COURSE DESCRIPTION
Economics 6211 studies the ways in which government tax and expenditure policies affect the economy. Topics covered include the economic rationale for government action, the economic theory of government behavior, and the effects of specific government tax and expenditure policies on the behavior of individuals and firms, the allocation of resources, and the distribution of income. The emphasis throughout will be on the application of economic theory to current issues in government policy, whether in the United States or elsewhere: privatization, welfare cutbacks, health care cost containment, defense spending fraud, social security reform, individual and corporate tax reductions, tax reform, the effects of deficits and deficit reduction, and supply-side economics.

COURSE REQUIREMENTS
There will be 2 midterm examinations, each of which will count one-sixth of your final grade. There will also be a comprehensive final examination that will count one-third of your final grade. The remaining one-third of your grade will consist of a research paper, details of which will be discussed in class. The dates of the midterm examinations will be announced later; the date of the final examination is Monday, May 12, from 3:30pm to 6:30pm.

Note that no make-up midterm exams will be given. If you miss a midterm exam, then the weight of the final exam will be increased accordingly. You must have an approved excuse to miss a midterm exam.

There will also be weekly assignments. I encourage you to work with other students on these assignments. Although the assignments will not be collected and graded, questions from them will appear on the exams.

TEXTBOOKS
There is one required textbook:


A reading packet of articles is also required. These articles will be available in the graduate student lounge on the third floor of the Economics Building.
COURSE OUTLINE

I. Facts about Government

II. Welfare Economics, Market Failure, and the Need for Government

III. The Theory of Public Expenditures
   A. Externalities
   B. Public Goods
   C. Income Support for the Poor
   D. Social Insurance

IV. Public Choice

V. Cost-Benefit Analysis

VI. Basic Principles of Taxation
   A. Taxation and Incentives
   B. Taxation and Income Distribution
   C. Taxation and Efficiency
   D. Taxation and Revenues
   E. Efficient, Equitable, and Adequate Taxation: Optimal Taxation
   F. Tax Administration and Compliance Costs
   G. Taxation and Politics

VII. Revenue Sources
   A. Deficit Finance
   B. Individual Income Tax
   C. Corporation Income Tax
   D. Taxes on Consumption
   E. Taxes on Wealth
   F. Taxes on International Trade

VIII. Tax Reform
READING LIST

All readings are required. Starred (*) readings are available in the graduate student lounge.

I. Facts About Government
   Hyman, Chapter 1.

II. Welfare Economics, Market Failure, and the Need for Government
   Hyman, Chapter 2.

III. Analysis of Public Expenditure

A. Externalities
   Hyman, Chapter 3.

B. Public Goods
   Hyman, Chapter 4.

C. Income Support for the Poor
   Hyman, Chapter 7.

D. Social Insurance
   Hyman, Chapters 8, 9.

IV. Public Choice
   Hyman, Chapter 5.

V. Benefit-Cost Analysis
   Hyman, Chapter 6.

VI. Basic Principles of Taxation
   A. Taxation and Incentives
      Hyman, Chapter 10.

   B. Taxation and Income Distribution
      Hyman, Chapter 11.

   C. Taxation and Efficiency
      Hyman, Chapter 11.

   D. Taxation and Revenues

   E. Efficient, Equitable, and Adequate Taxation: Optimal Taxation

   F. Tax Administration and Compliance Costs

G. Taxation and Politics

VII. Revenue Sources

A. Individual Income Tax
Hyman, Chapters 13, 14.

B. Corporate Income Tax
Hyman, Chapter 15.

C. Deficit Finance
Hyman, Chapter 12.

D. Taxes on Consumption
   Hyman, Chapter 16.

E. Taxes on Wealth
   Hyman, Chapter 17.

F. Taxes on International Trade

VIII. Tax Reform