

## **PPHA 39404/PBPL 29404: Practicum on Inequality, Household Finance, and Tax Policy**

**Instructor:** Damon Jones

**Meeting Time:** Mondays, 6:30p-9:20p

**Service Requirement:** One 3-4 hour tax preparation shift per week, for 6-8 weeks

**Course Objective:** The first component of this course will feature seminar discussions of tax policy and the US income tax code, with a focus on income transfers such as the Earned Income Tax Credit. We will also review current policy topics in Household Finance, the study of how households save, borrow, and/or use insurance to overcome unexpected changes in household income. In addition, we will discuss the process of filing tax returns, the prevalence of income tax refunds, and the various industries, both non-profit and for-profit, that have arisen around this phenomenon.

Next, students will go into the field, and work as volunteer tax preparers for a local, Chicago non-profit, the Center for Economic Progress (CEP). Students will be trained as tax preparers (which requires a 3-hour training session), learn how these services are delivered, and will also learn about the various social goals and public benefits that are often coupled with this process. Tax season begins in late January, and the students will work on site at some steady frequency, (maybe once a week) until the end of the quarter. Students will be assigned to shifts in teams of 3-4, in order to facilitate a group-based experience. Students are also encouraged, though not required, to continue to volunteer until the end of the tax season, April 15<sup>th</sup>.

Finally, students will produce one of three deliverables. They can prepare an evaluation of some aspect of CEP's suite of services, and offer ways to improve or innovate the process. They can produce a policy brief where they analyze some aspect of the tax and transfer system, informed by their experience. Or, they can produce a research proposal based on their experience and course materials.

**Certificate in Economic Policy:** This course counts toward completion of the Certificate in Economic Policy, along with (1) PPHA 42510 and (2) one of PPHA 3200 or BUS 35000 or BUS 35001 or BUS 35200.

### **Course Requirements:**

1. Weekly readings and discussion participation
2. On-site tax preparation hours
3. Final group project

**Grades:** Grades will be based on class participation (5%), one (1) individual-led class discussion of a reading (15%), weekly short responses to one (1) of the weekly readings (10%), a group assignment (20%), and volunteer tax preparation requirements (50%).

**Schedule:** Lecture will meet on Mondays from 6:00pm – 8:50pm in Harris School Room 140B. Volunteer tax schedules will differ across teams.

**Homework:** Homework will involve tax preparation training, short written pieces in response to one (1) of the week's assigned readings, leading the class discussion of one (1) reading during the quarter, and the final group project.

### **Accessibility:**

This is a classroom committed to access. If there are any changes that can be implemented to facilitate your greater participation, don't hesitate to contact me so that we can make arrangements.

If you require any accommodations for this course, as soon as possible please provide the instructor with a copy of your Accommodation Determination Letter (provided to you by the Student Disability Services office) so that you may discuss with him/her how your accommodations may be implemented in this course.

The University of Chicago is committed to ensuring the full participation of all students in its programs. If you have a documented disability (or think you may have a disability) and, as a result, need a reasonable accommodation to participate in class, complete course requirements, or benefit from the University's programs or services, you are encouraged to contact Student Disability Services as soon as possible. To receive reasonable accommodation, you must be appropriately registered with Student Disability Services.

Please contact the office at (773) 702-6000/TTY 773-795-1186 or [gmoorehead@uchicago.edu](mailto:gmoorehead@uchicago.edu), or visit the website at [disabilities.uchicago.edu](http://disabilities.uchicago.edu). Student Disability Services is located at 5501 S. Ellis Ave.

## **Readings**

Students are not expected to complete all reading in each section, but they will have to prepare weekly written responses to at least one of the weekly readings. In addition, students will choose one reading for which they will lead the class discussion during the quarter.

## **A. Inequality**

### **Measuring Inequality**

1. Alvaredo, Facundo, Anthony B. Atkinson, Thomas Piketty, and Emmanuel Saez. "The top 1 percent in international and historical perspective." *The Journal of Economic Perspectives* 27, no. 3 (2013): 3-20. [link \(Links to an external site.\)](#)[Links to an external site.](#) **E**
2. Piketty, Thomas, Emmanuel Saez, and Gabriel Zucman. *Distributional national accounts: Methods and estimates for the united states*. No. w22945. National Bureau of Economic Research, 2016. [link \(Links to an external site.\)](#)[Links to an external site.](#) **E**
3. Matthews, Dylan. "A new study says much of the rise in inequality is an illusion. Should you believe it?" [link \(Links to an external site.\)](#)[Links to an external site.](#)

### **Distributive Justice**

4. Kasy, Maximillian. "Justice & Research—Considerations of justice and empirical research on inequality." in *Empirical Research on Economics Inequality*. Chapter 2. [link \(Links to an external site.\)](#)[Links to an external site.](#)
5. Varian, Hal R. "Distributive justice, welfare economics, and the theory of fairness." *Philosophy & Public Affairs* (1975): 223-247. [link \(Links to an external site.\)](#)[Links to an external site.](#)
6. Loury, Gleen C. "The anatomy of racial inequality: the author's account." *The Review of Black Political Economy* 32, no. 2 (2004): 75-88. [link \(Links to an external site.\)](#)[Links to an external site.](#)

### **Causes, Consequences, and Trends**

7. Goldin, Claudia. "The Quiet Revolution That Transformed Women's Employment, Education, and Family." *American Economic Review* 96, no. 2 (2006): 1-21. [link \(Links to an external site.\)](#)[Links to an external site.](#) **E**
8. Kleven, Henrik J., Camille Landais, and Jacob E. Sogaard. "Children and gender inequality: Evidence from Denmark." *Unpublished manuscript, LSE* 5 (2015): 23. [link \(Links to an external site.\)](#)[Links to an external site.](#) **E**
9. Chetty, Raj, John N. Friedman, Emmanuel Saez, Nicholas Turner, and Danny Yagan. *Mobility report cards: The role of colleges in intergenerational mobility*. No. w23618. National Bureau of Economic Research, 2017. [link \(Links to an external site.\)](#)[Links to an external site.](#) **E**
10. Chetty, Raj, Nathaniel Hendren, Patrick Kline, and Emmanuel Saez. "Where is the land of opportunity? The geography of intergenerational mobility in the United States." *The Quarterly Journal of Economics* 129, no. 4 (2014): 1553-1623. [link \(Links to an external site.\)](#)[Links to an external site.](#) **E**
11. Akee, Randall, Maggie R. Jones, and Sonya R. Porter. *Race Matters: Income Shares, Income Inequality, and Income Mobility for All US Races*. No. w23733. National Bureau of Economic Research, 2017. [link \(Links to an external site.\)](#)[Links to an external site.](#) **E**

### **Policy Solutions**

12. Johnson, Rucker C., and C. Kirabo Jackson. *Reducing Inequality Through Dynamic Complementarity: Evidence from Head Start and Public School Spending*. No. w23489.

National Bureau of Economic Research, 2017. [link \(Links to an external site.\)Links to an external site.](#) **E**

13. Goldin, Claudia. "How to Achieve Gender Equality." *The Milken Institute Review* (2015): 24-33. [link \(Links to an external site.\)Links to an external site.](#) **E**

14. Diamond, Peter, and Emmanuel Saez. "The case for a progressive tax: from basic research to policy recommendations." *The Journal of Economic Perspectives* 25, no. 4 (2011): 165-190. [link \(Links to an external site.\)Links to an external site.](#) **E**

## **B. Tax Policy 1**

### **Tax Policy Overview**

1. Burman, Leonard, and Joel Slemrod. "The View from 30,000 Feet." in *Taxes in America: What everyone needs to know*. pp. 3-18. Oxford University Press, 2013.

### **Personal Income Tax**

2. Burman, Leonard, and Joel Slemrod. "Personal Income Taxes." in *Taxes in America: What everyone needs to know*. pp. 21-54. Oxford University Press, 2013.

3. Marron, Donald. "How Large Are Tax Expenditures? A 2012 Update." *Tax Notes. Tax Policy Center* (2012). [link \(Links to an external site.\)Links to an external site.](#)

4. Williams, Roberton. "A Closer Look At Those Who Pay No Income Or Payroll Taxes." *TaxVox: Tax Policy Center*. 2016. [link \(Links to an external site.\)Links to an external site.](#)

5. Williams, Roberton. "And Now for the Movie: Fewer Americans Pay No Federal Income Tax." *TaxVox: Tax Policy Center*. 2013. [link \(Links to an external site.\)Links to an external site.](#)

6. Chetty, Raj, and Emmanuel Saez. "Dividend taxes and corporate behavior: Evidence from the 2003 dividend tax cut." *The Quarterly Journal of Economics* 120, no. 3 (2005): 791-833. [link \(Links to an external site.\)Links to an external site.](#) **E**

### **Corporate Taxation**

7. Burman, Leonard, and Joel Slemrod. "Business Income Taxes." in *Taxes in America: What everyone needs to know*. pp. 56-87. Oxford University Press, 2013.

8. Voget, Johannes. "Relocation of headquarters and international taxation." *Journal of Public Economics* 95, no. 9 (2011): 1067-1081. [link \(Links to an external site.\)Links to an external site.](#) **E**

9. Yagan, Danny. "Capital tax reform and the real economy: The effects of the 2003 dividend tax cut." *The American Economic Review* 105, no. 12 (2015): 3531-3563. [link \(Links to an external site.\)Links to an external site.](#) **E**

10. Suárez Serrato, Juan Carlos and Owen Zidar. "Who benefits from corporate tax cuts? Evidence from local US labour markets." *Microeconomic Insights*. November 2, 2017. [link \(Links to an external site.\)Links to an external site.](#) **E**

## Consumption Taxes

11. Burman, Leonard, and Joel Slemrod. "Taxing Spending." in *Taxes in America: What everyone needs to know*. pp. 56-87. Oxford University Press, 2013.
12. Gaarder, Ingvil. "Incidence and Distributional Effects of Value Added Taxes." Working Paper. [link \(Links to an external site.\)Links to an external site.](#) **E**
13. Chetty, Raj, Adam Looney, and Kory Kroft. "Salience and taxation: Theory and evidence." *The American economic review* 99, no. 4 (2009): 1145-1177. [link \(Links to an external site.\)Links to an external site.](#) **E**
14. Homonoff, Tatiana. "Can Small Incentives Have Large Effects? The Impact of Taxes versus Bonuses on Disposable Bag Use". *American Economic Journal: Economic Policy*.  
Forthcoming [link \(Links to an external site.\)Links to an external site.](#) **E**
15. Zaretsky, Renu. "A Penny for Your Sugar: Setting a Price on Sin." *TaxVox*. Tax Policy Center. April 1, 2015. [link \(Links to an external site.\)Links to an external site.](#)
16. Dewey, Caitlin. "Why Chicago's soda tax fizzled after two months -- and what it means for the anti-soda movement." *The Washington Post*. October 10, 2017. [link \(Links to an external site.\)Links to an external site.](#)
17. Cherone, Heather. "Huge Drop In Bag Use Due To Bag Tax Could Cost City Millions, Study Finds." *DNAinfo*. July 5, 2017. [link \(Links to an external site.\)Links to an external site.](#)
18. Shupert, Courtney and Scott Drenkard. "Soda Tax Experiment Failing in Philadelphia Amid Consumer Angst and Revenue Shortfalls." *Tax Foundaiton*. August 3, 2017. [link \(Links to an external site.\)Links to an external site.](#)

## C. Tax Policy 2

### Taxes and the Economy

1. Burman, Leonard, and Joel Slemrod. "Taxes and the Economy." in *Taxes in America: What everyone needs to know*. pp. 133-147. Oxford University Press, 2013.
2. Kueng, Lorenz. "Explaining Consumption Excess Sensitivity with Near-Rationality: Evidence from Large Predetermined Payments." Working Paper. [link \(Links to an external site.\)Links to an external site.](#) **E**
3. Mian, Atif and Amir Sufi. "Mian, Atif, and Amir Sufi. "The effects of fiscal stimulus: Evidence from the 2009 cash for clunkers program." *The Quarterly journal of economics* 127, no. 3 (2012): 1107-1142. [link \(Links to an external site.\)Links to an external site.](#) **E**
4. Chetty, Raj, John N. Friedman, Søren Leth-Petersen, Torben Heien Nielsen, and Tore Olsen. "Active vs. passive decisions and crowd-out in retirement savings accounts: Evidence from Denmark." *The Quarterly Journal of Economics* 129, no. 3 (2014): 1141-1219. [link \(Links to an external site.\)Links to an external site.](#) **E**

### Hidden Spending

5. Burman, Leonard, and Joel Slemrod. "The Hidden Welfare State." in *Taxes in America: What everyone needs to know*. pp. 150-160. Oxford University Press, 2013.
6. Feldstein, Martin. "It's time to cap tax deductions." *Washington Post*. March 12, 2013. [link \(Links to an external site.\)Links to an external site.](#) [alt-link \(Links to an external site.\)Links to an external site.](#)
7. Feldstein, Martin, Daniel Feenberg, and Maya MacGuineas. "Capping individual tax expenditure benefits." No. w16921. National Bureau of Economic Research, 2011. [link \(Links to an external site.\)Links to an external site.](#) **E**
8. Poterba, James, and Todd Sinai. "Revenue costs and incentive effects of the mortgage interest deduction for owner-occupied housing." (2011). [link \(Links to an external site.\)Links to an external site.](#) **E**
9. Gruber, Jonathan. "The Tax Exclusion for Employer-Sponsored Health Insurance", *National Tax Journal*, (2011) 64:2, pp. 511-30 [link \(Links to an external site.\)Links to an external site.](#) **E**
10. Metcalf, Gilbert E. "Assessing the Federal Deduction for State and Local Tax Payments", *National Tax Journal*, (2011) 64:2, pp. 565-90 [link \(Links to an external site.\)Links to an external site.](#) **E**

### **Burden of Taxation**

11. Burman, Leonard, and Joel Slemrod. "The Burden of Taxation." in *Taxes in America: What everyone needs to know*. pp. 163-169. Oxford University Press, 2013.
12. Gaarder, Ingvil. "Incidence and Distributional Effects of Value Added Taxes." Working Paper. [link \(Links to an external site.\)Links to an external site.](#) **E**
13. Chetty, Raj, Adam Looney, and Kory Kroft. "Salience and taxation: Theory and evidence." *The American economic review* 99, no. 4 (2009): 1145-1177. [link \(Links to an external site.\)Links to an external site.](#) **E**
14. Evans, William N., Jeanne S. Ringel, and Diana Stech. "Tobacco taxes and public policy to discourage smoking." *Tax policy and the economy* 13 (1999): 1-55. [link \(Links to an external site.\)Links to an external site.](#) **E**
15. Hastings, Justine, and Ebonya Washington. "The first of the month effect: consumer behavior and store responses." *American Economic Journal: Economic Policy* 2, no. 2 (2010): 142-62. [link \(Links to an external site.\)Links to an external site.](#) **E**

### **Tax Administration, Compliance, and Enforcement**

16. 11. Burman, Leonard, and Joel Slemrod. "Tax Administration and Enforcement." in *Taxes in America: What everyone needs to know*. pp. 171-196. Oxford University Press, 2013.
17. Gorodnichenko, Yuriy, Jorge Martinez-Vazquez, and Klara Sabirianova Peter. "Myth and reality of flat tax reform: Micro estimates of tax evasion response and welfare effects in Russia." *Journal of Political economy* 117, no. 3 (2009): 504-554. [link \(Links to an external site.\)Links to an external site.](#) **E**

18. Hallsworth, Michael, John A. List, Robert D. Metcalfe, and Ivo Vlaev. "The behavioralist as tax collector: Using natural field experiments to enhance tax compliance." *Journal of Public Economics* 148 (2017): 14-31. [link \(Links to an external site.\)](#)[Links to an external site.](#) **E**

19. Mayyasi, Alex and Stacey Vanek Smith. "Tax Hero." *Planet Money*. Episode 760. March 22, 2017. [link \(Links to an external site.\)](#)[Links to an external site.](#)

## **D. Household Finance**

### **Household Finance Overview**

1. Tufano, Peter. "Consumer Finance." *Annual Review of Financial Economics*, 1 (2009): pp. 227-247. [link \(Links to an external site.\)](#)[Links to an external site.](#)

2. Campbell, John Y. "Household finance." *The Journal of Finance* 61, no. 4 (2006): 1553-1604. [link \(Links to an external site.\)](#)[Links to an external site.](#)

3. Guiso, Luigi, and Paolo Sodini. "Household finance: An emerging field." In *Handbook of the Economics of Finance*, vol. 2, pp. 1397-1532. Elsevier, 2013. [link \(Links to an external site.\)](#)[Links to an external site.](#)

### **Standard Household Models**

4. Browning, Martin, and Thomas F. Crossley. "The life-cycle model of consumption and saving." *Journal of Economic Perspectives* 15, no. 3 (2001): 3-22. [link \(Links to an external site.\)](#)[Links to an external site.](#)

5. Fama, Eugene F., and Kenneth R. French. "The capital asset pricing model: Theory and evidence." *Journal of economic perspectives* 18, no. 3 (2004): 25-46. [link \(Links to an external site.\)](#)[Links to an external site.](#)

### **Anomalies: Deviations from the Standard Model**

6. Thaler, Richard H. "Anomalies: Saving, fungibility, and mental accounts." *Journal of economic perspectives* 4, no. 1 (1990): 193-205. [link \(Links to an external site.\)](#)[Links to an external site.](#)

7. Rabin, Matthew, and Richard H. Thaler. "Anomalies: risk aversion." *Journal of Economic perspectives* 15, no. 1 (2001): 219-232. [link \(Links to an external site.\)](#)[Links to an external site.](#)

8. Kahneman, Daniel, Jack L. Knetsch, and Richard H. Thaler. "Anomalies: The endowment effect, loss aversion, and status quo bias." *Journal of Economic perspectives* 5, no. 1 (1991): 193-206. [link \(Links to an external site.\)](#)[Links to an external site.](#)

9. Ganong P, and Noel, P. "Consumer Spending During Unemployment: Positive and Normative Implications". Working Paper. (2017). [link \(Links to an external site.\)](#)[Links to an external site.](#) **E**

### **Savings**



10. Karlan, Dean, Aishwarya Lakshmi Ratan, and Jonathan Zinman. "Savings by and for the Poor: A Research Review and Agenda." *Review of Income and Wealth* 60, no. 1 (2014): 36-78. [link \(Links to an external site.\)](#)[Links to an external site.](#)
11. Skinner, Jonathan. "Are you sure you're saving enough for retirement?." *Journal of Economic Perspectives* 21, no. 3 (2007): 59-80. [link \(Links to an external site.\)](#)[Links to an external site.](#)
12. Madrian, Brigitte C., and Dennis F. Shea. "The power of suggestion: Inertia in 401 (k) participation and savings behavior." *The Quarterly Journal of Economics* 116, no. 4 (2001): 1149-1187. [link \(Links to an external site.\)](#)[Links to an external site.](#) **E**

## **Borrowing**

13. Zinman, J. "Household debt: Facts, puzzles, theories, and policies." *The Annual Review of Economics*, 7, (2015): 251-276. [link \(Links to an external site.\)](#)[Links to an external site.](#)
14. Gathergood, John, Neale Mahoney, Neil Stewart, and Joerg Weber. *How Do Individuals Repay Their Debt? The Balance-Matching Heuristic*. No. w24161. National Bureau of Economic Research, 2017. [link \(Links to an external site.\)](#)[Links to an external site.](#) **E**
15. Keys, Benjamin J., Devin G. Pope, and Jaren C. Pope. "Failure to refinance." *Journal of Financial Economics* 122, no. 3 (2016): 482-499. [link \(Links to an external site.\)](#)[Links to an external site.](#) **E**

## **Innovative Interventions**

16. Thaler, Richard H., and Shlomo Benartzi. "Save more tomorrow™: Using behavioral economics to increase employee saving." *Journal of political Economy* 112, no. S1 (2004): S164-S187. [link](#) **E**
17. Drexler, Alejandro, Greg Fischer, and Antoinette Schoar. "Keeping it simple: Financial literacy and rules of thumb." *American Economic Journal: Applied Economics* 6, no. 2 (2014): 1-31. [link \(Links to an external site.\)](#)[Links to an external site.](#) **E**
18. Schoar, Antoinette and Piyush Tantia. "The Financial Health Check: A Behavioral Approach to Financial Coaching." *New America Foundation*. (2014) [link \(Links to an external site.\)](#)[Links to an external site.](#) **E**
19. Ohikuaire, Judith. "Can Your Money Rules Fit On An Index Card?" *Refinery* 29 (2017) [link \(Links to an external site.\)](#)[Links to an external site.](#)

## **Case Studies**

U.S. Financial Diaries Project [link](#)

## **E. Tax Reform**



1. Burman, Leonard, and Joel Slemrod. "Snake Oil." in *Taxes in America: What everyone needs to know*. pp. 215-222. Oxford University Press, 2013.
2. Burman, Leonard, and Joel Slemrod. "Tax Reform." in *Taxes in America: What everyone needs to know*. pp. 223-227. Oxford University Press, 2013.
3. Mack, Connie, et al. "The Case For Reform." in *Simple, Fair, and Pro-Growth: Proposals to Fix America's Tax System*. pp. 1-10, 2005 [link \(Links to an external site.\)](#)[Links to an external site.](#)  
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4. Mack, Connie, et al. "How We Got Here." in *Simple, Fair, and Pro-Growth: Proposals to Fix America's Tax System*. pp. 11-18, 2005 [link \(Links to an external site.\)](#)[Links to an external site.](#)
5. Mack, Connie, et al. "Our Starting Point." in *Simple, Fair, and Pro-Growth: Proposals to Fix America's Tax System*. pp. 41-58, 2005 [link \(Links to an external site.\)](#)[Links to an external site.](#)
6. Mack, Connie, et al. "The Simplified Income Tax Plan." in *Simple, Fair, and Pro-Growth: Proposals to Fix America's Tax System*. pp. 107-150, 2005 [link \(Links to an external site.\)](#)[Links to an external site.](#)
7. Mack, Connie, et al. "The Simplified Income Tax Plan." in *Simple, Fair, and Pro-Growth: Proposals to Fix America's Tax System*. pp. 107-150, 2005 [link \(Links to an external site.\)](#)[Links to an external site.](#)
8. Mack, Connie, et al. "The Growth and Investment Tax Plan." in *Simple, Fair, and Pro-Growth: Proposals to Fix America's Tax System*. pp. 151-190, 2005 [link \(Links to an external site.\)](#)[Links to an external site.](#)
9. Landais, Camille, Thomas Piketty, and Emmanuel Saez. "Pour une révolution fiscale: Un impôt sur le revenu pour le XXIème siècle." 2012 [link \(Links to an external site.\)](#)[Links to an external site.](#) **Use Google Chrome to translate the page and click on "The tax revolution that we propose."**
10. Stantcheva, Stefanie. "Tax Reform: An Optimal Equation." SIEPR Policy Brief, Stanford University. 2017 [link \(Links to an external site.\)](#)[Links to an external site.](#)
11. Auerbach, Alan. "Demystifying the Destination-Based Cash-Flow Tax." NBER Working Paper No. 23881. 2017 [link \(Links to an external site.\)](#)[Links to an external site.](#)
12. Benzell, Seth, Laurence Kotlikoff, and Guillermo LaGarda. "Simulating Business Cash Flow Taxation: An Illustration Based On the 'Better Way' Corporate Tax Reform." NBER Working Paper No. 23675. 2017 [link \(Links to an external site.\)](#)[Links to an external site.](#) **E**
13. Feldstein, Martin. "The Tax Reform Act of 1986: Comment on the 25th Anniversary." NBER Working Paper No. 17531. 2011 [link \(Links to an external site.\)](#)[Links to an external site.](#)
14. "Analysis of the Tax Cuts and Jobs Act." Tax Policy Center. 2017. [link \(Links to an external site.\)](#)[Links to an external site.](#)