Econ 8801, Fall 2009
Department of Economics
University of Minnesota
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This is a class in Public Economics – the economics of taxation, spending, etc.

We will meet once a week for the entire Fall semester. A few of the class meetings will have to be rescheduled for travelling.

Below is a rough outline of how the class will go. It is not set in stone. If someone in the class has some ideas about what they would like to do, I'm game for that too.

If you're taking the class for credit, you'll be required to give a presentation. Some of these will consist of presenting all or part of a paper by someone, while others will consist of trying to come up with a nice simple example that crystallizes the main ideas in a paper.

Compared to other classes, we will spend a lot more time in going over the details of a smaller number of papers and trying to really understand them well and at several different levels – the technical details of the most general proofs the authors have as well as simpler examples.

Rough Outline for Class

1. Mirrlees example – Larry – notes

2. Thomas and Worrall in detail – Larry – Roozbeh's notes

3. Thomas and Worrall – example – class

4. ?? Atkeson and Lucas paper(s) – class

5. ?? Mirrlees version of Immiseration – class

6. Farhi and Werning – example – class

7. Farhi and Werning – details – class

8. Hosseini, Jones and Shourideh, "Risk Sharing, Inequality and Fertility" – Larry in Detail

9. ?? Sleet and Yeltekin – example and/or details – class

10. Mirrlees original calculations – class

11. Saez paper – class

12. ?? Samano Job Market paper – class

13. ?? Hosseini Job Market paper – class

14. ?? Maziero Job Market Paper – class

15. ?? Fernandes and Phelan – class

16. ?? Kenichi Job Market Paper – class

17. Stimulus Examples – is it a good idea? When?

Exact References

Mirrlees, J., (1971), "An Exploration in the Theory of Optimum Income Taxation," Review of Economic Studies, 38, 175-208.

Thomas, J. and T. Worrall (1990): "Income Fluctuation and Asymmetric Information: An Example of a Repeated Principal-Agent Problem". Journal of Economic Theory, 51, 367-90.

Green, E. J., (1987), "Lending, and the Smoothing of Uninsurable Income," in Edward C. Prescott and Neil Wallace, Eds., *Contractual Arrangements for Intertemporal Trade*, 3-25. University of Minnesota Press, Minnenapolis.

Atkeson, A. and R. E. Lucas, Jr. (1992), "On Efficient Distribution With Private Information," *The Review of Economic Studies,* 59, 427-453.

C. Phelan, (2006), "Opportunity and Social Mobility," *Review of Economic Studies*, vol. 73(2), pp. 487-505.

Farhi, E. and I. Werning (2006): "Inequality and Social Discounting", unpublished manuscript, MIT.

C Sleet, S Yeltekin, (2005), "Social credibility, social patience and long run inequality," manuscript, Carnegie Mellon University.

C Sleet, S Yeltekin, (2006) "Credibility and Endogenous Societal Discounting," Carnegie Mellon University, first version: June 2003, This version: March 2006. At:

Saez, E., (2001), "Using Elasticities to Derive Optimal Income Tax Rates," Review of Economic Studies, 68, 205-229.

Fernandes, A. and C. Phelan (2000), "A Recursive Formulation for Repeated Agency with History Dependence," *Journal of Economic Theory*, 91, 223-247.

Doepke, M. and R. M. Townsend (2006), "Dynamic Mechanism Design with Hidden Income and Hidden Actions," *Journal of Economic Theory*, 126, 235-286.

You might also want to check out a couple of other possible sources:

Narayana's textbook that he is writing:

http://www.econ.umn.edu/~nkocher/ndpf_0608.pdf

Erick's webpage where he did notes to study:

http://erick.sager.googlepages.com/Sager-PublicEconNotes.pdf