PREREQUISITE:  graduate microeconomic theory and graduate econometrics, or permission of the instructor.

REQUIREMENTS:  Grades will be based on two in-class examinations, a referee report, an oral presentation of a paper of your choosing, and, of course, class participation.  Details follow.

Referee Report:  At some point during the latter half of the semester, I will assign a paper to be refereed by you.  Your reports should consist of a letter to the editor of a high-quality journal such as the JPubE recommending publication or rejection, and an anonymous report for the paper's authors.  Keep in mind that the paper will be real, and that I may forward your anonymous reports to the authors.

Oral Presentation:  Students will be asked to present in class a paper of their choosing.  Depending on enrollment, they may occur either during regularly scheduled class meetings, or at extra sessions.  Each should take about one-half of a regularly scheduled class, from 30 to 45 minutes.  Please let me know what paper you would like to present, and when you would like to do so, by March 1.  Papers must be approved in advance, and I will be happy to provide guidance.  The paper you present may not be drawn from the reading list for this course.  The purpose of this assignment is to broaden the range of topics covered while allowing students to practice presenting technical material without having an intellectual stake in that material.  Bring a copy to me for approval.  Once I approve your choice, I will ask you to put a copy on reserve for the rest of the class.  These papers will be a real part of the course (and fair game for the final exam).

Exam:  There will be one in-class examination held on March 3, and one final exam held on Thursday May 11, 12:30 - 2:30 pm.
I. Excess burden


II. Optimal taxation
A. Optimal commodity and income taxation


Stiglitz "Pareto Efficient and Optimal Taxation and the New New Welfare Economics" Ch. 15 of Handbook

Blinder & Rosen "Notches" AER 74(4).


B. Optimal taxation of externalities


Bovenberg, Lans and Ruud de Mooij, "Environmental Levies and Distortionary Taxation" AER Sept 84(4) 1994, 1085! 89.


Fullerton, Don, "Environmental Levies and Distortionary Taxation: A Comment" AER 87(1) 1997, 245! 53.
Goulder, Lawrence, Ian Parry, and Dallas Burtraw. "Revenue-raising vs. other approaches to environmental protection" May 1996.


C. Taxation vs. Regulatory Control


Baumol and Oates. The Theory of Environmental Policy. Chapter 5 "Uncertainty and the Choice of Policy Instruments."


III. Tax incidence


A. Static models


B. Empirical studies


C. Life-cycle incidence


D. The incidence of asset taxation


E. Mandated benefits


IV. Taxes and household behavior

Auerbach and Slemrod "Economic Effects of TRA86" J Econ Lit June 1997.

A. Labor supply


**B. Savings**


M. Boskin, "Taxation, Saving, and the Rate of Interest," JPE April 1978.


**Capital gains taxation**


IRAs


C. Risk-taking and portfolio composition


D. Compliance and evasion


E. Marital behavior (?)

Rosen, "Is it time to abandon joint filing?" NTJ

F. Energy efficiency


V. Taxes and firm behavior

A. Investment


B. Dividend policy


C. Debt policy

D. Location decisions


R. Newman and D. Sullivan, "Econometric Analysis of Business Tax Impacts on Industrial Location: What Do We Know and How Do We Know It?" JUE 1988, 215-34.


E. Organizational form


VI. Federalism


A. Interjurisdictional Competition


B. Fiscal Constraints in a Federal System
VII. A Sample of Environmental Issues in Public Economics

Vernon Henderson, "Effects of Air Quality Regulation" AER 86(4).


