

Syllabus

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Course: Public Economics

Professor: Enlinson Mattos

2017 FIRST SEMESTER

PROGRAM

The course explores two dimensions. Taxation and publicly provided goods. In both parts we first address each topic theoretically and then (whenever appropriated) we present empirical papers. We understand we must cover a broad range of topics that capture the frontier of public economics analysis as well as research questions applied to Brazil.

BIBLIOGRAPHY (BASIC)

Suggested books:

Salanié, Bernard (2003). Economics of Taxation, MIT press.

Myles, G. (1995). Public Economics, Cambridge University Press.

Atkinson, A e Stiglitz, J., Lectures on Public Economics, 1980

Rosen, H. (2004) Public Finance, McGraw-Hill/Irwin; 7 edition

Dahlby, B. (2008). The marginal cost of Public Funds. Theory and applications, MIT press.

Feldman, A., Welfare Economics and Social Choice Theory.

Handbook of Public Economics (2002), Alan J. Auerbach and Martin Feldstein, editores ISBN: 978-0-444-82315-1 , vol. 4 Elsevier.

Handbook of Public Economics (2002), Alan J. Auerbach and Martin Feldstein, editores ISBN: 978-0-444-82314-4, vol. 3 Elsevier.

Handbook of Public Economics (1987), Alan J. Auerbach and Martin Feldstein, editores ISBN: 978-0-444-87908-0, vol. 2 Elsevier.

Handbook of Public Economics (1985), Alan J. Auerbach and Martin Feldstein, editores ISBN: 978-0-444-87612-6, vol. 1 Elsevier.

GRADING

Final grades are weighted average of (i) Presentation of a paper approved by the professor (40%) and to (ii) Final paper related to the course (60%). We expect this paper turns out to be the students' dissertation or thesis.

PROFESSOR - EMAIL

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DETAILED PROGRAM

Class1	2/3	Welfare economics and excess burden	MWG + Auerbach + Auerbach Hines e Diamond e McFadden	
Class 2	7/3	MCF: Theory MCF empirical	Teoria: Dahlby + Atk Stern + Ballard e Fullerton + Wildasin Empirico: Fullerton, Conway, DMS, CMP	
Class3	9/3	Optimal commodity tax (homog heterog)	Atk Stiglitz + Stiglitz+ Mirlees + Saez	
Class4	14/3	Optimal income tax (linear e non-linear) Direct vs indirect tax	Atk Stiglitz	
Class 5	16/3	Tax evasion, Sales Tax evasion and auditing	CG + AMT+DM, CG+ AMO	
Class 6	21/3	Tax evasion, Sales Tax evasion and auditing, Budget balanced, curva de Laffer	CG + AMT+DM, CG+ AMO // Chang, chung e Peng + MT	
Class 7	23/3	Tax evasion, Sales Tax evasion and auditing, Budget balanced, Laffer curve	CG + AMT+DM, CG+ AMO // Chang, chung e Peng + MT	
Class 8	28/3	Public goods, Efficiency, Public provision of good and labor supply	Samuelson + King , Afonso Schuknecht, MRT (RBE) +AM+Naritomi+ AF M + Sandmo	
Class 9	30/3	In-kind transfers and conditional cash transfers	Besley and Coate + GM	
Class 10	04/04	In-kind transfers – targeting/tagging and leakage	MT + BM + Bertola and Checci (2013)+Bertola Checci and Oppedisano (2007)+ Mankiw & Weinzierl (2010)	

Class 11	6/4	Present Bias and optimal taxation	Aronsson & Thunstrom + Gruber & Koszegi (2001)+Cremer et al (2001)+ Diamond Koszegi (2003)&	
Class 12	11/4	Present Bias and optimal taxation	PER KRUSELL, BURHANETTIN KURU,ŞÇU, AND ANTHONY A. SMITH, JR (2010) + Laibson (1996-1997)+O'Donoghue &Rabin (1999)+Lockwood (2016)	
Class1 13	18/4	Federalism – flypaper effect – tax competition – spatial spillover	Brollo, F.; Nannicini, T.; Perotti, R.; Tabellini,G. 2013. Caselli, F.; Michaels, G. 2013. Case, A., Hines, J. R.; Rosen, H. 1993. Dahlberg, M.; Mörk, E., Rattsø, J.; Ågren, H. 2008.+ Gramkhar, S.; Shah, A. 2007. AMR (2016)	
Class 14	20/04	Social security /Pensions	Diamond (77,96, 2004, 2006), Diamond & Orszag (2005), Diamond & Barr (2006)	
Class 15	25/04	PAPER PRESENTATION		

DETAILED BIBLIOGRAPHY

Welfare Economics and Excess Burden

1. Background

Mas-Colell, A., Whinston, M. e Green, J., Microeconomic Theory, 1995, p-80-91, 116-123, 325-334, 817-831.

Diamond, P., Feldstein, M., Laffont, J., Stern, N. e Stiglitz, J.(2002). Journal of Public Economics, December, 2002.

1.1 Theory

Auerbach, A..The theory of excess burden and optimal taxation in Handbook of Public Economics, vol.1, pp 61-86.

Auerbach A. and Hines, J.. Taxation and Economic Efficiency, Handbook of Public Economics, vol3, p. 1347-1360.

Diamond, P. and McFadden, D.. Some uses of the expenditure function in public finance, JPubE, vol3, 1974, p. 3-21.

Hausman, J.A., Exact consumer's surplus and deadweight loss, AER, 1981.

Salanie, B, the economics of Taxation, appendices.

1.2 Measure

Slesnick, D., Empirical Approaches to the Measurement of Welfare, JEL, 36, p. 2108-2165.

2. Marginal cost of public fund

2.1 Theory

Atkinson, A.B. e Stern, N. (1974), Pigou, Taxation and Public Goods. Review of Economic Studies, 41, pp. 119—128.

Ballard, C., (1990), Marginal Welfare Cost Calculations: Differential Analysis vs. Balanced Budget Anaysis. Journal of Public Economics, 41, pp. 263—273.

Ballard, C. e Fullerton, D. (1992), Distortionary taxes and the provision of public goods. Journal of Economic Perspectives, 6, pp. 117—131.

Browning, E, Gronberg, T. and Liu, Q. (2000). Alternative measures of marginal cost of public funds, Econ Inquiry, vol 38, pp. 591-599.

Wildasin, D. (1984), On public good provision with distortionary taxation. Economic Inquiry, 22, pp. 227-243.

Wilson, J. (1991), Optimal public good provision with limited lump-sum taxation. American Economic Review, 81, pp. 153—166.

Gahvari, F.. On the marginal cost of public funds and the optimal provision of public goods, JPubE, 2006.

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2.2 Empirical measure

Browning, E. (1987), On the marginal welfare cost of taxation. American Economic Review, 77, pp. 11--23.

Ballard, Shoven e Whalley (1985), General Equilibrium computations of the marginal welfare costs of taxes in the United States. American Economic Review, 75, pp. 128—138

Conway, K. (1997), Labor supply, taxes, and government spending: a microeconomic

analysis. Review of Economics and Statistics, 79, pp. 50—67.

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3. Optimal Tax –

4.1 Optimal commodity tax

Homburg, Stefan (2006) A new approach to commodity taxation, FinanzArchiv.

SB, cap2

Auerbach, A, The theory of excess burden and optimal taxation in *Handbook of Public Economics*, vol.1, pp 86-110.

Auerbach A. and Hines J., Taxation and Economic Efficiency, *Handbook of Public Economics*, vol3, p. 1361-1371.

Atkinson A. and Stiglitz, J. Lectures on Public Economics, chapter 12.

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4.2 Optimal income tax

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Saez, E. Using elasticities to derive optimal income tax rates, RES, vol 68, 2001, 205-229.

4.3 Optimal income tax - empirical

Mattos, E (2008). The revealed social welfare function: US versus Brazil, Brazilian Review of Econometrics.

Bourguignon, F and A. Spadaro (2002).
Tax-Benefit Revealed Social Preferences: Are Tax Authorities Paretian?. mimeo.

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Tax-Benefit Revealed Social Preferences. PSE working paper 2005-22.

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Microsimulation as a tool for evaluating redistribution policies, PSE Working Papers 2005-02.

SB, cap3

4.4 Optimal design of taxes

Stiglitz, J.. Pareto efficiency and optimal taxation and the new new welfare economics in Handbook of public economics vol2, 1987, p. 991-1041.

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SB, cap4

4.5

5 Public Goods

Myles cap9

5.1 Efficiency- theory

Samuelson, P. (1954), The pure theory of public expenditure. Review of Economics and Statistics, 36, pp. 387—389.

Samuelson, P. (1955), A Diagrammatic Exposition of a Theory of Public Expenditure, Review of Economics and Statistics.

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Wilson, J. (1991). Optimal Public Good Provision with Limited Lump-Sum Taxation, AER1991, vol81, pp. 153—166.

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5.2 Empirical efficiency

Afonso, A. and Schuknecht, L. and Tanzi, V. (2005) Public sector efficiency: an international comparison. Public Choice number 123, pp 321-347.

Alfirman, L. (2003) Estimating stochastic frontier tax potential: Can Indonesian local governments increase tax revenues under decentralization? Working Paper 03-19. University of Colorado at Boulder, 2003.

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Afonso, A. and Fernandes, S. (2003) Efficiency of Local Government Spending: Evidence for the Lisbon Region. Working Paper, Technical University of Lisbon.

Arvate, P. , Mattos, E. e F. Rocha (2007). Flypaper effect revisited: Evidence for tax collection efficiency in Brazilian municipalities, Estudos Economicos.

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5.3. Public Consumption Technologies

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Brueckner, J., “Congested Public Goods: The Case of Fire Protection,” *Journal of Public Economics*, February 1981.

5.4 Fixed group size efficiency

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5.5 Club theory – variable group size

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5.6 Volunteer provision of goods

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5.7 Budget effects on income tax revenue, Laffer curve

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5.8 Optimal Taxation, tagging, and public provision of private goods

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6 In-kind transfers

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7 Mechanisms to achieve efficiency on publicly provided good

7.1 Fiscal Federalism

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7.2 Fiscal Competition

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7.3 Federalism, Transfers, flypaper effect

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8 Taxation and labor supply

a. Theory

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b. Empirical measure

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11. Fiscal Evasion

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8 Present Bias and optimal Taxation

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9 Pensions and Social Security

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