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. Economics 230B, the second semester in the sequence, will 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 Structure of the Income Tax

* Auerbach and Hines, Section 4.


D. Dynamic Tax Issues

* Auerbach and Hines, Section 7.


E. Tax Incidence


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


II. PUBLIC CHOICE

A. Voting


B. Federalism and the Tiebout Model


C. Tax Competition


III. CAPITAL INCOME TAXATION

A. Savings, Portfolio Choice, and Tax-Sheltered Saving

* Douglas Bernheim, “Taxation and Saving,” Handbook of Public Economics, vol. 3, Chapter 18; Sections 4-5.


B. Capital Gains Taxation


