

**Political Science 577**  
Summer 2006  
Professor Paul Rothstein

**Financial Globalization: Market Failures and State Institutions**

**Course Reader**

Purchase this from the Department of Economics in 205 Eliot Hall.

**Contacting Me**

Office: Eliot 321D  
Email: rstein@wustl.edu  
Phone (and voice mail): 935-4352

**Requirements and Grading**

The three components receive equal weight. Expect to spend 2-3 hours per day preparing the first two components.

1. Daily quiz on the material assigned for that day: 5 questions, 10 minutes.
2. In class presentations on assigned papers.
3. Short paper (7-10 pages) applying the concepts of the course to your area of interest.

## Topics and Assignments

### Lecture 1.

Markets and market failure.

1. Stiglitz, chapters 3 and 4, from Economics of the Public Sector, third edition, 2000.
2. Hayek, "The Use of Knowledge in Society," American Economic Review 35, 1945.

### Lecture 2.

Taxation: internalizing externalities, old and new.

1. Barthold, "Issues in the Design of Environmental Excise Taxes," Journal of Economic Perspectives, 1994.
2. Strnad, "Conceptualizing the 'Fat Tax': The Role of Food Taxes in Developed Economies," Southern California Law Review, 2005.

### Lecture 3.

Taxation: incidence and welfare.

1. Hyman, chapter 11 (part)
2. Goolsbee, "The Value of Broadband and the Deadweight Loss of Taxing New Technology," Contributions to Economic Policy & Analysis, 2006.
3. Slemrod, "Do Taxes Matter? Lessons from the 1980s," American Economic Review, 1992.

### Lecture 4.

Taxation: fairness and enforcement.

1. Slemrod and Bakija, "Fairness," in Taxing Ourselves, third edition, 2004.
2. "National Survey of American's Views on Taxes," Kaiser/NPR/Harvard, April 2003.
3. Slemrod, "The Role of Misconceptions in Support for Regressive Tax Reform," National Tax Journal, 2006.

### **Lecture 5.**

Many governments (horizontal): Tiebout sorting and fiscal competition.

1. Tiebout, "A Pure Theory of Local Expenditures," Journal of Political Economy, 1956.
2. Oates and Schwab, "The Allocative and Distributive Implications of Local Fiscal Competition," in Kenyon and Kinkaid (eds)., Competition Among States and Local Governments, 1991.

### **Lecture 6.**

Many Governments (vertical): Federalism.

1. McKinnon and Nechyba, "Competition in Federal Systems: The Role of Political and Financial Constraints," in The New Federalism: Can the States be Trusted, 1997.
2. Weingast "The Economic Role of Political Institutions: Market-Preserving Federalism and Economic Development," Journal of Law, Economics and Organization, 1995.

### **Lecture 7.**

Many Governments: Globalization.

1. Garrett, "Global Markets and National Politics: Collision Course or Virtuous Circle?" International Organization, 1998.
2. Cai and Treisman, "Does Competition for Capital Discipline Governments? Decentralization, Globalization, and Public Policy," American Economic Review, 2005.
3. Rothstein and Hoover, "Group Welfare and the Formation of a Common Labor Market: Some Global Results," International Tax and Public Finance, 2006.

### **Lecture 8.**

Many Governments: Decentralization.

1. Bardhan, "Decentralization of Governance and Development," Journal of Economic Perspectives, 2002.
2. Zuravskaya, "Incentives to Provide Local Public Goods: Fiscal Federalism, Russian Style," Journal of Public Economics, 2000.
3. Hoffman and Gibson, "Political Accountability and Public Service Provision in Africa: Evidence from Tanzania and Zambia," undated manuscript.