ECONOMICS 230B, SECOND-HALF: LECTURE SCHEDULE SPRING 2006

This is the second half of the second of two courses in the Public Sector Microeconomics sequence. This course covers material on behavioral responses to income taxation and welfare programs, optimal income taxation and redistribution, taxation of savings, and incentives to save for retirement programs.

Syllabus, reading list, papers, problem sets, and handouts are all posted on 230B website at: http://emlab.berkeley.edu/users/webfac/chetty/e230b_07/e230b_07.shtml

Class meetings: Mondays 10am-12pm, Room 639 Evans Hall

Prerequisites: First year graduate microeconomics (Economics 201A,B), First year graduate econometrics (Economics 240A), and first public sector microeconomics class 230A.

Requirements: Two problem sets (one by Chetty and one by Saez, problem sets do not count toward final grade), Final Examination on Monday, May 14\textsuperscript{th}, 8-11am, (90\% of the grade).

Section I: Behavioral Responses to Taxes and Transfers:

1 March 19 Labor Supply responses to taxation
2 April 2 Responses to Welfare Programs and the EITC
3 April 9 Response of high income taxpayers to tax rates

Section II: Optimal Income Taxation and Redistribution

4 April 16 Optimal Income Taxation
5 April 23 The Design of Optimal Welfare Programs and Sin Taxes

Section III: Taxation and Savings

6 April 30 Taxation of Savings
7 May 7 Tax subsidies to savings: IRAs and 401(k)s
230B - Public Economics II, Saez Part

Spring 2007

Bold: required reading
*: reading emphasized in class

0. GENERAL REFERENCES:


Background Reading: Three most popular undergraduate textbooks
(Useful for a simple description of the U.S. tax system and the main government programs)


References on Empirical Methods:


I. BEHAVIORAL RESPONSES TO TAXES AND TRANSFERS

A. Labor Supply Responses to Taxation

Classical Studies:


**Labor Supply and Behavioral Economics**


**Macro labor supply studies**


**B. Responses to Welfare Programs and the EITC**


C. The response of high incomes to taxation


II. OPTIMAL INCOME TAXATION AND REDISTRIBUTION

A. Optimal Income Taxation in the Mirrlees Model


G. Laroque, 2005 “Indirect taxation is superfluous under separability and taste homogeneity: A simple proof”, Economic Letters, 87, 141-144.


B. The Design of Optimal Transfer Programs


C. Optimal Sin Taxes


III. TAXATION AND SAVING

A. Optimal Capital Income Taxation

Infinite Horizon Models


**Overlapping-Generation Models**


**Taxation of Capital with Uninsurable Income Risk and Borrowing Constraints**


B. Targeted Tax Subsidies to Saving


C. Information, Peer effects, and Behavioral Effects in Retirement Savings


