Public Finance
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The objective of the course is to introduce students to the state of the art research in public finance — the economic analysis of government policies. The class will be titled toward the discussion of taxation, although some issues in social insurance and low income support will be discussed as well. The class will be a mix of theory and empirical applications. It will also include the discussion of standard empirical approaches used in applied microeconomics (IV, diff-in-diff, regression discontinuity and kink designs, kinks and notches). It assumes graduate level preparation in microeconomics and econometrics.

Please note that the course will start on Sunday, July 30, in the evening with a welcome meeting at 19:00 followed by dinner. The course will finish at 16:00 on Friday, August 4.

From Monday through Thursday, the course schedule will be as follows:

**Daily schedule:**
9:00-10:30 First lecture
10:30-11:00 Coffee break
11:00-12:30 Second lecture
12:30-14:00 Lunch
14:00-15:30 Third Lecture/Individual work/Papers
15:30-16:00 Coffee break
16:00-17:30 Discussion
17:30-19:00 Free time
19:00 Dinner

The Friday schedule will be almost the same except that it will finish at 16:00.

The morning sessions will be lecture style. Depending on the day, the first afternoon session will be devoted to individual work on problem assignments and reading specific empirical papers to be discussed in the last session. The last session will be devoted to analyzing (and taking apart) a specific recent paper.

**Preliminary outline of the sessions:**

**Monday:** Efficiency cost of taxation (excess burden, Marginal Cost of Funds) and optimal taxation (basic structure, solution methods and results; commodity and income taxation, externalities).

**Tuesday:** Introduction to empirical approaches, behavioral responses to taxation (labor supply and taxable income, income shifting, other margins).

**Wednesday:** Tax evasion, avoidance and administration.

**Thursday:** Social insurance, welfare and low income support.

**Friday:** Capital, wealth and inheritance taxation; corporate tax; reforms.

The precise reading list will be provided closer to the class. The reading list for a related class (significant but not exact overlap) taught at Columbia in the Fall 2016 is attached.
Reference books

Handbooks of Public Economics (http://www.columbia.edu/cgi-bin/cul/resolve?clio5402387)

Empirical methods


1 Overview

1.1 Government


1.2 The U.S. tax system

Tax Policy Center web site http://www.taxpolicycenter.org/


2 Efficiency cost of taxation and optimal taxation

2.1 The cost of taxation — excess burden and the MCF


2.2 Commodity tax, production efficiency, externalities

Salanie, Chapter 3


2.3 Mirrlees model

Salanie, chapter 4


3 Inequality of income and wealth


4 Behavioral responses to individual taxation and welfare programs

4.1 Taxable income and labor supply


### 4.2 Entrepreneurship and income shifting

4.3 Welfare and low income support


4.4 EITC


4.5 Consumption


4.6 Other margins — charity, capital gains


5 Avoidance, evasion and administration

5.1 Non-compliance


5.2 Informal sector


5.3 Tax administration, tax systems, development


6 Wealth and capital taxation

6.1 Optimal dynamic taxation


6.2 Wealth and transfer taxation


6.2.1 Bequest motives, tax responses


6.2.2 Optimal policy implications


7 Corporate taxation


8 Tax reform