

National Tsing Hua University
Department of Economics

Topics in Public Economics, Fall 2023

Time: Wednesday 9-12noon Classroom: 732 TSMC Building
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Office hours: by appointment

Introduction:

The course will analyze issues in public economics, which can be categorized into three parts: (1) tax effects on economic behaviors and the optimal theory of taxation; (2) issues on the income and wealth inequality in Taiwan and the world; and (3) individual charitable donations.

The part of tax effects will investigate the tax effects on individuals' economic behaviors, mainly including business investment and tax compliance.

The part on inequality will discuss empirical evidence on income and wealth inequality and examine various rationales for the increasing inequality around the world since the 1980s. It will also analyze the negative impacts of income and wealth inequality on the society and evaluate possible remedies, especially tax policies, to alleviate the increasing inequality.

The part on individual charitable donations will discuss the theoretical rationales underlying individuals' charitable giving and analyze the buzzing empirical studies based on field experiments in the past decade.

Prerequisite: Undergraduate-level intermediate microeconomics

Readings:

The readings for this course are mainly journal articles and working papers. Lecture notes for most of the weeks will be available on the website of eclass.

Grading:

A take-home exam will comprise 30%, a term paper will comprise 40%, and critical presentations and comments for assigned papers (2-3 times, dependent on the enrollment) will comprise the remaining 30% of the course score.

Format for critical presentation: 30 minutes including Q&A. The time for presentation is short but the assignment is usually a full paper including background, theoretical framework, econometric specification, data, results and discussion. Therefore, you are supposed to carefully read the paper and think about what and how to highlight your points in your presentation.

Reading List:

I. Taxation Issues

1. Self-employment and employed (wk1)

- Bruce, Donald, "Taxes and Entrepreneurial Endurance: Evidence from the Self-Employed." *National Tax Journal* 55(1), 2002, pp. 5-24.
- (R) Bruce, Donald, "Effects of the United States Tax System on Transitions into Self-Employment." *Labour Economics* 7(5), 2000, pp. 545-574.
- Cullen, Julie Berry and Roger Gordon, "Taxes and entrepreneurial risk-taking: Theory and evidence for the U.S.," *Journal of Public Economics* 91, 2007, pp. 1479 - 1505
- **Gentry, William and Glenn Hubbard, "Tax Policy and Entrepreneurial Entry," *American Economic Review* 90(2), 2000, pp. 283-287.
- Goolsbee, Austan, "The Impact of the Corporate Income Tax: Evidence from State Organizational Form Data," *Journal of Public Economics* 88, 2004, pp. 2283-2299.
- *Murphy, Kevin, Andrei Shleifer and Robert Vishny, "The Allocation of Talent: Implications for Growth," *Quarterly Journal of Economics*, 106(2), May 1991, pp. 503-530.
- 于若蓉，私人受雇者轉換自營作業上工作決策-「不景氣-推擠」效果假說，《經濟論文叢刊》，32(1)，March 2004，63-96。

2. Business Finance and Dividend Payment (wk 2)

- **A. Auerbach, "Taxation, Corporate Financial Policy and the Cost of Capital," *Journal of Economic Literature* 21(3), September, 1983, pp. 905-940.
- Gordon, Roger and Martin Dietz, "Dividends and Taxes," *NBER WP* 12292, 2006.
- Fama, Eugene F. and K. French, "Taxes, Financing Decisions and Firm Value," *Journal of Finance* 53(3), June 1998, pp. 819-843.
- Graham, J.R., "Do Personal Taxes Affect Corporate Financing Decisions?" *Journal of Public Economics* 73(2), August 1999, pp. 147-185.
- *Zodrow, George, "On the "Traditional" and "New" Views of Dividend Taxation," *National Tax Journal* 44(4), 1991, pp. 497-509.
- (R) Kawano, Kaura, "The Dividend Clientele Hypothesis: Evidence from the 2003

Tax Act,” *American Economic Journal: Economic Policy* 2014 6(1), 114-136.

3. Underground Economy (wk 3)

*La Porta, R. and A. Shleifer, “Informality and Development,” *Journal of Economic Perspective* 28(3), 2014, pp. 109-126.

**Schneider, F. and D. Enste, “Shadow Economies: Size, Causes, and Consequences,” *Journal of Economic Literature* 38, 2000, pp. 77-114.

La Porta, R., F. Lopez-de-Silanes, A. Shleifer and R. Vishny, “The Quality of Government,” *Journal of Law, Economics, and Organization* 15(1), pp. 222-279.

Schneider, F. and A. Buehn, “Estimating the Size of the Shadow Economy: Methods, Problems and Open Questions,” mimeo.

(R)Berdiev, A. and J. Saunoris, “Cross-country Evidence of Corruption Spillovers to Formal and Informal Entrepreneurship,” mimeo.

4. Tax Compliance (wk 4)

**M. Allingham and A. Sandmo, “Income Tax Evasion: A Theoretical Analysis,” *Journal of Public Economic* 1(3-4), November 1972, pp. 323-338.

*Andreoni, Erard, and Feinstein, “Tax Compliance,” *Journal of Economic Literature* 36(2), 1998, pp. 818-860.

Slemrod, Joel, “Cheating Ourselves: The Economics of Tax Evasion,” *Journal of Economic Perspective* 21(1), Winter 2007, pp. 25-48.

(R)Slemrod, Blumenthal and Christian, “Taxpayers Response to an Increased Probability of Audit: Evidence from a Controlled Experiment in Minnesota,” *Journal of Public Economics*, 79(3), March 2001, pp. 455-483.

**Feldstein, Martin. “Tax Avoidance and the Deadweight Loss of the Income Tax,” *Review of Economics and Statistics* 81(4), November 1999, pp. 674-680.

II Income and Wealth Inequality

1. Evidence on Consumption, Income and Wealth Inequality and Methodological Issues in Measuring Inequality (wk 5)

**Piketty, T. and E. Saez, “Income Inequality in the United States, 1913-1998,” *Quarterly Journal of Economics* 118(1), pp. 1-39,

Atkinson, A., T. Piketty and E. Saez, “Top Incomes in the Long Run of History,” *Journal of Economic Literature* 49(1), 3-71.

*Saez, E. and G. Zucman, “Wealth Inequality in the United States since 1913: Evidence from Capitalized Income Tax Data,” *NBER working paper* 20625, 2014.

(R)Meyer, Bruce D. and James X. Sullivan, “Consumption and Income Inequality in

the U.S. since the 1960s,” *NBER wp23655*, 2017.

Debate on the survey data vs. tax return data

Piketty, T. and E. Saez, “Thomas Piketty and Emmanuel Saez Respond to Alan Reynolds” at

https://economistsview.typepad.com/economistsview/2007/01/thomas_piketty_.html.

Krugman, Paul, “Paul Krugman: Reporting Limits and Inequality” at

https://economistsview.typepad.com/economistsview/2007/01/paul_krugman_re.html.

2. Increasing Income and Wealth Inequality: Causes, Consequences and Policy Implications (wk 7)

Saez, Emmanuel, “Income and Wealth Inequality: Evidence and Policy Implications,” *Contemporary Economic Policy* 35(1), 2017, 7-25.

Chetty, Ray, Nathaniel Hendren, Patrick Kline and Emmanuel Saez, “Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States,” *Quarterly Journal of Economics* 129(4), 2014, 1553-1623.

Corak, Miles, “Income Inequality, Equality of Opportunity, and Intergenerational Mobility,” *Journal of Economic Perspectives* 27(3), 2013, pp. 79-102.

Chetty et al. (2016), “The Association between Income and Life-expectancy in the United States, 2001-2014,” *JAMA* 315(16), 1750-1766.

Alvaredo, Facundo, Lucas Chancel, Thomas Piketty, Emmanuel Saez and Gabriel Zucman, “The Elephant Curve of Global Inequality and Growth,” *AEA Papers and Proceedings* 108(2), 2018, 103-108.

(R)Lakner, Christoph and Branko Milanovic, 2016, “Global Income Distribution: From the Fall of the Berlin Wall to the Great Recession,” *World Bank Economic Review* 30(2), 203-232.

Alvaredo, Facundo, Lucas Chancel, Thomas Piketty, Emmanuel Saez and Gabriel Zucman (2018), “The Elephant Curve of Global Inequality and Growth,” *AEA Papers and Proceedings* 108, 103-108.

3. Gift and Estate Taxation (wk 7)

**Kopczuk, Wojciech. “Economics of estate taxation: Review of theory and evidence,” *NBER wp15741*, 2009.

Gale, William G. and Joel Slemrod. “Rhetoric and economics in the estate tax debate,” mimeo, 2001.

Joulfaian, David. “Choosing between gifts and bequests: How taxes affect the timing of wealth transfers,” *Journal of Public Economics* 89, 2005, 2069-2091.

(R) Bernheim, Douglas B., Robert J. Lemke and John Karl Scholz. “Do estate and gift taxes affect the timing of private transfers?” *Journal of Public Economics* 88,

2004, 2617-2634.

4. Inequality and mobility in Taiwan (wk 8)

World Inequality Database, <https://wid.world/>.

洪明皇、鄭文輝，2013，「臺灣高所得者所得份額變化」，《調查研究—方法與應用》，30，pp. 47-95。

曾中信等，2021，「台灣財富分配 2004-2014：以個人財產登錄資料推估」，《經濟論文叢刊》，49(1)，77-130。

伍大開、陳國樑，2018，「以遺產稅資料分析我國財富分配不均與財富之組成」，《經濟論文叢刊》，46(4)，523-567。

Chu, Cyrus, Kan, Kamhon and Lin, Jou Chun, 2019, “Variations in Wealth Resemblance by Family Relationship Types in Modern Chinese Families, *Proceedings of the National Academy of Sciences of the United States of America*, 116(14), 6548-6553.

(R)Chu, Luke Yu-Wei and Lin, Ming-Jen, 2020, “Intergenerational Earnings Mobility in Taiwan – 1990-2010”, *Empirical Economics*, issue 1.

5. 台灣相關公共經濟議題研究與行政資料（大數據）的應用 (I) (wk 9)

教育與家庭背景

駱明慶，「誰是台大學生？性別、省籍與城鄉差異」，《經濟論文叢刊》，30(1)，2002，113-147。

駱明慶，「升學機會與家庭背景」，《經濟論文叢刊》，32(4)，2004，417-445。

沈暉智、林明仁，「論家戶所得與資產對子女教育之影響—以 1993-1995 出生世代及其父母稅務資料為例」，《經濟論文》，47(3)，393-453。

-- <https://www.twreporter.org/a/education-opportunity-inequality-across-income>

(R)Barczyk, Daniel and Lin, Tzu-Yu, 2021, Inter-vivos Transfer in Taiwan: Evidence and Theory, 《經濟論文叢刊》，49(1)，33-75。

意外之財與行為

Imbens, G., D. Rubin and B. Sacerdote, “Estimating the Effect of Unearned Income on Labor Earnings, Savings, and Consumption: Evidence from A Survey of Lottery Players,” *American Economic Review* 91(4), September 2001, pp. 778-794.

韓幸紋 (2019)，「財務誘因對生育行為的影響」，科技部計畫期末報告。

****Take-home exam and 運動會. No class in week 10.**

6. 台灣相關公共經濟議題研究與行政資料（大數據）的應用 (II) (wk 11)

個人捐贈

Wu, Shih-Ying*, Huang, Jr-Tsung and Kao, An-Pang, “An Analysis of the Peer

Effects in Charitable Giving: The Case of Taiwan,” *Journal of Family and Economic Issues*, 25(4), Winter 2004, pp. 483-504.

Wu, Shih-Ying and Teng, Mei-Jane, “High-Income Taxpayers’ Charitable Giving - Evidence from a Large Panel of Tax Returns”, mimeo.

逃漏稅行為

鄭仔君、楊子霆、韓幸紋(2020), 「租稅稽查與廠商租稅逃漏—來自擴大書審廠商的證據」,《經濟論文》, 48(4), 475-509。

(R)蘇建榮、李顯峰、吳世英、翁堃嵐,「以未稽核所得申報資料推估短漏報所得」,《經濟論文》, 39(2), June 2011, pp. 215-243。

其他議題

林依玲、楊子霆, 2018, 「經濟成長、薪資停滯?初探台灣實質薪資與勞動生產力成長脫鉤之成因」,《經濟論文》, 46(2), 263-322。

Kan, Kamhon, Shin-Kun Peng, Peng Wang (2016), “Understanding Consumption Behavior: Evidence from Consumers’ Reaction to Shopping Vouchers,” *American Economic Journal: Economic Policy*, 9(1), 137-153.

Shin-Yi Chou, Jin-Tan Liu, James K. Hammitt (2003), “National Health Insurance and precautionary saving: evidence from Taiwan”, *Journal of Public Economics* 87, 1873-1894.

III. Field Experiments and Charitable Giving (4 weeks)

1. Evaluating the Impact of Public Policies (wk 12)

➤ Instrumental variables

*Acemoglu, D., J. Robinson and S. Johnson, “The Colonial Origins of Comparative Development: An Empirical Investigation,” *American Economic Review* 91, December 2001, pp. 1369-1401.

Angrist, J. and A. Krueger, “Does Compulsory School Attendance Affect Schooling and Earnings?” *Quarterly Journal of Economics* 106(4), 1991, pp. 979-1014.

➤ Natural experiments (DID)

Slemrod, Joel, “Do Taxes Matter? Lessons from the 1980’s,” *American Economic Review* 82(2), May 1992, 250-256.

*Gruber, J. “The Incidence of Mandated Maternity Benefits,” *American Economic Review* 84(3), June 1994, pp. 622-641.

➤ Controlled randomized experiments

(R) Bertrand, Marianne and Sendhil Mullainathan, “Are Emily and Greg More Employable Than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination,” *American Economic Review* 94(4), pp 991-1013, 2004.

- **List, John A., "Field Experiments: A Bridge between Lab and Naturally Occurring Data," *Advances in Economic Analysis & Policy*: Vol. 6 : Iss. 2, Article 8, 2006.
- Carpenter, Jeffrey, Glenn Harrison and John List, "Field experiments in economics: An introduction," in in J.P. Carpenter, G.W. Harrison and J.A. List (eds.), *Field Experiments in Economics*.
- Dani, Rodrik, "The new development economics: We shall experiment, but how shall we learn?" Brookings Global Economy and Development Conference on "*What Works in Development? Thinking Big and Thinking Small*," 2008.

2. Altruism, Warm Glow and Charitable Giving (wk 13)

- Bergstrom, Ted, L. Blume and Hal Varian, "On the Private Provisions of Public Goods," *Journal of Public Economics* 29, pp. 25-49.
- Andreoni, James, "Giving with Impure Altruism: Applications to Charity and Ricardian Equivalence," *Journal of Political Economy* 97, pp. 1447-1458, 1989.
- **Andreoni, James, "Impure Altruism and Donations to Public Goods: A Theory of Warm-Glow Giving," *Economic Journal* 100, pp. 464-477, 1990.
- Andreoni, J., W. Harbaugh and L. Vesterlund, "Altruism in Experiments," *New Palgrave Dictionary of Economics*, 2007.
- Payne, A. "Does the Government Crow-out Private Donations? New Evidence from A Sample of Non-profit Firms," *Journal of Public Economics* 69, 323-345.
- (R) Andreoni J. and A. Payne, "Do Government Grants to Private Charities Crow Out Giving or Fundraising" *American Economic Review* 93(3), 792-812.

3. Field Experiments on Charitable Giving (wk 14)

- Andreoni, J. "The Market for Charitable Giving," *Journal of Economic Perspective* 25(2), 2011, pp. 157-180.
- *List, John A., and David Lucking-Reiley, "The Effects of Seed Money and Refunds on Charitable Giving: Experimental Evidence from a University Capital Campaign." *Journal of Political Economy*, February 2002, vol. 110, no. 8, pp. 215-233.
- *Shang, Jen, and Rachel Croson, "Field Experiments in Charitable Contribution: The Impact of Social Influence on the Voluntary Provision of Public Goods," working paper, University of Texas at Dallas, 2006, forthcoming in *Economic Journal*.
- **Soetevent, Adrian, "Anonymity in Giving in a Natural Context - A Field Experiment in 30 Churches," *Journal of Public Economics*, December 2005, vol. 89, no. 11-12, pp. 2301-2323.

- Landry, C., A. Lange and A. List, M. Price and N. Rupp, "Toward an Understanding of the Economics of Charity: Evidence from a Field Experiment," *Quarterly Journal of Economics* 121, pp. 747-782.
- Falk, Armin, "Gift Exchange in the Field," *Econometrica*, September 2007, vol. 75, no. 5, 1501-1511.
- Frey, Bruno S, and Meier, Stephan, "Social Comparisons and Pro-social Behavior: Testing 'Conditional Cooperation' in a Field Experiment," *American Economic Review*, December 2004, vol. 94, no. 5, pp. 1717-1722.
- (R) Jenq, C. J. Pan and W. Theseira, "Beauty, Weight, and Skin Color in Charitable Giving," *Journal of Economic Behavior & Organization* 119, 2015, 234-253.

4. The Price Effect, the Income Effect and Tax Policy (wk 15, optional)

- 吳世英，租稅制度與個人捐贈行為，《財稅研究》，35(3)，May 1993，頁 1-15.
- *Pelozo, J. and P. Steel, "The Price Elasticities of Charitable Contributions: A meta-analysis," *Journal of Public Policy and Marketing* 24(2), 2005, 260-272.
- Bekkers, Bene and Pamala Wiepking, "A Literature Review of Empirical Studies of Philanthropy: Eight Mechanisms that Drive Charitable Giving," *Nonprofit and Voluntary Sector Quarterly* 40(5), 2011, 924-973.
- **Fack, G. and C. Landais, "Are Tax Incentive for Charitable Giving Efficient? Evidence from France," *American Economic Journal: Economic Policy* 2(2), 117-141.
- (R) Eckel, C. and P. Grossman, "Rebate versus matching: does how we subsidize charitable contributions matter?" *Journal of Public Economics* 87, 2003, 681-701.
- Karlan, Dean, and John A. List, "Does Price Matter in Charitable Giving? Evidence from a Large-Scale Field Experiment," *American Economic Review*, December 2007, vol. 97, no. 5, pp. 1774-1793.

Week 16: Term paper presentations. The time for presentation is 30 minutes per student. [Week 15 will be used for presentation if necessary.]