

Grading: The student's grade will be determined as: 50% Midterm, 50% Final.

Students with Special Needs: If you qualify for accommodations because of a disability, please submit to me a letter from Disability Services (DS) in a timely manner so that your needs may be addressed. DS determines accommodations based on documented disabilities. Contact: 303-492-8671, Willard 322 and <http://www.colorado.edu/disabilityservices>

If you have a temporary medical condition or injury, see guidelines at:
<http://www.colorado.edu/disabilityservices/go.cgi?select=temporary.html>

Harassment Policy: The University of Colorado at Boulder policy on Discrimination and Harassment, the University of Colorado policy on Sexual Harassment and the University of Colorado policy on Amorous Relationships apply to all students, staff and faculty. Any student, staff or faculty member who believes s/he has been the subject of sexual harassment, discrimination or harassment based on race, color, national origin, sex, age, disability, creed, religion, sexual orientation, or veteran status should contact the Office of Discrimination and Harassment (ODH) at (303) 492-2127 or the Office of Judicial Affairs at (303) 492-5550. Information about the OSH and the campus resources available to assist individuals regarding discrimination or harassment can be obtained at: <http://www.colorado.edu/odh>

Religious Observances: Campus policy regarding religious observances requires that faculty make every effort to reasonably and fairly deal with all students who, because of religious obligations, have conflicts with scheduled exams, assignments or required attendance. In this class, please let me know in a timely manner if one of the exam dates falls on a religious holiday you intend to observe and I will arrange for you to take a make-up. See policy details at http://www.colorado.edu/policies/fac_relig.html

Classroom Behavior: Students and faculty each have responsibility for maintaining an appropriate learning environment. Students who fail to adhere to behavioral standards may be subject to discipline. Faculty have the professional responsibility to treat students with understanding, dignity and respect, to guide classroom discussion and to set reasonable limits on the manner in which students express opinions. Professional courtesy and sensitivity are especially important with respect to individuals and topics dealing with differences in race, culture, religion, politics, sexual orientation, gender variance, and nationalities. Class rosters are provided to the instructor with the student's legal name. I will gladly honor your request to address you by an alternate name or gender pronoun. Please advise me of this preference early in the semester so that I may make appropriate changes to my records. See policies at

of the academic integrity policy will be subject to both academic sanctions from the faculty

25 Aug INTRODUCTION
Tresch, Chapter 1

PART 1: EXPENDITURE

27 Aug, 1 Sept FUNDAMENTAL WELFARE THEOREMS
Tresch, Chapter 2
Hand-out

Problem Set: Fundamental Welfare Theorems

3, 8, 10 Sept PUBLIC GOODS

Normative prescription:

Samuelson, P.A., (1954), "The pure theory of public expenditure," *Review of Economics and Statistics* 36, 387-389.

Samuelson, P.A., (1955), "The diagrammatic exposition of the theory of public expenditure," *Review of Economics and Statistics* 37, 350-356.

Positive: non-rival and non-excludable:

Bergstrom, T., L. Blume and H. Varian, (1986), "On the private provision of public goods," *Journal of Public Economics* 29, 25-49.

Andreoni, J., (1988), "Privately provided public goods in a large economy: the limits to altruism," *Journal of Public Economics* 35, 57-73.

Isaac, R.M., and J.M. Walker, (1988), "Group size effects in public goods provision: the voluntary contributions mechanism," *Quarterly Journal of Economics* 103, 179-199.

Brunner, E.J., (1998), "Free riders or easy riders? An examination of the voluntary provision of Public Radio," *Public Choice* 97, 587-604

Impure altruism

Andreoni, J., (1990), "Impure altruism and donations to public goods: a theory of warm-glow giving," *Economic Journal* 100, 464-477.

Kingma, B.R., (1989), "An accurate measurement of the crowd-out effect, income effect and price effect for charitable contributions," *Journal of Political Economy* 97, 1197-1207.

Positive: non-rival and excludable:

Demsetz, H., (1970), "The private production of a public good," *Journal of Law and Economics* 13, 293-306.

Oakland, W., (1974), "Public goods, perfect competition and underproduction," *Journal of Political Economy* 82, 927-939.

Problem set: Efficient (First-Best) public good level.

Problem set: Voluntary contributions mechanism.

Problem set: Public goods paradox

Problem set: "Market" provision of non-rival excludable good.

15, 17, 22, 24 EXTERNALITIES

Sept Tresch, Chapters 5, 6, 7 and 8.

Baumol, W.J., and W.E. Oates, (1988), *The Theory of Environmental Policy*, 2nd Edition, Chap. 4 ("Externalities: formal analysis"), pages 36-56.
Englewood Cliffs, NJ:Prentice Hall.

Spulber, D.F., (1985), "Effluent regulation and long-run optimality," *Journal of Environmental Economics and Management* 12, 103-116.

Ayres, I. and S. D. Levitt, (1998), "Measuring positive externalities from positive victim precaution: an empirical analysis of Lojack," *Quarterly Journal of Economics* 113, 43-78.

Weitzman, M., (1974), "Prices vs. Quantities", *Review of Economic Studies*

Problem set: Voted public goods level.
Problem set: Voting the redistribution level
Problem set: Voting cycles
Problem set: Citizen-candidate model.

PART 2: TAXATION

- 8 Oct POSITIVE: TAX INCIDENCE
Property tax capitalization:
 de Bartolome, C.A.M., and S.S. Rosenthal, (1999), "Property tax capitalization in a model with tax-deferred assets, standard deductions, and the taxation of nominal interest," *Review of Economics and Statistics* 81, 85-95.
- 13 Oct MIDTERM (2:00 - 4:00 pm)
- 15, 20, 22 Oct POSITIVE: TAX INCIDENCE (CONT.)
 Tresch, Chapter 16

Problem Set: Tax Incidence: General Equilibrium Analysis
- 27, 29 Oct NORMATIVE: EXCESS BURDEN AND MARGINAL COST OF FUNDS
 3 Nov Tresch, Chapters 12, 13.
 de Bartolome, C.A.M., (1999), "Integrating tax distortions and externality theory," *Journal of Public Economic Theory* 1, 330-358.
 Hausman, J., (1981), "Exact consumer's surplus and deadweight loss", *American Economic Review* 71, 662-676.
 Ballard, Charles L., and D. Fullerton, (1992), "Distortionary taxes and the Provision of Public Goods", *Journal of Economic Perspectives* 6, 117-131.
- Problem set:* Excess burden with Cobb-Douglas utility
Problem set: Excess burden with constant elasticity Hicksian Demand
Problem set: Excess burden with linear Marshallian demand.
Problem set: Marginal Cost of Funds.
- 5, 10, 12, 17 NORMATIVE: OPTIMAL TAXATION
 Nov *Indirect Taxation:*
 Tresch, Chapter 14.
 Atkinson, A.B., and J.E. Stiglitz, (1980), *Lectures in Public Economics*, Lecture 12. McGraw Hill, New York.

- Diamond, P., (1975), "A many-person Ramsey tax rule," *Journal of Public Economics* 4, 335-342
- Corlett, W.J. and D.C. Hague, (1953), "Complementarity and the excess burden of taxation," *Review of Economic Studies* 21, 21-30.

Direct Taxation:

Tresch, Chapter 15

Atkinson, A.B., and J.E. Stiglitz, (1980), *Lectures in Public Economics*, Lecture 13. McGraw Hill, New York..

Stiglitz, J.E., (1982), "Self-selection and Pareto-efficient taxation", *Journal of Public Economics* 17 , 213-240.

Problem set: Efficient Product Tax: Cobb-Douglas utilities.

Problem set: Optimal tax: Goods complementary with leisure.

Problem set: Efficient Income Tax

PART 3: PULLING EXPENDITURE AND TAXATION TOGETHER

19 Nov

Second-best public goods level

Atkinson, A.B., and N.H. Stern, (1974), "Pigou, taxation and public goods," *Review of Economic Studies* 41, 119-128 .

de Bartolome, C.A.M, (2001), "Why is Pigou sometimes wrong? Explaining how distortionary taxation can cause public spending to exceed the efficient level?" *Working Paper of the University of Colorado #07-02*.

Problem set: Second-best level of the public good.

PART 4 : LOCAL PUBLIC FINANCE

1, 3 Dec

CLUBS AND TIEBOUT MODEL

Tresch, Chapters 29, 30 and 31

Berglas, E., (1976), On the theory of clubs," *Papers and Proceedings of the American Economic Association* 66 , 116-121.

Tiebout, C.M., (1956), "A pure theory of local expenditures," *Journal of Political Economy* 94, 416-424.

Berglas, E., and D. Pines, (1981), "Clubs, local public goods and transportation models," *Journal of Public Economics* 15, 141-162.

Edel, M., and E. Sclar, (1974), "Taxes, spending, and property values: supply adjustment in a Tiebout-Oates model," *Journal of Political Economy* 82

Problem set: Clubs
Problem set: Club theory - visits
Problem set: Tiebout model of local government

8 Dec

THE MONOCENTRIC CITY

Mills, E.S., (1967), "An aggregative model of resource allocation in a metropolitan area," *Papers and Proceedings of the American Economic Association* 57, 197-210.

Wheaton, W.C., (1977), "Income and urban residence: an analysis of consumer demand for location," *American Economic Review* 67, 620-631.

de Bartolome, C.A.M. and S.L. Ross, (2007), "Community income distributions in a metropolitan area," *Journal of Urban Economics* 61, 496-518.

de Bartolome, C.A.M. and S.L. Ross, (2004), "Who's in charge of the central city? The conflict between efficiency and equity in the design of a metropolitan area," *Journal of Urban Economics* 56, 458-483

McMillen, D.P., (2003), "The return of centralization to Chicago: using repeat sales to identify changes in house price distance gradients," *Regional Science and Urban Economics* 33, 287-304.

Problem set: Monocentric city

10 Dec

INTER-JURISDICTIONAL TAX COMPETITION

Zodrow, G.R., and P. Mieszkowski, (1986), "Pigou, Tiebout, property taxation, and the underprovision of local public goods," *Journal of Urban Economics* 19, 356-370.

Wilson, J.D., (1995), "Mobile labor, multiple tax instruments, and tax competition," *Journal of Urban Economics* 38, 333-356.

Braid, R.M., (1996), "Symmetric tax competition with multiple jurisdictions in each metropolitan area," *American Economic Review* 86, 1279-1290.

17 Dec

FINAL EXAM (7:30 a.m. - 10:00 am)