ECON 438 / PUBPOL 289 — Public Finance
Fall 2018

Instructor:
Juan Carlos Suárez Serrato
Office Hours: Monday 3-4PM at Social Sciences 235
Email: jc.suarez@duke.edu

Teaching Assistant: TBD

Meeting Times:
Mondays and Wednesday 11:45AM-1PM at Biological Sciences 155

Pre-requisites:
Completion of Economics 205D or Public Policy Studies 303D

Course Description:
This course explores the role of economic analysis in the design, evaluation, and implementation of public policy. By the end of the course, students should be able to apply a framework of social welfare analysis to a variety of public finance questions. Emphasis will be given to the theoretical development of cost-benefit tradeoffs as well as to their empirical implementation. The first part of the course develops this framework including a short review of empirical strategies. The second part of the course will apply the framework to a variety of policy settings including issues around the design of taxation, unemployment insurance, and government spending.

Required Readings:
This course will rely on two books, one required and one suggested.
Suggested book: “Microeconometrics Using Stata, Revised Edition” by Cameron and Trivedi. Both will be available at the campus bookstore. The second of these books will be used as reference for STATA and is a handy companion for you to have in future work. If you already have an alternative reference or are very proficient in the use of STATA you need not buy this book.

Electronic resources will be available online and through Sakai. Because I plan to incorporate current events in class, not all reading materials are available at the commencement of the course but will be made available through Sakai.
### Grading:

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 Midterms</td>
<td>19%</td>
</tr>
<tr>
<td>6 PS</td>
<td>6%</td>
</tr>
<tr>
<td>Article Quizzes and Discussion</td>
<td>5%</td>
</tr>
<tr>
<td>In-class Participation</td>
<td>11%</td>
</tr>
<tr>
<td>Individual Project</td>
<td>10%</td>
</tr>
</tbody>
</table>

### Requirements:

**Problem Sets:** There will be 6 (short) problem sets. The problem sets are due at the beginning of class on their respective due dates. Some of the problem sets will have an empirical focus and use of STATA or other statistical software package will be required. See Handout on Accessing STATA for more details.

**Article Quizzes and Discussion:** There will be (easy) quizzes based on article readings at the beginning of class. In-class discussion of articles will also count towards this portion of the grade. The quiz with the lowest grade will not count toward your grade.

**Participation:** Class participation is an integral part of the course requirements and will be graded accordingly. Laptops, tablets, and other multi-tasking devices are not allowed during lectures. Please come see me if you have a special need for technology in the classroom. Paying regular attention to electronic devices such as cell phones will count against participation.

**Group Project:** There will be a research project where students will apply the analytical and empirical tools developed in the course to the analysis of a policy question of their choice. The project will consist of short memo (6-8 single-spaced page not including references, tables, and graphs) detailing a research strategy to answer a policy question of their choice.

**Student Feedback:**
I would like to continue improving the course and welcome student feedback in person or via email. If you would rather send an anonymous comment, we encourage you to do so by filling out this anonymous form: [http://www.jcsuarez.com/teaching_comments.html](http://www.jcsuarez.com/teaching_comments.html)

**For general university policies see:**
Grading: [http://registrar.duke.edu/faculty-staff/grading](http://registrar.duke.edu/faculty-staff/grading)
For students with disabilities: [http://access.duke.edu/students/faculty.php](http://access.duke.edu/students/faculty.php)
Absences: [http://trinity.duke.edu/undergraduate/academic-policies/missing-work-classes](http://trinity.duke.edu/undergraduate/academic-policies/missing-work-classes)
Tentative Course Schedule:

Mon Aug 27  Class 1 – Introduction, Utility Maximization
  Handout Problem Set 1

Wed Aug 29  Class 2 – Utility Maximization, and Welfare
  Read: - Gruber Ch 1 & 2

Mon Sept 3  Class 3 – Estimation
  Handout Problem Set 2
  Read: - Cameron & Trivedi Ch 1,2,3,6 & 8
  - Gruber Ch 3

Wed Sept 5  Class 4 – Public Goods
  ➢ Problem Set 1 Due
  Read: - Gruber Ch 7

Mon Sept 10 Class 5 – Externalities
  Read: - Gruber Ch 5 & 6
  - “Should we Tax People for Being Annoying”, NY Times.
    http://www.nytimes.com/2013/01/13/magazine/should-we-tax-people-for-being-annoying.html?_r=0

Wed Sept 12 Class 6 – Externalities and Public Goods Wrap-Up
  ➢ Problem Set 2 Due
  Handout Problem Set 3

Mon Sept 17 Class 7 – Introduction to Taxation and Incidence
  Read: - Gruber Ch 18 & 19

Wed Sept 19 Class 8 – Deadweight-Loss
  ➢ Project: Idea Due
Mon Sept 24 Class 9 – Income Taxation Part 1
Read:  - Gruber Ch 20 & 21
       http://elsa.berkeley.edu/~saez/saezTPE04.pdf

Wed Sept 26 Class 10 – Income Taxation Part 2
➢ Problem Set 3 Due
Handout Problem Set 4

Mon Oct 1 Class 11 – Asymmetric Information
Read:  - Gruber Ch 12

Wed Oct 3 Class 12 – Social Insurance
➢ Problem Set 4 Due

Mon Oct 8 Class 13 – Fall Break, No Class

Wed Oct 10 Class 14 – Unemployment Insurance Part 1
➢ Project: Data Section Due
Read:  - Gruber Ch 14

Mon Oct 15 Class 15 – Unemployment Insurance Part 2

Wed Oct 17 Class 16 – Midterm

Mon Oct 22 Class 17 – Social Security Part 1
Read:  - Gruber Ch 13

Wed Oct 24 Class 18 – Social Security Part 2
Handout Problem Set 5
Mon Oct 29  Class 19 – Health Care Part 1  
Read: - Gruber Ch 15 & 16

Wed Oct 31  Class 20 – Health Care Part 2  
➢ Problem Set 5 Due

Mon Nov 5  Class 21 – Corporate Taxation Part 1  
Read: - Gruber Ch 24 & 25  
http://www.nber.org/papers/w11686

Wed Nov 7  Class 22 – Corporate Taxation Part 2  
➢ Project: Model and Specification Section Due  
Handout Problem Set 6

Mon Nov 12 Class 23 – International Taxation Part 1  
https://www.aeaweb.org/articles?id=10.1257/jep.28.4.121  
- Suarez Serrato, Juan Carlos 2018. “Unintended Consequences of Eliminating Tax Havens”  
http://www.jcsuarez.com/Files/Suarez_Serrato_UCETH.pdf

Wed Nov 14 Class 24 – International Taxation Part 2  
➢ Problem Set 6 Due

Mon Nov 19 Class 25 – State and Local Governments  
➢ Project: Results and Policy Analysis  
Read: - Gruber Ch 10

Wed Nov 21 Class 26 – Thanksgiving, No Class

Mon Nov 26 Class 27 – Project Presentations Day #1

Wed Nov 28 Class 28 – Project Presentations Day #2

Mon Dec 3  Class 29 – Project Presentations Day #3

Wed Dec 5  Class 30 – Wrap-up and Review for Midterm #2
Handout on Accessing STATA

The TA for the course will provide instruction in the use of STATA, a statistical software package that will be used for problem sets and that is available in data labs throughout the campus. Students are welcome to use any other statistical package that they wish to use, but the TA is not required to support any package other than STATA.

A recommended and convenient way to use STATA is to access the software from computer clusters on campus. For locations where you may find STATA: https://it.duke.edu/teaching-resources/computer-labs

You can purchase a student version of STATA for your own computer but that is not required for the course. See following page for details on how to do this: https://software.duke.edu/?q=node/181

A useful resource for getting started working with STATA is here: http://www.ats.ucla.edu/stat/stata/

This video provides an introduction to the use of STATA: http://www.youtube.com/watch?v=7xXYmEN5iTU#t=13

Another useful guide is the book “Microeconometrics Using Stata” By Cameron and Trivedi.