

Public Goods and Taxes

The aim of the course is to familiarize students with basic results in the theory of public goods (Chapter I) and the theory of optimal taxation (Chapter II). We will then study how rules for optimal public-goods provision depend on the properties of the tax system that is used to finance those public goods (Chapter III). We will finally compare these normative prescriptions with the results of political economy analyses of public-goods provision and taxation (Chapter IV).

The course is intended for advanced Master students and doctoral students. To make the course accessible also for doctoral students in the International Max Planck Research School (IMPRS-Uncertainty) it is offered as compact course in the week following Pentecost, i.e. from June 6 to June 9. On each day there will be two lectures, one from 9.30h until 11h and one from 11.30h until 13h. Students are expected to work on problem sets in the afternoon.

I. Public Goods and Externalities

- Efficiency conditions
- Voluntary provision
- Mechanism design approaches

II. Optimal Taxation

- Optimal commodity taxation
- Optimal income taxation
- Direct versus indirect taxation

III. Optimal Taxation and Public Goods Provision

- Public sector pricing and public goods provision
- Redistributive income taxation and public goods provision
- Green taxes

IV. Political economy approaches

- Coalition-proof mechanism design in large economies
- Probabilistic voting
- Downsian competition

References

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