Public Economics: Expenditures and Taxation

Spring 2002

Syllabus

Class meets on Mondays and Wednesdays 11:00-12:15 in Econ 5
Instructor Anna Rubinchik-Pessach
Office location: Econ 121
Office hours: Monday and Friday 2:00-3:30 p.m. or by appointment
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Course description.
We will use a positive approach. Instead of asking the normative question of "What a government should do?", we will address the question "What a government can do?" The way the government is organized plays a crucial role in the answer to this question. Our quest will be to identify the determinants of "political failures", constraints that a government organization imposes on the efficiency of the government policies. We will start by analyzing a representative democracy both in industrialized and in developing countries. Issues in regional (international) political economy will follow. Finally, we will address economic performance of a federal system.

Required texts.
1. (M) Gareth D. Myles Public Economics Cambridge University Press, 1995

Recommended texts.
1. (AB) David Austen-Smith and Jeffrey S. Banks Positive Political Theory I Collective Preference University of Michigan Press, 1999

Requirements and evaluation
Paper presentation is 30%, homework assignments are 10%, midterm is 30%, final is 30%.
The final is on Saturday, May 4th 7:30-10:00 a.m.

DETERMINING GOVERNMENT'S ROLE


**TOOLS OF POLITICAL ECONOMICS**

**Voting Theories**

PT ch. 2, 3
AB ch. 5


**Policy choice in a representative democracy**

PT ch. 4

Anthony Downs "An Economic Theory of Political Action in a Democracy" *The Journal of Political*


**Special Interest Politics**

GH ch.10


**ISSUES IN POLITICAL ECONOMY OF DEVELOPMENT**


* Andrew Foster and Mark Rosenzweig "Democratization, Decentralization and the Distribution of Local Public Goods in a Poor Rural Economy" December 2001


* Ahmed Mushfiq Mobarak "Democracy and Volatility: Theoretical Links Through Political Competition and Conflict" University of Maryland, mimeo

**REGIONAL POLITICS. LOCAL PUBLIC FINANCE**

Daniel Rubinfeld "The Economics of the Local Public Sector," in Handbook of Public Economics, Vol.II. A.Auerbach and M.Feldstein (editors)


Joseph Gyourko, Joseph Tracy "The Structure of Local Public Finance and the Quality of Life" The

Robert Inman and Andrew Haughwout "Fiscal Policies in Open Cities with Firms and Households" NBER working paper w7823, 2000

Tiebout Model and its Applications

W Ch. 5.


Dennis Epple and Holger Sieg The Tiebout Hypothesis and Majority Rule: An Empirical Analysis, mimeo, February 4, 1999

Tax competition

W, ch. 4


*Jan Brueckner "Fiscal Decentralization with Distortionary Taxation: Tiebout vs. Tax Competition" University of Illinois at Urbana-Champaign, mimeo

ECONOMICS OF FEDERALISM

PT ch. 7, section 7.2


Besley, T. and S. Coate "Centralized versus Decentralized Provision of Local Public Goods: A Political Economy Analysis", mimeo


Anna Rubinchik-Pessach "Can Decentralization Be Beneficial?", mimeo


**COMPARATIVE POLITICS**

PT ch. 8-10


