ECONOMICS 230A
PUBLIC SECTOR MICROECONOMICS

This is the first of two courses in the Public Economics sequence. It will cover core material on taxation, public expenditures and public choice, and conclude with a consideration of the effects of capital income taxation on the behavior of households and firms. Economics 230B, the second semester in the sequence, will extend the discussion of optimal income taxation and consider more fully the behavioral effects of government policy and the institutional characteristics of important U.S. federal taxes and expenditure programs.

Class meetings: Tuesdays 9-11, 639 Evans Hall

Office hours: Mondays, 10:00-11:30, and by appointment

Prerequisites: This course should normally be taken after the completion of first-year Ph. D. courses in economic theory and econometrics.

Requirements: Problem sets (2) - 30%
Paper (5 page review) - 20%
Final examination - 50%

There is no required textbook for this course. All starred readings below are required and are either included in the course reader or, where noted, available on the web. Non-starred material will be useful for further reading on topics of interest and preparation for the public economics field examination. The following texts and collections, selections from which appear on the reading list, are also useful for background reference:


I. THEORY OF TAXATION AND PUBLIC EXPENDITURE

A. Introduction


B. Deadweight Loss and Optimal Tax Theory


C. The Choice of Tax Base


D. Tax Incidence


E. Provision for Public Goods, Externalities, and Imperfect Competition

*Atkinson and Stiglitz, Lectures on Public Economics, 482-490.


II. PUBLIC CHOICE

**A. Voting**


**B. Federalism and the Tiebout Model**


**C. Tax Competition**


III. CAPITAL INCOME TAXATION

A. Household Behavior


B. Corporate Financial Structure


C. Investment Behavior


