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 consider more fully the behavioral effects of government policy and the institutional characteristics of important U.S. federal taxes and social insurance programs.

Class meetings: Tuesdays 9-11, 608-7 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. Virtually all readings given below are available free on the web within the UC Berkeley IP domain. Starred readings are required; those starred readings not available on the web (i.e., those for which no URLs are given) will be made available in hard copy. 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 useful for background reference:


Other relatively recent texts that you may find helpful for their coverage of particular topics are:


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. [www.sciencedirect.com](http://www.sciencedirect.com)


**E. Tax Incidence**


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


**II. PUBLIC CHOICE**

**A. Voting**


B. Federalism and the Tiebout Model


III. CAPITAL INCOME TAXATION

A. Household Behavior


B. Corporate Financial Policy


C. Investment Behavior


D. Tax Competition and International Taxation


