

Public Economics
Econ 535, IIT Kanpur
July-Dec 2011

Course Description

This is a course in the graduate public economics. This one-semester course covers issues like the role of the government, provision of public goods, optimal design of tax and social policies, with emphasis on combining theoretical models with empirical evidence. Topics include public goods and externalities, efficiency costs and incidence of taxation, income taxation, transfer and welfare programs, and welfare analysis in behavioral models. Microeconomics is a pre-requisite for this course. I also expect you to have basic understanding of Econometric tools like OLS, Random and Fixed Effect models and Instrumental Variables.

Below is a rough summary of the course structure. There might be materials covered in the class which are not in the text and hence I would strongly encourage you to attend all the classes.

Text

- Myles, G. *Public Economics*. New York, NY: Cambridge University Press, 1995. ISBN: 0521497698.

Suggested Readings:

- Gruber, Jonathan. *Public Finance and Public Policy*. Worth Publishers, 2009. ISBN: 9781429219495.
- Atkinson, A., and J. Stiglitz. *Lectures on Public Economics*. New York, NY: McGraw Hill, 1980. ISBN: 0070841055.

Evaluations:

Midterm, Presentations, Endterm

Course Structure

1 Why study public finance?

2 Externalities in theory and practice

Public goods in theory and practice

3 Basic theory, optimality and pricing

4 Cost/benefit analysis

5 Political economy

6 Local public goods and fiscal federalism

7 Public provision of private goods: education

Midterm exam

Taxation and individual behavior

8 Taxation and labor supply

9 Taxation and savings

10 Taxation, risk taking and wealth

11 Corporate taxation

12 Tax reform

Presentations (List of papers to be provided)

Social insurance and redistribution

13 Overview

14 Social security

15 Unemployment insurance and workers' compensation

16 Health insurance

17 Redistribution and welfare policy

Final exam