

Faculty of Economics

S101 Public Economics

Aims and Objectives

This course covers the foundations for optimal taxation based largely on the seminal work of Ramsey (1927) and Mirrlees (1971). The goal of the course is to familiarize students with basic empirical methods and theoretical models in applied microeconomics, with a focus on connecting theory to data to inform economic policy. Topics include efficiency costs and incidence of taxation, inequality, optimal income and commodity taxation.

There are 5 main topics to be covered in the lectures. There will also be two classes. Preparation for this class will involve manipulating data using Stata.

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

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>