ECONOMICS 230B: LECTURE SCHEDULE SPRING 2004

This is 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, incentives to save for retirement programs, and social insurance programs such as social security and unemployment insurance.

Class meetings: Mondays 8-10am, 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: Four problem sets (40% of the grade), Final Examination on Friday, May 14th, 8-11am, (60% of the grade).

Section I (Saez): Behavioral Responses to Taxes and Transfers:
1 January 26  Labor Supply responses to taxation
2 February 2  Responses to Welfare Programs and EITC
3 February 9  The response of high income taxpayers to tax rates

Section II (Saez): Optimal Income Taxation and Redistribution
4 February 23  Optimal Income Taxation (Mirrlees Model)
5 March 8  The Design of Optimal Welfare Programs

Section III (Saez): Taxation and Savings
6 March 8  Savings and Optimal Dynamic Taxation
7 March 15  Tax subsidies to savings: IRAs and 401(k)s

Section IV (Chetty): Social Insurance
8 March 29  Overview of Key Principles
9 April 5  Unemployment Insurance
10 April 12  Workers Compensation/Disability Insurance
11 April 19  Social Security 1
12 April 26  Social Security 2
13 May 3  Medicare and Medicaid
14 May 10  Optimal Dynamic Social Insurance
0. GENERAL REFERENCES:


Background Reading: Two classic 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


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


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**


T. Piketty, “Theories of Persistent Inequality and Intergenerational Mobility”, in Handbook of Income Distribution (Chapter 8, pp.429-476), Eds. Tony Atkinson and François Bourguignon, North-Holland, 2000

B. Targeted Tax Subsidies to Saving

Effects on Wealth Accumulation and Savings


Information, Peer effects, and Non-standard Features in Retirement Savings


