

Economics 231 - Government expenditures and revenues
Fall 2020

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Office hours: by appointment

With guest lectures by:
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Overview: This course is one of several courses in the field of public economics, which studies the role of government in the economy. The formal requirement for the field is to complete any two of the courses that are offered. If you intend to do research in the field, though, then broader training will be valuable.

This course includes analyses of government expenditure programs and tax systems. The emphasis will be on learning frameworks and techniques that can be applied to produce original research and to critically analyze existing research in the field of public economics. We will start by characterizing optimal provision of public goods and justifying government intervention. Next, we will study a variety of complications that arise when provision decisions are made in practice, including political inefficiencies and interactions across multiple jurisdictions and levels of government. Next, we will move on to survey theoretical work assessing the efficiency and equity effects of any given tax structure in an abstract setting, and then examine in more depth the economic effects of existing tax provisions in developed and developing countries.

Class Meetings: Class meetings will take place on Mondays from 8:00-10:50am PST. All meetings will be held remotely via Zoom, with the link available on the canvas course website. Meetings will be recorded and posted to canvas for those of you who will have difficulty attending synchronously. For those of you who are able to attend, I encourage you to have your videos on, though the decision is up to you and what you are comfortable with and what works best for your internet connection.

Office Hours: I am available at any time throughout the term by appointment. Please e-mail to set up a convenient time to meet (remotely). Please feel free to also reach out to Professor Gordon for help and advice.

Requirements: There are five sets of requirements for this course:

1. Readings

The required readings are journal articles or working papers. These are available to you on canvas under the readings tab for each week's module. To access these, you may have to be connected to the UCSD VPN. The reading lists include many suggestions for further reading should you become interested in a particular area, and the subset that are required readings are starred (**).

2. Paper presentation

I will ask each of you (alone or in pairs) to present an assigned paper during one of the

regular class periods. The papers will be empirical papers that test theoretical predictions relevant to course material. The presentation itself should be at most 20 minutes, with group discussion to follow. You should place the topic within the context of the course, explain the methods, describe the findings, and point out remaining limitations and directions for future research. Please make sure the presentation is organized well and clear and that you provide some critical analysis. The presentation is worth 20% of your grade.

3. Problem sets

There will be 2 problem sets. The problem sets represent 20% of your grade (each counts 10%). You are welcome to collaborate with others in the class on the problem sets, as well as to see me for help working through any trouble spots. DO NOT use solutions for any questions that might overlap with assignments from prior years, if you have access to them. I also ask that what you turn in be your own (scanned) handwritten or typed work. Working through the problem sets will help give you a better understanding of the applied theoretical tools and will also be valuable preparation for the final exam.

4. Referee report

I will assign a paper for you to referee. The referee report should briefly summarize the paper and then provide a critical discussion. It should be 2-3 single-spaced pages in length. The report will count for 20% of your grade.

5. Final exam

There will be a final cumulative exam administered during final exam week that is worth 40% of your grade.

Seminars: I encourage you to attend as many applied microeconomics (and other field) seminars as you can this quarter. The applied microeconomics seminar meets remotely on Mondays from 2:00-3:30pm. Attending seminars is among the best ways to facilitate the transition from coursework to research.

Course topics outline:

1. First and second best public goods provision
2. Voluntary private provision
3. Social choice and political economy
4. Local public goods
5. Federalism
6. Optimal taxation
7. Personal and corporate income taxes
8. Taxation in developing countries