

ECONOM 9001: Public Finance
Department of Economics
University of Missouri

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Office hours: Tuesdays, 9:30AM – 11:00 AM, or by appointment

Class meetings: Tuesdays and Thursdays, 8:00 AM – 9:15 AM, 615 Locust Street, E304

Communication: Email is the best way to contact me. Please put “ECONOM 9001” in the subject line. Expect a reply within 48 hours, but note that I may not respond outside of normal business hours.

Ongoing feedback: I would greatly value feedback as we go, and will do my best to incorporate it. You can provide feedback [here](#) at any time during the semester, and as many times as you like. Only I will see it.

Course description

The course will be centered around four key questions:

- 1) When should the government intervene in the economy?
- 2) How might the government intervene?
- 3) What is the effect of those interventions on economic outcomes?
- 4) Why do governments choose to intervene in the way that they do?

Topics will include labor and capital income taxation, externalities, public goods, education, and social insurance.

Course objectives

Students completing this course will be able to apply basic theoretical models in public economics to contemporary policy debates. They will develop a working knowledge of key empirical findings in the public economics literature to further inform their analysis.

Readings

Textbooks:

Gruber, J., Public Finance & Public Policy (any edition, but page references are for the 6th)

Fisher, R. C., State and Local Public Finance (any edition, but page references are for the 4th)

Additional required readings are listed below, and will be provided. There is an additional list of supplemental readings corresponding to each lecture, which are suggested but not required.

Course assignments and grading

ALL ASSIGNMENTS ARE TO BE UPLOADED TO CANVAS BY 10PM CT ON THE DAY THEY ARE DUE

Assignment	Due	Points (Masters)	Points (PhD)
Problem sets		20	20
PS 1	September 1, 2023		
PS 2	September 29, 2023		
PS 3	October 13, 2023		
PS 4	November 3, 2023		
Literature review		20	20
Review 1	October 20, 2023		
Review 2	November 24, 2023		
Paper presentation	Sign up for a slot	20	20
Research proposal	December 15, 2023	20	20
PhD STUDENTS ONLY: Referee report	September 15, 2023		20

Final grades are assigned as follows:

Master's

Letter grade	Points
A+	78-80
A	74-77.5
A-	72-73.5
B+	70-71.5
B	66-69.5
B-	64-65.5
C+	62-63.5
C	58-61.5
C-	56-57.5
F	Below 56

PhD

Letter grade	Points
A+	97-100
A	93-96.5
A-	90-92
B+	87-89
B	83-86
B-	80-82
C+	77-79
C	73-76
C-	70-72
F	Below 70

Writing support

I encourage you to make use of the Writing Center, which offers free one-to-one writing support to all students at the University of Missouri, regardless of background or discipline. Writing Center tutors meet with student writers to help with any stage of the writing process, from initial brainstorming to final revisions. Learn more about the Writing Center at <https://writingcenter.missouri.edu>.

Late assignments

Late assignments will be penalized by 0.5 points every hour after the time they are due, unless you have notified me via email of an emergency that requires accommodation. Plan on technology glitches and try to submit well before the due date/time deadline.

Regrading policy

If a student believes there was an error in the grading of their assignment, they should submit a written request for regrading with an explanation of their concerns within one week of the distribution of the graded assignments. If an assignment is submitted for regrading, the entire assignment will be reviewed, which could result in a higher or lower grade than originally received. No changes can be made in grades after the conclusion of the semester other than in cases of clerical error.

Electronics in class

I strongly discourage you from using electronics such as computers and phones during class, but I do not disallow it entirely. If you are going to use electronics to do anything other than take notes, please sit at the back of the class so that you do not disturb others.

Logistics in the COVID-19 era

If you have tested positive for COVID-19 or have been identified as someone who needs to quarantine, do not attend class in person until the mandated period for isolation or quarantine has passed. Your instructor will work with you on arrangements to access class material while you are in isolation or quarantine.

Additionally, if you are experiencing any COVID-related symptoms, or are otherwise feeling unwell, do not attend in-person classes and contact your health care provider and/or student health immediately. COVID symptoms include: fever greater than 100.4 or chills; cough, shortness of breath or difficulty breathing; fatigue; unexplained muscle or body aches;

headache; new loss of taste or smell; sore throat; congestion or runny nose; nausea or vomiting; diarrhea.

Instructors or students with concerns about how a student is following any University-mandated COVID-19 policies and protocols should report those concerns to the Office of the Dean of Students. Concerns can be documented on a COVID Safety Measures Reporting Form.

Please consult Show Me Renewal for further guidelines. This statement will be updated as information changes.

Academic integrity

Academic integrity is fundamental to the activities and principles of a university. All members of the academic community must be confident that each person's work has been responsibly and honorably acquired, developed, and presented. Any effort to gain an advantage not given to all students is dishonest whether or not the effort is successful. The academic community regards breaches of the academic integrity rules as extremely serious matters. Sanctions for such a breach may include academic sanctions from the instructor, including failing the course for any violation, to disciplinary sanctions ranging from probation to expulsion. When in doubt about plagiarism, paraphrasing, quoting, collaboration, or any other form of cheating, consult the course instructor or the [Office of Academic Integrity](#).

Students are expected to adhere to this honor pledge on all graded work whether or not they are explicitly asked in advance to do so: "I strive to uphold the University values of respect, responsibility, discovery, and excellence. On my honor, I pledge that I have neither given nor received unauthorized assistance on this work."

Intellectual pluralism

The University community welcomes intellectual diversity and respects student rights. Students who have questions or concerns regarding the atmosphere in this class (including respect for diverse opinions) may contact the departmental chair or divisional director, the [Office of Academic Integrity](#), or the [MU Equity Office](#).

Students with disabilities

The goal of the University of Missouri is to ensure an inclusive learning environment for all students. [The University of Missouri Disability Center](#) provides services and accommodations for students to participate fully in the learning experience and to experience equitable evaluation of their performance. Students (including online students) with a documented disability can contact the Disability Center to establish an [Accommodation Plan](#). Documented

disabilities include *hearing, vision, mobility, learning and attention, psychological health, and physical health*. Students' accommodations are implemented with the input of students to maximize the learning experiences. The MU Disability Center keeps information about a student's disability confidential.

Please notify me of your eligibility for accommodations as soon as possible. Additionally, if there are aspects of the course that present as barriers, such as inaccessible course content (e.g., learning assessments, PowerPoints, non-captioned videos, images, tables, PDFs) or if you need an immediate accommodation due to an injury, please contact me or the Disability Center as soon as possible.

Religious holidays and accommodations

Many religious faiths are represented in the student body. The University of Missouri does not restrict student free exercise of religion, unless 1) the restriction is in the form of a rule of general applicability, and does not discriminate against religion or among religions; and 2) it can be demonstrated that the application of the restriction is essential to furthering a compelling university interest, and is not unduly restrictive considering the relevant circumstance. The policy of the University attempts to strike a reasonable balance between accommodating the religious practice of students and meeting academic needs and standards.

Consult IDE's Guide to Religions for the form that can be used to notify an instructor of an absence associated with religious practice. Students are expected to notify their instructor(s) by completing and submitting this form in a manner that is consistent with the procedure outlined in the university's policy on student religious accommodation. Providing false information regarding sincerely held religious practice is a violation of the university's Standard of Conduct and will not be tolerated.

Student mental health and wellbeing

The University of Missouri is committed to supporting student well-being through an integrated network of care, with a wide range of services to help students succeed. The MU Counseling Center offers professional mental health care and can help you find the best approach to treatment based on your needs. Call to make an appointment at 573-882-6601. Any student in crisis may call or go to the MU Counseling Center between 8:00-5:00 M-F. After hours phone support is available at 573-882-6601.

Visit our website at <https://wellbeing.missouri.edu/> to take an online mental health screening, find out about workshops and resources that can help you thrive, or learn how to support a friend.

Nondiscrimination policy (prohibited discrimination)

The University of Missouri does not discriminate on the basis of race, color, national origin, ancestry, religion, sex* (including gender), pregnancy, sexual orientation, gender identity, gender expression, age, disability, protected veteran status, and any other status protected by applicable state or federal law. Discrimination includes any form of unequal treatment such as denial of opportunities, harassment, and violence. *Sex discrimination includes rape, sexual assault, sexual harassment, unwanted touching, stalking, dating/domestic violence, stalking, and sexual exploitation. Retaliation for making or supporting a report of discrimination or harassment is also prohibited.

If you experience discrimination or sexual violence, you are encouraged (but not required) to report the incident to the MU Office for Civil Rights & Title IX. Learn more about your rights and options at civilrights.missouri.edu or call 573-882-3880. You also may make an anonymous report online.

If you are a survivor, or someone concerned about a survivor, and need immediate information on what to do, see [RSVP Resources page](#). Both the [Office for Civil Rights & Title IX](#) and the [RSVP Center](#) can provide assistance to students who need help with academics, housing, or other issues.

In the event that you choose to write or speak about having experienced any of these forms of prohibited discrimination or harassment, Mizzou policies require that, as your instructor, I share this information with the MU Office for Civil Rights & Title IX. They will contact you to offer information about resources, as well as your rights and options as a member of our campus community.

Academic inquiry, course discussion, and privacy

When students record something that happens in a course (a lecture, class discussions, meetings, etc.) it has an impact on the rights of the people captured in that recording. For example, the instructor and the University may have rights to the intellectual property contained in that recording. At the same time, another student who may have been recorded has the right to privacy. In order to protect these rights, MU employs a policy (called "[Executive Order No. 38](#)") to govern both situations you may encounter while taking a course – when an instructor allows recordings and when they do not. In this class, students may not make audio or video recordings of course activity, except students permitted to record as an accommodation under [section 240.040](#) of the Collected Rules. Students who violate this policy are subject to discipline in accordance with provisions of [section 200.020](#) of the Collected Rules and Regulations of the University of Missouri pertaining to student conduct matters.

Course schedule

(subject to change)

INTRODUCTION TO PUBLIC ECONOMICS

August 22, 2023 – Overview of syllabus; Introduction to Public Economics

- Readings:
 - Syllabus
 - Gruber Chapter 1
 - Fisher Chapter 1

August 24, 2023 – Theoretical tools for Public Economics

- Readings:
 - Gruber Chapter 2

August 29, 2023 – Empirical tools for Public Economics

- Readings:
 - Gruber Chapter 3
 - <https://mru.org/courses/mastering-econometrics/path-cause-effect>
 - More advanced: Mostly Harmless Econometrics (Angrist and Pischke)
 - Refresher on theoretical tools for PF: Gruber Chapter 2
- Assignment: Problem set 1 – due September 1, 2023

GOVERNMENT EXPENDITURES AND PUBLIC GOODS

August 31, 2023 – Externalities

- Readings:
 - Gruber Chapters 5 and 6
 - Sallee, J. “The Taxation of Fuel Economy” In J. Brown, ed., *Tax Policy and the Economy*, Volume 25 (Chicago: University of Chicago Press, 2011)
 - Griffith, R., O’Connell, M, Smith, K. and Stroud, R. (2019) “The evidence on the effects of soft drink taxes”, *IFS Briefing Note BN 255*

September 5, 2023 – Public goods

- Readings:
 - Gruber Chapter 7

September 7, 2023 – Charity

- Readings:
 - Andreoni, J. and Payne (2013) “Charitable Giving”, for *Handbook of Public Economics* (eds) Alan Auerbach, Raj Chetty, Martin Feldstein and Emmanuel Saez

- Andreoni, J. (1990) "Impure Altruism and Donations to Public Goods: A Theory of Warm-Glow Giving", *The Economic Journal*, 100(401): 464–477
- Meer, J. and Rosen, H. (2011) "The ABCs of charitable solicitation", *Journal of Public Economics*, 95(5-6): 363-371
- Duquette, J. (2016) "Do tax incentives affect charitable contributions? Evidence from public charities' reported revenues", *Journal of Public Economics*, 137: 51-69
- Duquette, N. J., & Mayo, J. (2021), "Who gives and who gets? Tax policy and the long-run distribution of philanthropy in the United States", *The Routledge Handbook of Taxation and Philanthropy*, 268–284
- Andreoni, J. and Payne, A. (2011) "Is crowding out due entirely to fundraising? Evidence from a panel of charities", *Journal of Public Economics*, 95(5-6): 334-343
- Mayo, J. (2023) "Navigating the Notches: Charity Responses to Ratings", *Working Paper*
- Assignment FOR PHD STUDENTS ONLY: Referee report – due September 15, 2023

September 12, 2023 – Political economy

- Readings:
 - Gruber Chapter 9
 - Lee, D., Moretti, E. and Butler, M. (2004) "Do Voters Affect or Elect Policies? Evidence from the U. S. House", *Quarterly Journal of Economics*, 119(3): 807-859
 - Brollo, F. and Troiano, U. (2015) "What Happens When a Woman Wins an Election? Evidence from Close Races in Brazil", *Journal of Development Economics*, 122: 28-45
 - Alesina, A., Cassidy, T. and Troiano, U. (2018) "Old and Young Politicians", *Economica*, 86(344): 689-727

September 13, 2023 – State and local government expenditures

- Readings:
 - Gruber Chapter 10
 - Fisher Chapters 5 and 6
 - Tiebout, C. (1961) "An economic theory of fiscal decentralization." *Public finances: Needs, sources, and utilization*. Princeton University Press, 79-96
 - Case, A., Hines, J. and Rosen, H. (2003) "Budget spillovers and fiscal policy interdependence: Evidence from the states", *Journal of Public Economics*, 52(3): 285-307
 - Hines, J. and Thaler, R. (1995) "The flypaper effect", *Journal of Economic Perspectives*, 9(4): 217-226

September 14, 2023 – Place-based policies and mobility

- Readings:
 - Kline, P. and Moretti, E. (2014) "People, places, and public policy: Some simple welfare economics of local economic development programs." *Annu. Rev. Econ.* 6(1): 629-662
 - Chetty, R. and Hendren, N. (2018) "The Impacts of Neighborhoods on Intergenerational Mobility I: Childhood Exposure Effects", *Quarterly Journal of Economics*, 133(3): 1107–1162

September 19, 2023 – Education (reasons for intervention and measuring returns)

- Readings:
 - Gruber Chapter 11.1 and 11.4
 - Fisher Chapter 19
 - Lange, F. and Topel, R. (2006) "The Social Value of Education and Human Capital" for *Handbook of the Economics of Education* (eds) Eric Hanushek and Finis Welch
 - Card, D. (2006) "The Causal Effect of Education on Wages" for *Handbook of Labor Economics* (eds) Orley Ashenfelter and David Card
- Assignment: Problem set 2 – due September 29, 2023

September 26, 2023 – Education (school quality, higher education and intergenerational mobility)

- Readings:
 - Gruber Chapter 11.5
 - Avery, C. and Turner, S. (2012) "Student Loans: Do College Students Borrow Too Much--Or Not Enough?", *Journal of Economic Perspectives*, 26(1): 165-92
 - Bjorklund, A. and Salvanes, K. (2011) "Education and Family Background: Mechanisms and Policies," *Handbook of the Economics of Education*, Chapter 3

September 28, 2023 – Social insurance and social security

- Readings:
 - Gruber Chapter 12 and 13
 - Friedberg, L. (2000) "The Labor Supply Effects of the Social Security Earnings Test", *The Review of Economics and Statistics*, 82(1): 48-63

October 3, 2023 – Social insurance (unemployment and disability insurance, workers' compensation)

- Readings:
 - Gruber Chapter 14
 - Chetty, R. (2008) "Moral hazard versus liquidity and optimal unemployment insurance", *Journal of Political Economy*, 116(2): 173-234
 - Card, D., Chetty, R. and Weber, A. (2007) "Cash-on-Hand and Competing Models of Intertemporal Behavior: New Evidence from the Labor Market" *Quarterly Journal of Economics*, 122(4): 1511-1560

- Gruber, J. (1997) "The Consumption Smoothing Benefits of Unemployment Insurance" *American Economic Review*, 87(1): 192-205

October 5, 2023 – Health insurance (background and theory)

- Readings:
 - Gruber Chapter 15
- Assignment: Problem set 3 – due October 13, 2023

October 10, 2023 – Health insurance (evidence)

- Readings:
 - Gruber Chapter 16
 - Fisher Chapter 21
 - Finkelstein, Amy, et al. (2012) "The Oregon health insurance experiment: evidence from the first year", *Quarterly Journal of Economics*, 127(3): 1057-1106
 - Miller, S., Johnson, N. and Wherry, L. (2021) "Medicaid and Mortality: New Evidence From Linked Survey and Administrative Data", *Quarterly Journal of Economics*, 136(3): 1783-1829
 - Kolstad, J., and Kowalski, A. (2016) "Mandate-based health reform and the labor market: Evidence from the Massachusetts reform", *Journal of Health Economics* 47: 81-106

October 17, 2023 – Redistribution and welfare

- Readings:
 - Gruber Chapter 17
 - Almond, D., Hoynes, H. and Schanzenbach, D. (2016) "Long-run impacts of childhood access to the safety net", *American Economic Review*, 106(4): 903-34
 - Hoynes, H. and Schanzenbach, D. (2009) "Consumption responses to in-kind transfers: Evidence from the introduction of the food stamp program", *American Economic Journal: Applied Economics*, 1(4): 109-39
 - Deshpande, M. and Mueller-Smith, M. (2022) "Does Welfare Prevent Crime? the Criminal Justice Outcomes of Youth Removed from SSI," forthcoming at *Quarterly Journal of Economics* pp. 1-45
- Assignment: Literature review 1 – due October 20, 2023

TAXATION

October 18, 2023 – Overview of US taxation

- Readings:
 - Gruber Chapter 18

October 18, 2023 – Incidence and efficiency costs

- Readings:
 - Gruber Chapters 19 and 20.1
 - Fisher Chapters 2 and 12

October 19, 2023 – Optimal tax

- Readings:
 - Gruber Chapter 20.2 and 20.3

October 24, 2023 – Labor taxation 1

- Readings:
 - Fisher Chapter 16
- Assignment: Problem set 4 – due November 3, 2023

October 26, 2023 – Labor taxation 2

- Readings:
 - Gruber Chapter 21
 - Saez, E. (2010) "Do Taxpayers Bunch at Kink Points?", *American Economic Journal: Economic Policy*, 2: 180-212
 - Chetty, R., Friedman, J. and Saez, S. (2013) "Using Differences in Knowledge Across Neighborhoods to Uncover the Impacts of the EITC on Earnings", *American Economic Review*, 103(7): 2683-2721
 - Bastian, J. and Jones, M. (2021) "Do EITC expansions pay for themselves? Effects on tax revenue and government transfers", *Journal of Public Economics*, 196: 104355
 - Bastian, J. and Micheltore, K. (2018) "The long-term impact of the earned income tax credit on children's education and employment outcomes", *Journal of Labor Economics*, 36(4): 1127-1163

October 31, 2023 – Capital and wealth taxation

- Readings:
 - Gruber Chapters 22 and 23
 - Saez, E. and Zucman, G. (2016) "Wealth inequality in the United States since 1913: Evidence from capitalized income tax data" *The Quarterly Journal of Economics* 131(2): 519-578
 - Auten, G. and Splinter, D. (2018) "Income inequality in the United States: Using tax data to measure long-term trends." *Washington, DC: Joint Committee on Taxation*
 - Smith, M., Zidar, O. and Zwick, E. (2020) "Top Wealth In America: New Estimates and Implications for Taxing the Rich" *Working Paper*
 - Jakobsen, K., Jakobsen, K., Kleven, H. and Zucman, G. (2020) "Wealth Taxation and Wealth Accumulation: Evidence from Denmark", *Quarterly Journal of Economics*, 135(1): 329-388

November 7, 2023 – Corporate taxation

- Readings:
 - Gruber Chapter 24
 - Auerbach, A. (2006) “Who Bears the Corporate Tax? A Review of What We Know” in J. Poterba ed., *Tax Policy and the Economy*, Cambridge: MIT Press, 20: 1-40
 - Fuest, C., Peichl, A. and Siegloch, S. (2018) “Do Higher Corporate Taxes Reduce Wages?”, *American Economic Review*, 108(2): 393–418
 - Giroud, X. and Rauh, R. (2019) “State Taxation and the Reallocation of Business Activity: Evidence from Establishment-Level Data”, *Journal of Political Economy*, 127(3): 1262-1316
 - Akcigit, U., Grigsby, J., Nicholas, T. and Stantcheva, S. (2022) “Taxation and Innovation in the Twentieth Century”, *Quarterly Journal of Economics*, 137(1): 329-385

November 9, 2023 – International taxation

- Readings:
 - Gruber Chapter 24.5
 - Zucman, G. (2014) “Taxing Across Borders: Tracking Personal Wealth and Corporate Profits”, *Journal of Economic Perspectives*, 28(4): 121-148
 - Hines, J. (2014) “How serious is the problem of base erosion and profit shifting?”, *Canadian Tax Journal*, 62(2): 443-453
 - Dharmapala, D. and Riedel, N. (2013) “Earnings shocks and tax-motivated income shifting: Evidence from European multinationals”, *Journal of Public Economics*, 97: 95-107

November 14, 2023 – Tax enforcement, evasion and avoidance

- Readings:
 - Allingham, M. and Sandmo, A. (1972) “Income Tax Evasion: A Theoretical Analysis,” *Journal of Public Economics*, 1(3-4): 323-338
 - Slemrod, J. (2019) “Tax Compliance and Enforcement,” *Journal of Economic Literature*, 57(4): 994-954
 - Pissarides, C. and Weber, G. (1989) “An Estimate-Based Estimate of Britain’s Black Economy”, *Journal of Public Economics*, 39(1): 17-32
 - Alstadsaeter, A. Johannesen, N. and Zucman, G. (2019) “Tax Evasion and Inequality”, *American Economic Review*, 109(6): 2073–2103

November 16, 2023 – Behavioral Public Finance

- Readings:
 - Bernheim, D. and Taubinsky, B. (2018) “Behavioral Public Economics,” *Handbook of Behavioral Economics*. V LONG – JUST PICK OUT INTERESTING BITS
 - <https://sites.google.com/view/behavioralpublic/home>
 - Chetty, R., Looney A. & Kroft, K. (2009) “Salience and Taxation: Theory and Evidence”, *American Economic Review*, 99(4): 1145-1177

- Feldman, N., Katušcak, P. and Kawano, L. (2016) "Taxpayer Confusion: Evidence from the Child Tax Credit", *American Economic Review*, 106(3): 807-835
- Assignment: Literature review 2 – due November 24, 2023

November 21, 2023 – NO CLASS

November 23, 2023 – NO CLASS

November 28, 2023 – Proposal roundtable

November 30, 2023 – Student presentations (20-25 minutes each - 15 minutes for slides; 5-10 minutes for discussion)

December 5, 2023 – Student presentations

December 7, 2023 – Student presentations

- Assignment: Research proposal – due December 15, 2023