This is the first of two courses in the graduate public economics sequence at Harvard. This one-semester course covers basic issues in the optimal design of tax and social insurance policies, with emphasis on combining theoretical models with empirical evidence. Topics include efficiency costs and incidence of taxation, income taxation, transfer and welfare programs, public goods and externalities, optimal social insurance (excluding social security), and welfare analysis in behavioral models.

The course consists of 28 lectures, each lasting 1.5 hours. The slides and reading list are divided into eight parts:

Part 1: Introduction

Part 2: Tax Incidence [3 lectures]

Part 3: Efficiency Cost of Taxation [3 lectures]

Part 4: Optimal Taxation [5 lectures]

Part 5: Income Taxation and Labor Supply [4 lectures]

Part 6: Social Insurance [5 lectures]

Part 7: Public Goods and Externalities [4 lectures]

Part 8: Corporate Taxation [4 lectures]

We would like to thank Emmanuel Saez, Jon Gruber, Day Manoli, and many other colleagues whose comments and lecture notes contributed to the development of these slides.
Tax Incidence and Efficiency

Tax Incidence

Partial Equilibrium Incidence


Empirical Applications


J. Rothstein. “Is the EITC as Good as an NIT? Conditional Cash Transfers and Tax
General Equilibrium Incidence


Open Economy Applications


Capitalization and the Asset Price Approach


K. Rosen, “The Impact of Proposition 13 on House Prices in Northern California: A Test of the


**Mandated Benefits**


**Excess Burden**

**Theory**


### Applications


Optimal Taxation

Commodity Taxation


Taxation of Savings


S. Venti and D. Wise, "Have IRAs Increased U.S. Saving? Evidence from Consumer Expenditure


**Income Taxation**


G. Laroque, 2005 “Indirect taxation is superfluous under separability and taste homogeneity: A simple proof”, *Economic Letters*, 87, 141-144.


Transfer Programs


Income Taxation and Labor Supply

Estimating Labor Supply Elasticities


**Taxable Income Elasticities**


Welfare Programs and the Earned Income Tax Credit


Structural Elasticities and Macroeconomic Evidence


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**Social Insurance**

**Market Failures and Motivations for Government Intervention**


N. Hendren, “Private Information and Insurance Rejections” Harvard University mimeo, 2012


**Unemployment Insurance**

*Theory*


Empirics

**Worker Behavior


R. Ehrenberg and R. Oaxaca, “Unemployment Insurance, Duration of Unemployment, and


**Firm Behavior**


**Workers Compensation**


**Disability Insurance**


N. Maestas, K. Mullen and A. Strand, “Does Disability Insurance Receipt Discourage Work?


### Public Goods and Externalities

*Externalities and Pigouvian Policies*

**Theory**


**Applications**


**Public Goods**

**Theory**


Atkinson and Stiglitz, Lectures on Public Economics Chaps. 16 and 17 and pages 457-76

Auerbach and Feldstein, Handbook of Public Economics (vol 2), Chap 9; (chap 10); chap 11, pp. 571-601


Evidence


Corporate Taxation

Payout and Corporate Profits Taxes


**Tax Incentives for Investment**


**Taxation and Capital Structure**

A. Auerbach, "Taxation, Corporate Financial Policy, and the Cost of Capital," Journal of Economic Literature 21 (1983), 905-940, esp. section IV.


Irwin, 1985), 227-284.

**Organizational Form and International Taxation**

A. Auerbach. “A Modern Corporate Tax.” Center for American Progress, 2010.


**BACKGROUND READING AND REFERENCES**

*General Public Economics Textbooks*


E. Saez Berkeley public economics lecture notes: http://elsa.berkeley.edu/~saez/course/course.html

*References for a simple description of the U.S. tax system and government programs*


*References for applied econometrics methods used in this course*

