

Faculty of Economics

E101 Applied Microeconomics

Aims and Objectives

The focus of this course is on using both theory and data to answer interesting and policy relevant questions in applied microeconomics. The questions are drawn from topics in applied microeconomics, including research in taxation, social insurance and labour markets. The focus is on individual behaviour and the role of government. The aims of the course are:

1. To provide a framework on individual behaviour that can be used to think about the effects of policy
2. To use that framework to analyse the effects of taxation and social insurance
3. To provide the empirical tools to relate the theoretical framework to what we observe in the data

There are 7 main topics to be covered in the lectures. There will also be two classes. One of the classes will be in the computer lab and based on estimating individual behaviour and the effects of taxation. Preparation for this class will involve manipulating data using Stata. The second class will involve group work on evaluating particular policies.

Topics

1. Consumer Demand and Standards of Living
2. Welfare and Taxation: Who bears the cost?
3. Government Intervention: Theory of the Second Best and How to Intervene
4. Government Intervention: Production Efficiency and Redistribution
5. Inequality and Taxing the Rich
6. Stimulus Payments: How to end a recession
7. Social Insurance and Risk: Should the government provide insurance? What is the cost?

Assessment

The examination for this module will be by a two-hour written exam.

Readings

A good introduction to a number of the topics can be found in:

- Hindriks and Myles "Intermediate Public Economics"
- Various chapters in: "Dimensions of Tax Design: the Mirrlees Review", J. Mirrlees, S. Adam, T. Besley, R. Blundell, S. Bond, R. Chote, M. Gammie, P. Johnson, G. Myles and J. Poterba (eds), Oxford University Press, 2010. Chapters can be downloaded from <http://www.ifs.org.uk/mirrleesReview>