



Public Economics
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Course Information

This course provides an undergraduate-level discussion of topics and methods in Public Economics.

The first objective of the course is to develop your understanding of the government's role in the economy. To this end, we will read and discuss articles on the topic and investigate the main theories of Public Economics.

The second objective is to get you familiar with the novel methods of analysis, which include theoretical and computational tools. You will have an opportunity to develop your own project, solve economic models numerically and review papers.

I will encourage active participation during the lectures and demand a high level of academic integrity.

Requirements, Gradings and Comments

40% - lecture/seminar activities + Problem Sets (3 in total, one for each section), 10% - midterm, 50% - final exam and final project.

You have to submit 2 of 3 Problem Sets to be eligible for the final exam.

Programming languages: MATLAB, R.

Lectures language: English.

Discussions language: whatever.

The reading list for each section is preliminary and will be further developed.

Course Outline

Section 1: Why do we need a government? (5 lectures)

- Welfare theorems and market failures
- Private information
- Public goods and externalities

Readings:

Quigley J. Smolensky E., (1994). Modern Public Finance, Harvard University Press.

Stiglitz J. Heertje A., (1989). The Economic Role of the State. Oxford, UK.

Kaplow L., (2008). The Theory of Taxation and Public Economics. Princeton University Press.

Section 2: What can the government do? (6 lectures)

- Optimal income taxation and redistribution
- Ramsey taxation: static and dynamic
- Mirrlees taxation
- Social insurance, moral hazard, adverse selection

Readings:

Kotlikoff, Laurence J. and Lawrence H. Summers. "Tax Incidence," The Handbook of Public Economics, edited by Alan J. Auerbach and Martin Feldstein, (1987), pp. 1043-1092.

Atkinson, Anthony and Stiglitz, Joseph, (1976), The design of tax structure: Direct versus indirect taxation, Journal of Public Economics, 6, issue 1-2, p. 55-75.

Chetty, Raj, Adam Looney, and Kory Kroft. 2009. "Salience and Taxation: Theory and Evidence." American Economic Review, 99 (4): 1145-77.

Piketty, Thomas, Emmanuel Saez, and Stefanie Stantcheva. 2014. "Optimal Taxation of Top Labor Incomes: A Tale of Three Elasticities." American Economic Journal: Economic Policy, 6 (1): 230-71.

Saez, Emmanuel, Joel Slemrod, and Seth H. Giertz. 2012. "The Elasticity of Taxable Income with Respect to Marginal Tax Rates: A Critical Review." Journal of Economic Literature, 50 (1): 3-50.

Section 3: How good is the government? (5 lectures)

- Government interventions and inefficiency
- Evaluation of government policy
- Inequality: taxes and transfers
- Tax evasion

Readings:

Auerbach, Alan, (1985), The theory of excess burden and optimal taxation, ch. 02, p. 61-127 in Auerbach, A. J. and Feldstein, M. eds., Handbook of Public Economics, vol. 1, Elsevier.

Chetty, Raj, (2009), Sufficient Statistics for Welfare Analysis: A Bridge Between Structural and Reduced-Form Methods, Annual Review of Economics, 1, issue 1, p. 451-488.

Piketty T., Saez E., (2003). Income inequality in the United States, 1913-1998, The Quarterly Journal of Economics, Vol. 118(1), p. 1-41.

Saez, Emmanuel, (2002), Optimal Income Transfer Programs: Intensive versus Extensive Labor Supply Responses, The Quarterly Journal of Economics, 117, issue 3, p. 1039-1073.