# Economics Elective
# Dynamic contracts and its application
# 4th Module, 2019

## Course Information

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Office Hour: Tuesday 10:00am-12:00pm, or anytime by appointment

*Classes:*
Lectures: Tuesday and Friday, Time 15:30-17:20
Venue: PHBS Building, Room

## 1. Course Description

### 1.1 Context

Course overview: 本课程介绍动态机制设计的基本理论，以及这一理论在税收设计方面的应用。课程分为两个部分。第一部分介绍基本理论，包含动态契约问题的表示方法，激励相容约束的简化，和动态问题的求解。第二部分讨论一个社会福利最大化的税收系统的必要特征。本部分会涵盖资本收入税，工资税，和遗产税的最优设计。

Prerequisites: Students should be familiar with the course material of Principle of Macroeconomics and have some background in calculus and dynamic programming.

### 1.2 Textbooks and Reading Materials

**Textbook:** *The New Dynamic Public Finance by Narayana R. Kocherlakota, edition 2010.*

### Reading Materials:

1. The Ramsey Approach And Its Problems
    a. Chari, V. V., and Kehoe, P., 1999, Optimal fiscal and monetary policy, in Handbook of Macroeconomics, ed. Taylor, J., and Woodford, M., Elsevier, New York.
    b. Chamley, C., 1986, Optimal taxation of capital income in general equilibrium with infinite lives, Econometrica 54, 607-622.
    c. Ludwig Straub and Ivan Werning, Positive Long Run Capital Taxation: Chamley-Judd Revisited, revise & resubmit, American Economic Review.

2. Dynamic Social Contracting
    a. Atkeson, A., and Lucas, R. E. Jr., 1992, On efficient distribution with private information, Review of Economic Studies 59, 427-453.

    b. Fernandes, A., and Phelan, C., 2000, A recursive formulation for repeated agency with history dependence, Journal of Economic Theory 91, 223-247.

3. Dynamic Optimal Taxation: Lessons for Macroeconomists

    a. Kocherlakota, N., 2005, Zero expected wealth taxes: A Mirrlees approach to dynamic optimal taxation, Econometrica 73, 1587-1621.
    b. Mikhail Golosov, M. Troshkin and A. Tsyvinski, 2016, Redistribution and Social Insurance, American Economic Review,

4. Optimal Intergenerational Taxation}

    a. Farhi, E., and Werning, I., 2007, Inequality and social discounting, Journal of Political Economy 115, 365-402.

5. Optimal Unemployment Insurance:

    a. Hugo A. Hopenhayn and Juan Pablo Nicolini, Optimal Unemployment Insurance, Journal of Political Economy, Vol. 105, No. 2 (April 1997), pp. 412-438
    b. Matthew Mitchell and Yuzhe Zhang, Unemployment insurance with hidden savings, Journal of Economic Theory, Volume 145, Issue 6, November 2010, pp. 2078-2107.

## 2. Learning Outcomes

### 2.1 Intended Learning Outcomes

| Learning Goals | Objectives | Assessment (YES with details or NO) |
|---|---|---|
| 1. Our graduates will be effective communicators. | 1.1. Our students will produce quality business and research-oriented documents. | |
| | 1.2. Students are able to professionally present their ideas and also logically explain and defend their argument. | |
| 2. Our graduates will be skilled in team work and leadership. | 2.1. Students will be able to lead and participate in group for projects, discussion, and presentation. | |
| | 2.2. Students will be able to apply leadership theories and related skills. | |
| 3. Our graduates will be trained in ethics. | 3.1. In a case setting, students will use appropriate techniques to analyze business problems and identify the ethical aspects, provide a solution and defend it. | |
| | 3.2. Our students will practice ethics in the duration of the program. | |
| 4. Our graduates will have a global perspective. | 4.1. Students will have an international exposure. | |
| 5. Our graduates will be skilled in problem-solving and critical thinking. | 5.1. Our students will have a good understanding of fundamental theories in their fields. | Yes |
| | 5.2. Our students will be prepared to face problems in various business settings and | Yes |

| | find solutions. | |
|---|---|---|
| | 5.3. Our students will demonstrate competency in critical thinking. | Yes |

## 2.2 Course specific objectives

## 2.3 Assessment/Grading Details

Grading is based on the following items:

| Homework | 30 points |
|---|---|
| Midterm | 30 points |
| Final | 40 points |

Your letter grade is translated from your score. A rough guide to the grade is as follows: A (90-100); B (80-89); C (70-79); D (60-69); F (0-59). This scale may slide down, but it will not go up.

## 2.4 Academic Honesty and Plagiarism

It is important for a student's effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to *PHBS Student Handbook*.

## 3. Topics, Teaching and Assessment Schedule

## 4. Miscellaneous

Late work is not accepted, unless proof of a university-authorized excuse is presented}. In particular, except in the case of the observance of a religious holiday, to be excused the student must notify his or her instructor in writing (acknowledged e-mail message is acceptable) prior to the date of absence if such notification is feasible. This policy applies to homework, exams, attendance, and writing assignment. If the absence is excused, I will create makeup exam, but it will have more essay-style questions than the original.

PHBS has identified student learning outcomes that describe our institutional commitment to your educational goals. These include the ability to demonstrate critical thinking, effective communication, and social, cultural, and global competence.