

## Syllabus

[cmcd.economia@fgv.br]

**Course: Public Economics**

**Professor: Erlinson Mattos**

### 2022 FIRST SEMESTER

#### COURSE OUTLINE

The course explores two dimensions. Taxation and publicly provided goods. In both parts we first address each topic theoretically and then (whenever appropriated) we present empirical papers. We must cover a broad range of topics that capture the frontier of public economics analysis as well as research questions applied to Brazil.

#### METHODOLOGY

Lectures, paper presentations.

#### PROGRAM

Class1		Welfare economics and excess burden	Auerbach + Auerbach Hines e Diamond e McFadden
Class 2		Marginal cost of public Funds	Atk Stern + Ballard e Fullerton + Wildasin Empirico: Fullerton, Conway, DMS, CMP
Class3		Optimal income tax Direct vs indirect tax	Stiglitz, Mirless, Seade, Saez
Class4		Evasion and optimal income tax	Alingham and Sandmo, CG95, AMT 2011
Class 5		Evasion – empirics	Pissarides and Weber, Feldman and Slemrod, Hurst Li and Pugsley; H. J. Kleven, M. Knudsen, C. T. Kreiner, S. Pedersen, and E. Saez
Class 6		Evasion – empirics	Pomeranz, Carillo et al, Haswgawa et al 2013, Gadenne et al 2019
Class 7		Commodity taxes and evasion (theory and empirics)	DM- 71, AMR 21, Best et al 2015, CG, 93, AM, 2015, Naritomi 2019, Slemrod (avoidance),
Class 8		Bunching at kinks, lines and notches - methods	Saez, kleven, slemrod
Class 9		Bunching at kinks, lines and notches - applications	Kleven and Waseem Liu et al, Best et al Sallee and

				slemrod	
Class 10			ETI	Feldstein 1995, slemrod 98, saez, slemrod and giertz, gruber and saez	
Class 11			Optimal tax systems	Slemrod 1990, Slemrod 94, chetty, 2009, Keen and slemrod 2017	
Class 12			Wealth Taxation	Kopczuk (07,09,10,15,16), Saez & Zucman(16, 19a, 19b)	
Class 13			Social insurance or Optimal firms taxation	Baily 78, Chetty 06, Card and Levine and Gruber 97 or Kopczuk and slemrod, Dhamapala et al 2011, de Paula and Scheinkman , Ulyssea 2018	
Class 14			Presentation		
Class 15			Presentation		

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Suggested books:

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## ARTICLES

### Welfare Economics and Excess Burden

#### *1. Background*

Mas-Colell, A., Whinston, M. e Green, J., Microeconomic Theory, 1995, p-80-91, 116-123, 325-334, 817-831.

Diamond, P., Feldstein, M., Laffont, J., Stern, N. e Stiglitz, J.(2002). Journal of Public Economics, December, 2002.

#### *1.1 Theory*

Auerbach, A..The theory of excess burden and optimal taxation in Handbook of Public Economics, vol.1, pp 61-86.

Auerbach A. and Hines, J.. Taxation and Economic Efficiency, Handbook of Public Economics, vol3, p. 1347-1360.

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Hausman, J.A., Exact consumer's surplus and deadweight loss, AER, 1981.

Salanie, B, the economics of Taxation, appendices.

#### *1.2 Measure*

Slesnick, D., Empirical Approaches to the Measurement of Welfare, JEL, 36, p. 2108-2165.

### **2. Marginal cost of public fund**

#### *2.1 Theory*

Atkinson, A.B. e Stern, N. (1974), Pigou, Taxation and Public Goods. Review of Economic Studies, 41, pp. 119—128.

Ballard, C., (1990), Marginal Welfare Cost Calculations: Differential Analysis vs. Balanced Budget Anaysis. Journal of Public Economics, 41, pp. 263—273.

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## 2.2 Empirical measure

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Ballard, Shoven e Whalley (1985), General Equilibrium computations of the marginal welfare costs of taxes in the United States. *American Economic Review*, 75, pp. 128—138

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Hendren, N. and Sprung-Keyser (2019). *A Unified welfare Analysis of government Policies* (mimeo)

## 3. Optimal Tax –

### 3.1 Optimal commodity tax

Homburg, Stefan (2006) A new approach to commodity taxation, *FinanzArchiv*.

SB, cap2

Auerbach, A., The theory of excess burden and optimal taxation in Handbook of Public Economics, vol.1, pp 86-110.

Auerbach A. and Hines J., Taxation and Economic Efficiency, Handbook of Public Economics, vol3, p. 1361-1371.

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Sandmo, A., Optimal Taxation: An introduction to the literature, JPubE, 1976.

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### *3.2 Optimal income tax*

Auerbach A. and Hines J., Taxation and Economic Efficiency, Handbook of Public Economics, vol3, p. 1372-1383.

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Sadka, E.. On progressive taxation, AER, 1976.

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### *Optimal design of taxes*

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Dixit, A. and Besley, T.. James Mirrlees' contributions to the theory of information and incentives, Scandinavian Journal of Economics, vol 99, 1997, p. 207-235.

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### *3.5 Optimal progressivity*

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N. Stern, "On the Specification of Models of Optimum Income Taxation," Journal of Public Economics, 6 No. 1-2 (July/August, 1976): 123-162.

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## **10 ETI - ELASTICITY OF TAXABLE INCOME**

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## **18. Behavioral tax: Present Bias, salience and optimal Taxation**

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## **GRADING**

A) 30% presentation: Paper must be approved by the professor and published in 2016 onwards. Deadline Choice: April 7<sup>th</sup>.

B) 30% referee report: 2 referee reports. Papers must be on the reference list and published recently. Deadline Choice: March, 31<sup>th</sup>.

Due dates:

First referee - April, 7<sup>th</sup>.

Second referee – May 1<sup>th</sup>

C) 40% research Project.

Due date: May 5th

D) Bonus: Exercises list. 10%. Exercises in March can be turned in by April 1<sup>st</sup>. April Those exercises proposed in April can be turned in May first.

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**PROFESSOR – EMAIL**

Enlinson.mattos@fgv.br