

## **Topics in Public Economics**

This course is one of four Ph.D. courses in the Major Area: Public Economics of the BDPEMS.

The course is under the joint responsibility of the professors G. Corneo (FU Berlin), M. Runkel (TU Berlin) and R. Schöb (FU Berlin). The course to be held in the winter term 2013-2014 is organized and graded by prof. G. Corneo.

This course is a reading course yielding 6 ECTS. Each participant has to present in a detailed way an important recent research article and to actively discuss the presentations made by the other participants. Grades depend on presentation and discussion. The course in the winter term 2013-2014 deals with new developments in public economics related to inequality.

The course is on Thursdays 10 – 12 a.m. and takes place in the Kaminzimmer of the building of the Economics Department of the Free University (Boltzmannstr. 20, 14195 Berlin).

Date of beginning: December 19, 2013.

Information requests on the course can be addressed to: [Giacomo.Corneo@fu-berlin.de](mailto:Giacomo.Corneo@fu-berlin.de).

## Topics in Public Economics – 2013/14

Papers will be presented in 6 sessions of two hours each.

The papers to be presented come from three areas of research:

- I) Joint role of taxation and public expenditure
- II) Insurance and poverty alleviation
- III) Optimal taxation.

They will be assigned on December 19, 2013.

**Area I** consists of the following four papers:

Ebert, U. and G. Tillmann (2006): Budget incidence reconsidered, *Journal of Economics* 88, 1-19. (It develops a method to determine the distributional impact of income taxation used to finance a public good).

Andersen, T. and C. Kreiner (2013): Baumol's cost disease and the sustainability of the welfare state, CEPR DP 9772. (An analysis of Baumol's cost disease when public services are financed by a distorting income tax).

Besley, T. and S. Coate (2001): Lobbying and welfare in a representative democracy, *Review of Economic Studies* 68, 67-82. (A politico-economic model where public goods are financed by a poll tax).

Esteban, J. and L. Mayoral (2013): A politico-economic model of public expenditure and income taxation, mimeo. (Here the tax schedule is arbitrary but labor supply is still exogenous; there is also an empirical part).

**Area II** consists of the following five papers:

Arnott, R. and J. Stiglitz (1991): Moral hazard and nonmarket institutions: Dysfunctional crowding out or peer monitoring? *American Economic Review* 81, 179-190. (It analyzes the interaction of market insurance with unobservable nonmarket insurance under moral hazard).

Sandroni, A. and F. Squintani (2007): Overconfidence, insurance, and paternalism, *American Economic Review* 97, 1994-2004. (It delivers policy implications in the adverse-selection model of Rothschild-Stiglitz when individuals underestimate risk).

Acemoglu, D. and R. Shimer (1999): Efficient unemployment insurance, *Journal of Political Economy* 107, 893-928. (Optimal unemployment insurance in a general equilibrium model with wage-posting and search).

Besley, T. and S. Coate (1992): Understanding welfare stigma: taxpayer resentment and statistical discrimination, *Journal of Public Economics* 48, 165-183. (A simple model with implications for program design).

Cremer, H. and Roeder, K. (2013): Long-term care and lazy rotten kids, CESifo DP 4372. (Normative analysis, it could also belong to Area III).

**Area III** consists of the following six papers:

Cremer, H., Lozachmeur, JM. and P. Pestieau (2012): Income taxation of couples and the tax unit choice, *Journal of Population Economics* 25, 763-778. (An analysis of joint vs. individual taxation of earnings under inequality).

Jacquet, L., Lehmann, E. and B. Van der Linden (2013): Optimal redistributive taxation with both extensive and intensive responses, *Journal of Economic Theory* 148, 1770-1805. (The title says it already).

Boadway, R. and M. Sato (2011): Optimal income taxation with uncertain earnings, mimeo. (The title says it already).

Blumkin, T., Margalioth, Y. and E. Sadka (2012): The redistributive role of child benefits: Revisiting the quantity-quality trade-off, mimeo. (Should children really be subsidized?).

Piketty, T. and E. Saez (2012): A theory of optimal capital taxation, CEPR DP 8946. (The title says it already).

Benhabib, J., Bisin, A. and S. Zhu (2011): The distribution of wealth and fiscal policy in economies with finitely lived agents, *Econometrica* 79, 123-157. (Not really an optimal taxation paper, it studies the evolution of inequality under uninsurable income risk).