

COURSE DESCRIPTION

Public finance is the study of the economic functions or role of a government and its associated institutions. The purpose of the field sequence is to provide a survey of this area with an emphasis on its microeconomic aspects. (The macroeconomic aspects may be found in graduate level macro courses.) Therefore, knowledge of graduate level microeconomic theory and the ability to understand canonical micro arguments will be assumed. Familiarity with graduate level econometrics will also be assumed.

The field consists of Economics 543, 544, and 547. Students are *strongly* encouraged to take one of the theory courses (543 or 544) prior to taking 547, if possible. Students are permitted, however, to take the courses in any order.

This course (547) will consider empirical and institutional aspects of public finance. One third of the course will study institutions, one third will study theory relevant to empirical analysis, and one third will study the actual numerical results. Institutions affect theoretical predictions while empirical work must account for them. Topics in national public finance include the personal income tax, corporate taxation, social security, and tax reform. Public deficits and debt will be examined, as will applied general equilibrium models. Topics in local public finance, such as intergovernmental relations, the Tiebout hypothesis, and property taxation will be studied from an applied point of view.

It should be noted that, in contrast with the way this subject is taught elsewhere, we do not divide the field between taxation and expenditure. Such a division would make general equilibrium analysis impossible. We divide the field into three parts: theory, institutions, and empiricism.

RELATED COURSES

Economics 543 and 544 have content important to public finance. These courses represent the theoretical component of the field. Those students interested in writing a dissertation in public finance should consider taking Economics 545 and/or Political Science 4021, 5041, 5071, 505, and/or 507. The material covered in these courses will be useful to public finance in the near and immediate future. Please see the appropriate instructor in the Political Science Department before registering for a course in that Department.

COURSE REQUIREMENTS

By the end of the course, you are expected to have an idea of the methods currently used by public finance economists, as well as a picture of the state of the field. To this end, there will be one homework set during the course. An in-class final examination will represent 80% of the grade, while the homework will account for the remainder.

OFFICE HOURS

Marcus' office is located at 247 McMillan and his phone is 935-8486; his e-mail address is berliant@wustl.edu. Office hours are Tuesdays and Thursdays 1-2 and by appointment. Paul's office is located in 321D Eliot and his phone is 935-4352; his e-mail address is rstein@wustl.edu. Office hours are NEEDED.

READINGS

The homework and exam will be based primarily on the lectures. Readings cited in the lecture outline should be studied before class. Other readings are provided for background or in case we are unclear in class. You should at least skim them so you know their content as they are frequently cited in the literature. Most (but not all) books are on reserve in the library. We plan to have a reader containing most of the papers available for purchase (at cost) in the department office.

In the reading list that follows, M=Marcus and P=Paul, indicating who will cover the associated material.