THE COURSE is designed for 2nd year Ph.D. students in economics. It has two goals: (1) introduce some of the core theoretical and empirical public finance/economics techniques and literature, (2) help students identify thesis topics. Towards those goals, we will read two types of papers: (1) "classics" that every well-trained public finance economist should know, (2) and new papers that represent new trends and ideas in the field. We will try to strike a balance between theory and empirical applications.

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

Readings:

If you did not take PE as an undergraduate, we suggest you purchase an undergraduate text. Jonathan Gruber or Harvey Rosen have two good examples, and both are relatively inexpensive used on the web.

Most of the readings will be journal articles and working papers. We will make electronic copies available. As background material, refer to Volumes 3 and 4 of the *Handbook of Public Economics* Auerbach and Feldstein, eds. You may wish to purchase the books, or use the working-paper versions of the assigned chapters, which are referenced along with the chapters.

REQUIREMENTS:

Occasional problem set(s): We will distribute sample problems, which you may work on collaboratively.

Referee report: At some point during the latter half of the semester, you will be assigned a paper to referee. This is not to be worked on collaboratively. 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.

Exams: There will be one midterm exam, Thursday October 16, during class. There will be one final exam, Tuesday December 16, from 9-11 AM, at a location to be announced.

Class participation: self explanatory.

Grades: Grades for second-year Ph.D. students are irrelevant, for two reasons. (1) If you write a dissertation and go on the "job market," nobody will ever ask to see your grades. All that counts is your dissertation. (2) There is so much grade inflation in graduate school that there is almost no differentiation. I give essentially three grades: "A" means you have learned as much PE as can be expected in a semester, and I would be delighted to help with your thesis; "A-" means that you have a healthy knowledge of PE, "B+" means that I would advise you to seek another field in which to write your dissertation.
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<td>16</td>
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<td>Final Exam Dec. 16, 9-11 AM</td>
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Updated August, 2008

Economics 682
Public Economics
Reading List
Fall 2008

Arik Levinson         Nada Eissa
ICC 571        Car Barn 418
aml6@georgetown.edu       noe@georgetown.edu

Note: This reading list may be amended throughout the course.

* emphasized

**Part I: The Basics**

**Excess burden**


* Goulder and Williams. "The Substantial Bias from Ignoring General Equilibrium Effects in Estimating Excess Burden, and a Practical Solution" Journal of Political Economy, August 2003. (This was formerly titled "The Usual Excess-Burden Approximation Usually Doesn't Come Close.")


New topic: Tax salience


**Optimal taxation**


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

Tax incidence

*Colman and Remler, "Vertical Equity Consequences of Very High Cigarette Tax Increases" NBER WP 10906.

3a. Expenditure Incidence


Household responses: labor supply


more to follow

Household responses: savings

Background: Bernheim, "Taxation and Saving" Handbook Chapter 18. Or, NBER WP 7061.
Poterba, Jim, Steve Venti, and David Wise, "How Retirement Saving Programs Increase Saving," JEP, Fall 1996, 91-112
Part II: TOPICS

Environment I: Second Best

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

Environmental II: Valuing non-traded commodities


Environmental Economics III: Market-based regulatory instruments.


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


Federalism

State fiscal policy

Interstate tax competition

Education

D. Acemoglu and J. Angrist, “How Large are Human Capital Externalities: Evidence from Compulsory Schooling Laws,” mimeo, MIT.

Health

Background: Cutler, "Health Care and the Public Sector" Handbook Chapter 31. Or, NBER WP 8802.
*Finkelstein Amy and R. McKnight, “What Did Medicare Do (And Was It Worth It)?” NBER Working Paper No. 11609

Tax Reform

Obama Tax Plan
The President's Advisory Panel on Tax Reform www.taxreformpanel.gov/