economics</td>
</tr>
</tbody>
</table>

I. **Tax Incidence**

**Partial Equilibrium:**


**General Equilibrium:**


**Open Economy:**


**Asset Price Approach:**

II. Efficiency and Optimal Taxation


Shoven, John and John Whalley, "Applied General Equilibrium Models of Taxation and International Trade," JEL, September, 1984


III. Income Taxation and Labor Supply


IV. Taxation and Saving

* Gale, William G. and John Karl Scholz, "IRAs and Household Saving," AER, December, 1994, 1233-1260


Poterba, Jim, Steve Venti, and David Wise, "How Retirement Saving Programs Increase Saving," JEP, Fall 1996, 91-112


Hubbard, Glenn, Jon Skinner, and Steve Zeldes, "The Importance of Precautionary Motives in Explaining Individual and Aggregate Saving," JPE, April, 1995, 360-399


Boskin, Michael, "Taxation, Saving, and the Rate of Interest," JPE, Part 2, April 1978, pp. 3-27

Hall, Robert, "Intertemporal Substitution in Consumption," JPE, 96, 1988, pp. 337-357


V. The Corporate Income Tax, Capital Structure and Other Aspects of Financial Policy


Auerbach, Alan "Wealth Maximization and the Cost of Capital," *QJE*, August, 1979


Bhattacharya, Sudipto, "Imperfect Information, Dividend Policy, and 'The Bird in the Hand' Fallacy," *Bell Journal*, Spring, 1979


Miller, Merton and Franco Modigliani, "Dividend Policy, Growth and Valuation of Shares," *Journal of Business*, October, 1961


**VI. Income Transfer Programs**


Blank, Rebecca M. and Patricia Ruggles, "When Do Women Use Aid to Families with Dependent Children and Food Stamps?" JHR, Winter, 1996, 57-89


Currie, Janet and Duncan Thomas, “Does Head Start Make a Difference?” *AER*, 85:3, 1995, 341-64


**VII. Social Insurance**


Samuelson, Paul, "An Exact Consumption Loan Model of Interest with and without the Social Contrivance of Money," JPE, December, 1958


Feldstein, Martin, “Should Social Security be Means Tested?” JPE, 1987, 468-84


Diamond, Peter and Jerry Hausman, "Individual Retirement and Savings Behavior," JPubE, 23, 1984


Feldstein, Martin, "Social Security, Induced Retirement, and Aggregate Capital Accumulation," JPE, September, 1974 (also comment in 1982)


