Course Description

In this course, we will examine the literature on the effects of taxes and transfer programs. Topics that will be covered include (a) income taxes and labor supply, including alternative strategies for estimating these effects; (b) the employment, labor supply and “income” responses to income taxes, its progressivity, and to tax credits, such as the Earned Income Tax Credit (EITC); (c) participation in (take-up of) other transfer programs, such as AFDC/TANF, Social Security, and unemployment and disability insurance and their effects on employment, labor supply and other measures of well-being (e.g., economic welfare); (d) models and analyses of optimal taxation schemes and their distortionary impacts. A good deal of emphasis will be placed on the econometric models and methods used to estimate these effects, including structural, experimental and quasi-experimental models. We will examine the literature in these areas and assess the literature with the goal of identifying promising research topics and areas for possible application of innovative modeling approaches.

Course Structure, Requirements, and Grading

This will not be a lecture course. This is a “critically read and discuss papers” course.

All students in the course will be expected to read the papers before class and to actively participate in these discussions. To foster this participation and to fulfill the requirements of this course, all students are required to serve as a student leader for one class and to post comments and questions on the readings for the classes for which they are not student leaders. Below, I describe each of these student responsibilities.

Student Leader

In their role as the student leader for a class session, the student is responsible for:

(a) preparing a written summary of the readings to be covered in the class notes (no more than 7-10 pages) and providing a set of key discussion questions for the class;

(b) make a short (10 minutes maximum) presentation of the key points of the papers and initiate the discussion of the key questions. (It would be good to use slides, adapted from your written summary, for the presentation.)

In terms of the written summary, the student leader should address the following points:
• What is the main point(s) of the papers?

• If there were model developed in the papers, briefly summarize them. (This should be done with a minimum of equations, showing the models but not the derivations.)

• If the papers present empirical work, briefly summarize the (i) data used; (ii) econometric methods and/or identifying strategies that are used; and (iii) key empirical findings.

• Finally, the presenter may want to offer thoughts and/or questions about the contribution of the papers to the human capital literature and/or what concerns the presenter has about the approach taken in any of the papers.

The summary notes should be posted on the course website on Sakai no later than 6:00 p.m. on the day before the class the student is leading. These notes, and any slides that the student wishes to use during their class presentation, should be posted of the Sakai course website. More on where to post and find things on the course website below.

Posting Comments & Questions on Readings for Classes

As noted above, all students are expected to read all of the papers, whether they are acting as a student leader or not. To help encourage everyone to keep up with the readings and the class, all students are expected to post their comments and questions on the readings before class. These comments will be posted to the Forum section of the Sakai course website.

Sakai Course Website

All of the classes in this course will be organized on the course website on Sakai, under the Resources and Forums sections listed in the menu on the lefthand side of the screen when you are logged in to ECON.881.06.F12 on Sakai.

Within the folder “Student Leader Summaries & Slides” in the Resources section of the Sakai course website, there are subfolders for each class in the courses, labeled by the day and date of the class. Within each Class subfolder students will find:

(a) list of the papers to be covered for that class;

(b) copy of any of these papers (as an attachment) that may be difficult to find

(c) summary notes of the student leader(s) for that class, that the student will post before class as an attachment.

As noted above, the student leader(s) should have their summary notes posted by 6:00 p.m. on the day before the class. This will allow student notes at least 24 hours before the class she/he is leading.

Within the folder use is labeled, “Course Topics & Papers Forum,” in the Forum section of the course website, a separate Topic has been set up for each class, with headings indicating the date of and topic for the class. Under each Class, all students are encouraged to post com-
ments and questions about the readings for each class. To post their comments/questions, students should go to the Class listed in the Course Topics & Paper Forum and either click on the Post New Thread to start a new comment or click on Reply within an existing thread to add a comment/question. Students (and me!) should read the threads before class so that we can make efficient use of our time in class, focusing on issues that the class finds most interesting and/or about which there are more questions.

Schedule for Student Leaders

The following is the schedule of the Student Leaders for the various classes.

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<thead>
<tr>
<th>Class</th>
<th>Student Leader(s)</th>
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<td>Class 1</td>
<td>Hotz</td>
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<td>Class 2</td>
<td>Hotz</td>
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<td>Class 3</td>
<td>Ying Shi</td>
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<td>Class 4</td>
<td>Zhi Chen</td>
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<tr>
<td>Class 6</td>
<td>Class with Hotz leading</td>
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<tr>
<td>Class 7</td>
<td>Takuya Ura</td>
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<td>Class 8</td>
<td>Class with Hotz leading</td>
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<td>Class 9</td>
<td>Raquel Araujo</td>
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<td>Class 10</td>
<td>John Singleton</td>
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<td>Class 11</td>
<td>Class with Hotz leading</td>
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<td>Class with Hotz leading</td>
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<tr>
<td>Class 13</td>
<td>Class with Hotz leading</td>
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Schedule of Topics and Papers

Class 1: Mon, Oct. 22  Trends for Labor Supply and Taxes

          Read sections on Trends & Static Models in Blundell and MaCurdy (1999) and Keane (2011a).
          Piketty & Saez (2007).


          Read Keane (2011a), Sections 3 and 4. Blundell and MaCurdy (1999), Section 4.


          See also Hausman, J. A. (1985b) and Blomquist & Newey (2002).


          See also Eissa (1996a); Blundell and MaCurdy (1999), Section 5; Blundell, MaCurdy and Meghir (2007), Section 3.

Class 5: Mon, Nov. 5  Modeling Taxes & Labor Supply: ‘New’ Natural Experiment Approach (cont.)

Readings: Feldstein (1995a); Moffitt and Wilhelm (2000); Gruber and Saez (2002).
          See also Meghir and Phillips (2011), Sections 3.1.4 & 3.2.5 and Saez, Slemrod & Giertz (2009).


Readings: MaCurdy (1981); Heckman and MaCurdy (1980); Altonji (1986); Browning, Deaton and Irish (1985).
          See also MaCurdy (1985), Blundell & MaCurdy (1999), Section 4.2; Blundell, MaCurdy & Meghir (2007). Section 6.1.

Taxes & Savings I


Class 9: Mon, Nov. 19 Estimating Effects of Cash- & Tax-Based Transfer Programs on Labor Supply


Class 10: Mon, Nov. 26 Estimating Effects of Cash- & Tax-Based Transfer Programs: Modeling Multiple Program Participation


Class 11: Wed, Nov. 28 Estimating Effects of Cash- & Tax-Based Transfer Programs: Effects on Employment of Low-Skilled Women


OR

Estimating Effects of Cash- & Tax-Based Transfer Programs: Dynamics


OR

Optimal Taxation & Transfer Programs

Reading List

1. The Supply of Labor

1.1 Survey & Overview Papers


1.2 Optimal Income Tax Models


1.3 Static Labor Supply Model


1.4 Taxes & Labor Supply: Static Model Case


1.5 The Life Cycle Labor Supply Model with Exogenous Wage Rates


1.6 Life Cycle Labor Supply Model with Human Capital Accumulation & Endogenous Wages


2. The Impacts of Taxes on Other Outcomes & Elasticity of Taxable Income


3. **Taxes & Effects of Social Programs on Labor Supply**

3.1 **Theoretical Effects of Cash Welfare**


3.2 Welfare Programs and Labor Supply


3.3 The Earned Income Tax Credit


Social Security and Labor Supply


**Labor Supply and Medicaid**
