

AFRICAN ECONOMIC RESEARCH CONSORTIUM (AERC)

COLLABORATIVE PHD DEGREE PROGRAMME IN ECONOMICS FOR SUB-SAHARAN AFRICA (CPP)

JOINT FACILITY FOR ELECTIVES



PUBLIC SECTOR ECONOMICS

COURSE OUTLINE

(Revised: April, 2016)



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Our mailing address is:

African Economic Research Consortium (AERC)
3rd Floor-Middle East Bank Towers Building, Jakaya Kikwete Road
P. O. Box 62882
00200 Nairobi
Kenya



I. Course Objectives

The course will expose students to the state-of-the-art in public sector economics theory, while drawing on empirical evidence from developed and developing countries. The aim is to develop analytical tools and methods that will enable students to appreciate issues pertaining to public spending, taxation and financing of government. As much as possible, evidence will be drawn from African countries. By the end of the course the students should be able to:

- Discuss critically key issues in public economics, informed by recent research;
- Demonstrate familiarity with a range of public policy issues and relevant analytical and empirical tools.

II. Course Overview

This is a PhD level course in Public Sector Economics. The course covers advanced public economic and expenditure theory, the theory of taxation as well as their applications. Also addressed are issues related to public investment management, fiscal federalism and public debt.

III. Course Assessment:

The course will be assessed by continuous assessment and a final examination. The weighting will be as follows:

Continuous Assessment:	40%
Final Examination:	60%

Continuous Assessment shall be made up of at least one in-class test, one take-home assignment/term paper and an individual class presentation on a selected topic in Public Sector Economics.

IV. Recommended Textbooks

Atkinson, A. and J. E. Stiglitz (2015), *Lectures on Public Economics*, Updated Edition New York: Princeton University Press;

Stiglitz and Rosengard (2015), *The Economics of the Public Sector*, 4th Edition, New York, W.W. Norton & Company

Auerbach A. Chetty, R., Feldstein, M and E. Saez, eds, (2013) *Handbook of Public Economics*, Volume 5, Amsterdam: North Holland.

Mueller D. C. (2003), *Public Choice III*. New York: Cambridge University Press.

Myles G. D. (2002), *Public Economics*. Cambridge: Cambridge University Press.

Laffont, J. (1998), *Fundamentals of Public Economics*. Cambridge: MIT Press.



V. Supplementary Readings:

Gruber, J. (2013), *Public Finance and Public Policy*, 4th edition, New York: Worth Publishers.

Salanie, B. (2011) *The Economics of Taxation*, Cambridge: MIT Press

Kaplow, L. (2008), *The Theory of Taxation and Public Economics*, Princeton: Princeton University Press.

Hillman, A. L. (2009), *Public Finance and Public Policy – Responsibilities and Limitations of Government*, Cambridge: Cambridge University Press.

Tresch, R. W. (2009), *Public Sector Economics – Critical Concepts in Economics*, Boston: Routledge.

Baake, P. and R. Borck, (2007), *Public Economics and Public Choice*, Berlin: Springer.

Robbins, D (2005) (editor), *A Handbook of Public Sector Economics*, New York, CRC Press LLC

Howard, M (2001), *Public Sector Economics for Developing Countries*, Kingston 7: University of the West Indies Press

Cornes, R. and Sandler (1986), *The Theory of Externalities, Public Goods and Club Goods*, New York: McGraw-Hill.

Online Resources and Links

1. www.jstor.org
2. www.ebsco.org (EBSCO host articles)
3. http://aercafrica.org/index.php/publications/view_category/20-senior-seminar-policy-reports?layout=table
4. <http://www.journals.elsevier.com/journal-of-public-economics/>
5. www.globethics.net/library
6. www.digitallibrary.edu.pk/oebooks.html
7. <https://www.wdl.org/>
8. www.elibrary.bigchalk.com/
9. www.webcrawler.com



VI. Detailed Course Outline

PUBLIC SECTOR ECONOMICS I: ECON 646 (60 HOURS)

1. INTRODUCTION (4 HOURS)

Pareto criterion; Market failures; Positive and normative analysis of government action, Theory of second best; general versus partial equilibrium; First and second theorems of welfare economics and Importance of governments; income distribution and inequality.

Readings:

Hillman ch. 1

Myles ch. 1-3

Mueller ch. 2 &3

Tresch, pp. 1-98.

Atkinson and Stiglitz ch. 1;

Stiglitz and Rosengard ch. 1

Other Readings:

Bator F. (1957), "The Simple Analytics of welfare Maximization", *American Economic Review*, 47.

Bator F. (1958), "The Anatomy of Market Failure", *Quarterly Journal of Economics*, 72, August.

Hicks, John R. (1939), "Foundations of Welfare Economics", *Economic Journal* 49: 696-712.

Hochman H. M. and J. D. Rogers (1969), "Pareto Optimal Redistribution", *American Economic Review* (59): 542-557

Lipsey, R. G. and Kelvin Lancaster (1956), "The General Theory of Second Best". *Review of Economic Studies* (24): 11-32

Mckee, M. and E.G. West (1981), "The Theory of Second Best: A solution in search of a Problem", *Economic Inquiry* 19(3).

Mishan E. J. (1960), "Survey of Welfare Economics: 1939 - 1959", *Economic Journal*, (70): 197-267.5.

2. PUBLIC GOODS (8 HOURS)

Characteristics of Public Goods, Efficient Provision of Public Goods –Private and Public Provision; Provision of Impure Public Goods.

Readings:

Laffont, Ch. 2



Mueller, Ch. 2

Myles, Ch. 9

Robbins, Part II, pp 169-209

Hillman, Ch. 3

Salanie, Ch. 10.

Auerbach et al., Ch 9, 10, 11

Atkinson. and Stiglitz; Ch. 16 and 17

Stiglitz and Rosengard

Other Readings:

Bernheim, D and A. Rangel, (2009). "Beyond Revealed Preference: Choice-Theoretic Foundations for Behavioral Welfare Economics," *Quarterly Journal of Economics* 124(1): pages 51-104.

Blomquist, Sören, Vidar Christiansen, and Luca Micheletto. (2010). "Public Provision of Private Goods and Nondistortionary Marginal Tax Rates." *American Economic Journal: Economic Policy* 2(2): 1–27.

Evans, Mary F. and Vossler, Christian A. and Flores, Nicholas E., (2009), "Hybrid allocation mechanisms for publicly provided goods," *Journal of Public Economics*, vol. 93(1-2), pages 311-325, February, 2009.

Kreiner, V. and N. Verdelin, (2010). "Optimal Provision of Public Goods: A Synthesis." *Scandinavian Journal of Economics*.

Chetty, R., E. Saez, and L. Sandor (2012), "What Policies Motivate Pro-Social Behavior? An Experiment with Referees at the Journal of Public Economics" *Harvard Working paper*.

Fack, G. and Camille Landais (2010). "Are Tax Incentives for Charitable Giving Efficient? Evidence from France." *American Economic Journal: Economic Policy*, 2(2): 117–41.

Lacetera, N. and M. Macis, (2010), "Do All Material Incentives for Prosocial Activities Backfire? The Response to Cash and Non-Cash Incentives for Blood Donations", *Journal of Economic Psychology* 31(4): 738–748.

Potters, J. M. Sefton, and L. Vesterlund (2005), "After You - Endogenous Sequencing in Voluntary Contribution Games." *Journal of Public Economics*, 1399-1419.

Buchanan J. M. (1965), "An Economic Theory of Clubs", *Economica* 32:1-14.

Douglas, B. (1986), "On the Voluntary and involuntary Provision of Public Goods", *American Economic Review* 76(4): 789-793.

Gordon H. S. (1954), "The Economic Theory of a Common Property Resource: The Fishery", *Journal of Political Economy* 62:124-42.

Kaplow, L. (1996), "The Optimal supply of Public goods and the Distortionary of Cost of Taxation", *National Tax Journal* 49(4): 513-533.



Samuelson P. A. (1954), “Pure Theory of Public Expenditures”, *Review of Economics and Statistics* 36:387-389.

Samuelson P. A. (1955), “Diagrammatic Exposition of a Theory of Public Expenditure”, *Review of Economics and Statistics* 37:350-356.

Wolf, Jr. C (1987), “Market and Non-Market Failures: Comparison and Assessment”, *Journal of Public Policy* 7(1).

3. EXTERNALITIES

(8 HOURS)

Typology, Nature, Causes and Corrective Mechanisms, Common Property Resources.

Readings:

Laffont, Ch. 1

Myles., Ch. 10

Mueller, Ch. 2

Hillman Ch. 5

Salanie, Ch 10.

Auerbach et al., Ch 9, 10, 11

Atkinson. and. Stiglitz;

Stiglitz and Rosengard

Other Readings:

Picasso E, Bonoli E. M., Harris M. S. and F. Tanco (2016), “Measuring the externalities of urban traffic improvement programs” *Habitat International* (55) pp 10–16.

Caldari K. & M. Fabio (2011), “Pigouvian versus Marshallian tax: Market Failure, Public Intervention and the Problem of Externalities” *The European Journal of the History of Economic Thought* 18 (5): 715-732.

Biglan A. (2009), “The Role of Advocacy Organizations in Reducing Negative Externalities” *Journal of Organizational Behavior Management* 3-4): 2015-230.

Baumol W. J. (1972), “On Taxation and the Control of Externalities”, *American Economic Review* 62:7-22.

Bergstrom, T. (1976), “Regulation of Externalities”, *Journal of Public Economics* (5): 131-138.

Buchanan, J. M. and W. C. Stubblebine (1962), “An Externality”, *Economica* (29):371-384.

Coase, R. (1960), “The Problem of Social Cost”, *Journal of Law and Economics* 1-44.

Liam, E. and S. Slutsky (1982), “Time Congestion and Public Goods”, *Journal of Public Economics* 17(3): 307-334.

Gordon H. S. (1954), “The Economic Theory of a Common Property Resource: The Fishery”, *Journal of Public Economics*, 62 (April): 124 - 142.



Harden, G. (1968), “The Tragedy of the Commons”, *Science* (December).

Sandmo A. (1975), “Optimal Taxation in the Presence of Externalities”, *Swedish Journal of Economics* (77): 86 - 98.

Turvey, R. (1963), “On Divergencies between Social Cost and Private Cost”, *Economica* 30 (August): 309-313.

Vicusi, W., and Kip (1995), “Cigarette Taxation and the Social Consequences of Smoking”, in *Tax Policy and the Economy*, Vol. 9, ed., James Porteba, Cambridge Mass: MIT Press.

4. GOVERNMENT FAILURE

(4 HOURS)

Sources of Government Failure; Disjunction between Public Costs and Revenues; High Levels of Taxation; Imperfect Control of Government Agencies and Processes; Corruption, Governance, Transparency and Accountability.

Readings:

Howard, Ch. 3

Gruber, ch.

Other Readings:

Haque M. E., M. Emranul and R. Kneller (2015) “Why Does Public Investment Fail To Raise Economic Growth? The Role of Corruption”, *The Manchester School* 83(6): 623–651.

Mbaku, J. (2008) “Corruption and Clean-Ups in Africa: Lessons from the Public Choice Theory”, *Journal of Asian and African Studies* (43): 427.

Afeikhena, J. (2008), ‘Privatization and Enterprise Performance in Nigeria: Case Study of Some Privatized Enterprises, AERC Research Paper No. 175, February

Barnejee, A. (1997), “A Theory of Misgovernance”, *Quarterly Journal of Economics* 112 (November): 1289-1332.

Black, P.A. and Dollery, B.E. (1989), “Market Failure and Government Failure”, In Leading Issues in South African Micro-Economy, Southern Book Ltd.

Datta-Chaudhuri, M. (1990), “Market failure and Government Failure”, *The Journal of Economic Perspective* 4(3): 25-40.

Krueger, A. O. (1990), “Government Failure in Development”, *The Journal of Economic Perspectives*, 4(3).

Shleifer, A., and R. Vishny (1993), “Corruption”, *Quarterly Journal of Economics*, 108 (August): 599-618.

5. PUBLIC CHOICE THEORY

(10 HOURS)



Public choice in a direct democracy (voting rules; majority rules; alternative to majority rule; exit voice and disloyalty); paradox of voting; Arrow impossibility theorem, median voter theorem; Public Choice in a representative democracy (two-party and multi-party competition, rent seeking, bureaucracy, legislatures and bureaucracies); Dictatorships

Readings:

Laffont, Ch. 4-5.

Mueller, Ch. 11-20

Johnson, Ch. 5-10, 12

Gruber,

Salanie, Ch 10.

Auerbach et al Ch 9, 10, 11

Atkinson, A. and J. E. Stiglitz;

Stiglitz and Rosengard

Other Readings:

Rubin, Irene S, (2013), *The Politics of Public Budgeting: Getting and Spending, Borrowing and Balancing*, 7th Edition, Thousand Oaks, CA: CQ Press

Naroff, Joel and Ron Scherer, (2014), *Big Picture Economics: How to Navigate the New Global Economy*, Hoboken, NJ: Wiley

Hibbs, D. (2014), Bread and Peace Voting in the US Presidential Elections: What Impact Rising Inequality? Lecture Slides, http://www.douglas-hibbs.com/HibbsArticles/hibbs_downloadable.htm

Hibbs, D. (2013), "The Bread and Peace Model: 2012 Presidential Election Postmortem", *Political Science and Politics*, 13 (41); can be accessed on http://www.douglas-hibbs.com/HibbsArticles/hibbs_downloadable.htm

Hibbs, D. and Piculescu, V. (2010), "Tax Toleration and Tax Compliance: How Government Affects the Propensity of Firms to Enter the Unofficial Economy: *American Journal of Political Science* 54(1): 18-33.

Hibbs, D. (2008), "Implications of the 'Bread and Peace' Model for the 2008 US Presidential Elections" *Public Choice* 137: 1-10;

Gerber, A., D. Green, and C. Larimer, (2008), "Social Pressure and Voter Turnout: Evidence from a Large Scale Field Experiment" *American Political Science Review*, 102: 33-48.

Alesina, A., and D. Rodrik (1994), "Distributive Politics and Economic Growth", *Quarterly Journal of Economics* 109 (May): 465-490.

Andreoni, J. (1988), "Why Free Ride?" *Journal of Public Economics*, 37: 291-304.

Levin, J. and B. Nalebuff (1995), "An Introduction to Vote Counting Schemes", *Journal of Economic Perspectives* (Winter): 3-26.



Varian, H. R. (1994), "A Solution to the Problem of Externalities and Public Goods when Agents are Well Informed", *American Economic Review* 84: 1278-1293.

6. PUBLIC EXPENDITURE THEORY AND PRACTICE (8 HOURS)

Size and Composition of Public Expenditure; Theories of Public Expenditure Growth; Public Expenditure Incidence; Public Expenditure Policy in Africa.

Readings:

Mueller Ch. 21, 22

Kaplow Ch.7

Tresch, Vol. 1

Gruber,

Salanie, Ch 10.

Auerbach et al., Ch 9, 10, 11

Atkinson, A. and J. E. Stiglitz;

Stiglitz and Rosengard

Other Readings:

Ball, L., Furceri, D., Leigh, D., and Loungani, P. (2013), "The Distributional Effects of Fiscal Consolidation", *IMF Working Paper*, WP/13/151,

Klyuev, V. and Snudden, S., (2011), "Effects of Fiscal Consolidation in the Czech Republic: *IMF Working Paper*, WP/11/65

Rubin, Irene S, (2013), The Politics of Public Budgeting: Getting and Spending, Borrowing and Balancing, 7th Edition, Thousand Oaks, CA: CQ Press

Naroff, Joel and Ron Scherer, (2014), Big Picture Economics: How to Navigate the New Global Economy, Hoboken, NJ: Wiley

Oyieke O. S. (2011), "Government Capital Spending and Financing and its Impact on Private Investment in Kenya: 1964-2006" *AERC Research Paper 236*, African Economic Research Consortium, Nairobi

Samuelson, P. A. (1954), "The Pure Theory of Public Expenditure" *The Review of Economics and Statistics* 36(4): 387-389.

Samuelson, P. A. (1958), "Aspects of Public Expenditure Theories", *Review of Economics and Statistics* 40(4): 332-338.

Battaglini, M. and S. Coate, (2008), "A Dynamic Theory of Public Spending, Taxation, and Debt", *American Economic Review* 98 (1): 201-236.



Deller, S. and M. Skidmore (2005), “Convergence in Local Government Spending: Evidence from Wisconsin”, *Agricultural and Applied Economics*, Staff Paper No. 483, University of Wisconsin-Madison Department of Agricultural & Applied Economics (February).

Wildaysky, A. (2003) “Controlling Public Expenditure: The Theory of Expenditure Limitation”, *OECD Journal on Budgeting*, 2 (4): 27-47.

Minea, A. (2008), “The Role of Public Spending in the Growth Theory Evolution, *Romanian Journal of Economic Forecasting*, 2: 99-120.

World Bank (1997), World Development Report 1997: The State in a Changing World, Washington D.C: OUP and World Bank.

Ram, R. (1986) “Government Size and Economic Growth: A New Framework and some Evidence from cross-section and time series Data”, *American Economic Review*, 17(1).

Ekpo, A. H. (1995), “Public Expenditure and Growth in Nigeria, 1960-92”, AERC Final Report. Ekpo, A.H (2000), “Public Expenditure and Growth in a Petroleum Based Economy: Nigeria, 1960-92”, *South African Journal of Economic and Management*.

7. SOCIAL PROTECTION POLICIES

(6 HOURS)

Social Welfare function; Measuring Inequality; Poverty Reduction Strategies, Social Transfer Programmes, Social Insurance and Security - Why have social security, structure of social security; Effect on Economic Behavior (Moral Hazard, Adverse Selection); Social Security Reform; Health Insurance.

Basic Readings:

Myles, Ch. 13, 14

Hillman, Ch. 7, 8

Stiglitz and Rosengard ch.

Salanie,

Gruber,

Other Readings:

Tari J, Wawire, N. H. W. & Ombuki, C. (2015) Employer Related Determinants of Scheme Design in Occupational Defined Contribution Schemes in Kenya. *European Journal of Business and Management* www.iiste.org ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online) 7(6): 65 – 71

Tari J, Wawire, N. H. W. & Ombuki, C. (2015) Trustee Related Determinants of Scheme Design in Occupational Defined Contribution Schemes in Kenya, *Research Journal of Finance and Accounting* (see www.iiste.org, ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online) 6(3):182 – 188.

Quartey P. (2006), “The impact of migrant remittances on household welfare in Ghana” AERC Research Paper 158, African Economic Research Consortium, Nairobi.

Muyanga M. and M. Phillip (2014), “Households' Incomes and Poverty Dynamics in Rural Kenya: A Panel Data Analysis” *AERC Research Paper* 287, African Economic Research Consortium, Nairobi



Harris E. (2013) "Financing social protection floors: Considerations of fiscal space" *International Social Security Review* 66: 3-4/2013.

Ellis, F. D. and P. White (2009), Social Protection in Africa, Massachusetts: Edward Edgar Publishing House.

Boadway, R, M. Leite-Monteiro, M. Marchand, and P. Pestieau (2006), "Social Insurance and Redistribution with Moral Hazard and Adverse Selection," *Scandinavian Journal of Economics*, Wiley Blackwell 108(2): 279-298.

Casamatta, G. Cremer, H. and Pestieau, P. (2000), "Political Sustainability and the Design of Social Insurance", *Journal of Public Economics* 75: 341-364.

Diamond, P. (2003), "Social Security", *American Economic Review* 94: 1-24

Feldstein, Martin, (2005), 'Rethinking Social Insurance', *American Economic Review*, pp 1-24.

Simon, K. (2002) "Adverse Selection in Health Insurance Markets-Evidence from State Small Group Health Insurance Reforms", mimeo, Cornell University.

AERC (2012) Health, Economic Growth and Poverty Reduction in sub-Saharan Africa, AERC Senior Policy Seminar XIV Dar es Salaam, Tanzania, 26-28 March 2012 Seminar Report

Matthew Martin, Joseph Karugia and Margaret Crouch (2004) Financing Pro-Poor Growth in Africa AERC Senior Policy Seminar VI Kampala, Uganda, 2-4 March 2004, Seminar Report

Lee, D and E. Saez (2008), "Optimal Minimum Wage in Competitive Labor Markets," *NBER Working Paper* No. 14320.

Bitler, M. J. Gelbach, and H. Hoynes, (2006), "What Mean Impacts Miss: Distributional Impacts of Welfare Reform Programs," *American Economic Review*, 96(4): 988-1012.

Card, D. and D. Hyslop (2005), "Estimating the Effects of a Time-Limited Earnings Subsidy for Welfare Leavers." *Econometrica* 73(6): 1723-1770.

Jones, D. (2012), "Inertia and Over-withholding: Explaining the Prevalence of Income Tax Refunds" *American Economic Journal: Economic Policy* 4(1), 158-85.

Meyer, B, and J. Sullivan (2008), "Changes in the Consumption, Income, and Well-Being of Single Mother Headed Families," *American Economic Review* 98(5): 2221-41.

Rothstein, J. (2010). "Is the EITC as Good as an NIT? Conditional Cash Transfers and Tax Incidence." *American Economic Journal: Economic Policy* 2(1): 177-208.

Chetty, R. and E. Saez (2010). "Optimal Taxation and Social Insurance with Endogenous Private Insurance." *American Economic Journal: Economic Policy* 2(2): 85-114.

Einav, L. A. Finkelstein, and M. Cullen (2010), "Estimating Welfare in Insurance Markets Using Variation in Prices," *Quarterly Journal of Economics* 125(3): 877-921.

Einav, L. and A. Finkelstein (2011), "Selection in Insurance Markets: Theory and Empirics in Pictures" *Journal of Economic Perspectives* 25(1): 115-138.

Rothschild, Casey G. (2009), "Adverse selection in annuity markets: Evidence from the British Life Annuity Act of 1808," *Journal of Public Economics* 93(5-6): 776-784.

Spinnewijn, J. (2012), "Heterogeneity, Demand for Insurance and Adverse Selection," London



School of Economics Working Paper.

Chetty, R. (2006) “A General Formula for the Optimal Level of Social Insurance,” *Journal of Public Economics* 90, 1879-1901.

8. PUBLIC INVESTMENT MANAGEMENT (8 HOURS)

Evaluation of Public Projects/Programmes (benefit analysis; social cost -benefit analysis; cost effectiveness; shadow prices and market prices; discount rate for social cost - benefit analysis); Institutions for Public Investment Management - (Planning, Allocation and Implementation). Planning: - fiscal rules, national sectoral planning, central/local planning, management of PPPs. Allocation and Budgeting: - Definitions; multiple purposes of budgeting; types, and techniques of budgeting; budget policy, formulation and execution; planning and budgeting; public revenue and expenditure forecasting. Implementation: - protection of investment, transparency of execution and monitoring of assets; Incentives in the Public Sector.

Basic Readings:

Laffont, Ch. 6

Howard ch. 9

Stiglitz and Rosengard ch.

Salanie,

Gruber,

Other Readings:

Nyborg K. (2014), “Project evaluation with democratic decision-making: What does cost–benefit analysis really measure?” *Ecological Economics* 106: 124-131.

Li Chuan-Zhong and Löfgren Karl-Gustaf (2010), “Dynamic cost–benefit analysis of large projects: The role of capital cost” *Economics Letters* 109(2): 28-130.

Boadway, R. (2006), “Principles of Cost Benefit Analysis” *Public Policy Review*, 2(1). Harrison A. J. and D. S. Quarmby, *The Value of Time in Cost-Benefit Analysis*, ed. Richard Layard, Chapter 6, pp 173-208.

Gentilello, L.M, Beth, E.E. Wickizer, T.M (2005) “Alcohol Interventions for Trauma Patients Treated in Emergency Departments and Hospitals: A Cost Benefit Analysis. journals.www.com

Ackerman, F. and Heinzerling, L. (2002) Pricing the Priceless: Cost-Benefit Analysis of Environmental Protection Law Review

Anand R., Tuan L. M., Kai K., Jay-Hyung K., and F. Jonas (2014), The Power of Public Investment Management: Transforming Resources into Assets for Growth, *Report 91158*, World Bank Group, Washington DC. <http://documents.banquemondiale.org/curated/fr/2014/09/20268592/power-public-investment-management-transforming-resources-assets-growth>

IMF (2015), “Making Public Investment More Efficient” *Staff Report*, June 2015, Washington, D.C./ <http://www.imf.org/external/np/pp/eng/2015/061115.pdf>



9. BEHAVIOURAL PUBLIC ECONOMICS (4 HOURS)

Overview of Neo-classical approach to public economics; behavioural approach to public economics; behavioral policy analysis; Examples (addiction policies, savings policies, etc)

Readings:

S. Mullainathan, W. Congdon, and J. Kling (2009), "Behavioral Economics and Tax Policy" *National Tax Journal*, 62, 375-86.

Bernheim, B.D (2008), Behavioural Public Economics, www.rnl.caltech.edu/publications/pdf/bernheim2008.pdf

Bernheim, B.D. and Rangel, A. (2005). From neuroscience to public policy: a new economic view of addiction. *Swedish Economic Policy Review*, 12, 11–46.

Bernheim, B.D. and Rangel, A. (2006a). Behavioral public economics: welfare and policy analysis with fallible decision-makers. In Economic Institutions and Behavioral Economics, eds. P. Diamond and H. Vartiainen. Princeton: Princeton University Press, (forthcoming).

Bernheim, B.D. and Rangel, A. (2006b). Toward choice-theoretic foundations for behavioral welfare economics. *American Economic Review*, Papers and Proceedings, (forthcoming).

Choi, J., Laibson, D. and Madrian, B. (2004). Plan design and 401(k) savings outcomes. *National Tax Journal* 57: 275–98.



ECON 647: PUBLIC SECTOR ECONOMICS II (60 HOURS)

1. INTRODUCTION (4 HOURS)

History of Taxation, Overview of A Good Tax System; Equity, Efficiency and Productivity (Tax Buoyancy and Elasticities); Conflicts between Efficiency and Equity.

Readings:

Howard ch. 13

Myles, Ch. 13, 14

Hillman, Ch. 7, 8

Stiglitz and Rosengard ch.

Salanie,

Gruber,

2. TAX INCIDENCE (8 HOURS)

Taxation and income distribution. Partial and general equilibrium incidence (with applications to the major taxes). Dynamic tax incidence

Readings:

Gruber, ch. 19

Howard ch. 14

Myles, Ch. 13, 14

Hillman, Ch. 7, 8

Stiglitz and Rosengard ch.

Salanie,

Gruber,

Other Readings:

Johannes T. A., Nju A. J. and A. A. Theresia (2006), "The distribution of expenditure tax burden before and after tax reform: The case of Cameroon", *AERC Research Paper*, 161, African Economic Research Consortium, Nairobi.

Chetty, R., A. Looney, and K. Kroft (2009). "Salience and Taxation: Theory and Evidence." *American Economic Review* 99(4): 1145-1177,

Weyl, E. G., and M. Fabinger (2012), "Pass-Through as an Economic Tool," Univ. of Chicago mimeo.,

Adda, J and F. Cornaglia (2006). "Taxes, Cigarette Consumption and Smoking Intensity," *American Economic Review* 96(4): 1013—1028.

Goolsbee, Austan, Michael F. Lovenheim, and Joel Slemrod. (2010). "Playing with Fire: Cigarettes, *CPP Public Sector Economics Course Outline*



Taxes, and Competition from the Internet." *American Economic Journal: Economic Policy* 2(1): 131–54

Hamilton, S. F. (2009), "Excise Taxes with Multiproduct Transactions," *American Economic Review* 99(1): 458-71.

Hastings, Justine, and Ebonya Washington. (2010). "The First of the Month Effect: Consumer Behavior and Store Responses." *American Economic Journal: Economic Policy*, 2(2): 142–62.

Rothstein, J. (2010), "Is the EITC as Good as an NIT? Conditional Cash Transfers and Tax Incidence," *American Economic Journal: Economic Policy* 2(1): 177-208.

Chetty, R., A. Looney, and K. Kroft (2009), "Salience and Taxation: Theory and Evidence", *American Economic Review* 99 (4): 1145-1177.

Sallee, J.M. (2011), "The surprising incidence of tax credits for the Toyota Prius", *American Economic Journal: Economic Policy*, 3 (May): 189-219.

3. OPTIMAL TAXATION

(6 HOURS)

Optimal commodity taxation and optimal income taxation

Readings:

Gruber ch. 24

Hillman ch. 9

Myles ch. 4, 5, 8

Stiglitz and Rosengard ch.

Stiglitz and Artkinson

Salanie,

Gruber,

Other Readings:

Boadway, Robin, and Motohiro Sato (2009). "Optimal Tax Design and Enforcement with an Informal Sector." *American Economic Journal: Economic Policy* 1(1): 1–27.

Mankiw, N.G., Weinzierl, M. and D. Yagan (2009), "Optimal Taxation in Theory and Practice", *Journal of Economic Perspectives*, 23(4): 147-174.

Gordon, R. and W. Li (2009), Tax Structures in Developing Countries: Many puzzles and a possible explanation, *Journal of Public Economics* 93:855-866.

Simula, L. and A. Trannoy (2010): Optimal income tax under the threat of migration by top-income earners, *Journal of Public Economics* 94: 163-173.

Kaplow, L (2008), "Optimal Policy with Heterogeneous Preferences", *The B.E. Journal of Economic Analysis & Policy*, Advances, 8(1): Article 40



Beaudry, P., Blackorby, C. and D. Szalay (2009), “Taxes and Employment Subsidies in Optimal Redistribution Programs”, *American Economic Review* 99(1): 216-242.

Alesina, A., Ichino, A. and L. Karabarbounis (2011), “Gender-Based Taxation and the Division of Family Chores”, *American Economic Journal: Economic Policy* 3:1-40.

O’Donoghue, T. and M. Rabin (2006), “Optimal Sin Taxes”, *Journal of Public Economics* 90 (10-11): 1825-1849.

Gauthier, S. and G. Laroque (2009), “Separability and Public Finance”, *Journal of Public Economics* 93:1168-1174.

Brewer, M. E. Saez, and A. Shepherd (2009), “Means Testing and Tax Rates on Earnings”, IFS Working Paper, *The Mirrlees Review: Reforming the Tax System for the 21st Century*, Oxford University Press.

Chetty, R. (2009), “Sufficient Statistics for Welfare Analysis: A Bridge Between Structural and Reduced-Form Methods.” *Annual Review of Economics* 1: 451-488.

Diamond, P. and E. Saez (2011), “The Case for a Progressive Tax: From Basic Research to Policy Recommendations,” *Journal of Economic Perspectives*, 25(4): 165-190.

Mankiw, N. G. and M. Weinzierl (2010). "The Optimal Taxation of Height: A Case Study of Utilitarian Income Redistribution." *American Economic Journal: Economic Policy* 2, no. 1: 155-176.

Mankiw, N. G. M. Weinzierl, and D. Yagan, (2009). "Optimal Taxation in Theory and Practice," *Journal of Economic Perspectives*, vol. 23(4), pages 147-74, Fall.

Piketty, T. E. Saez, and S. Stantcheva (2011), "Optimal Taxation of Top Labor Incomes: A Tale of Three Elasticities" *NBER Working Paper*, 17616.

4.. TAXATION AND LABOUR SUPPLY

(4 HOURS)

Readings:

Gruber, part 4, ch. 21

Myles, ch. 5

Stiglitz and Rosengard ch.

Salanie,

Gruber,

Other Readings:

Blau, F. D. and L.M. Kahn (2007) "Changes in the Labor Supply Behavior of Married Women: 1980-2000", *Journal of Labor Economics*, 25(3): 393-438.

Friedberg, L. (2000) “The Labor Supply Effects of the Social Security Earnings Test.” *Review of Economics and Statistics* 82(1), 48-63.

Haider, S. and D. Loughran (2008), “The Effect of the Social Security Earnings Test on Male Labor Supply: New Evidence from Survey and Administrative Data”, *Journal of Human Resources* 43(1):



57-87.

Meghir, C and David Phillips (2010), "Labour supply and taxes", in *Dimensions of Tax Design: the Mirrlees Review*, Oxford University Press.

Gruber, J. and E. Saez (2002), "The Elasticity of Taxable Income: Evidence and Implications" *Journal of Public Economics* 84, 1-32

Kleven, H. C. Landais, E. Saez, and E. Schultz (2012), "Taxation and International Migration of Top Earners: Evidence from the Foreigner Tax Scheme in Denmark" *UC-Berkeley Working Paper*.

Saez, E. (2010). "Do Taxpayers Bunch at Kink Points?" *American Economic Journal: Economic Policy* 2(3): 180–212.

Saez, E. J. Slemrod, and S. Giertz (2009) "The Elasticity of Taxable Income with Respect to Marginal Tax Rates: A Critical Review", *Journal of Economic Literature* 50(1): 3-50 March. Heim, B. T., and Bruce, and D. Meyer (2004), "Work Costs and Non-convex Preferences in the Estimation of Labor Supply Models," *Journal of Public Economics*, 88: 2323-2338.

Goolsbee, A. (2000), "What happens when you tax the rich? Evidence from Executive Compensation", *Journal of Political Economy* 108 (2): 352-78.

5. TAXATION, SAVINGS AND PORTFOLIO CHOICE

(2 HOURS)

Basic Readings:

Gruber, ch. 22

Howard ch. 16

Atkinson and Stiglitz, Lecture 3

Stiglitz and Rosengard ch.

Salanie,

Gruber,

Other Readings:

Bernheim, D. A. Frandkin, and I. Popov (2011), "The Welfare Economics of Default Options: A Theoretical and Empirical Analysis of 401(k) Plans" *NBER Working Paper*, 17587.

Bronchetti, E. T. Dee, D. Huffman, and E. Magenheim (2011), "When a Nudge Isn't Enough: Defaults and Saving Among Low-Income Tax Filers" *NBER Working Paper*, 16887.

Card, D. and M. Ransom (2011), "Pension Plan Characteristics and Framing Effects in Employee Savings Behavior," *Review of Economics and Statistics* 93(1): 228-243.

Carroll, G. J. Choi, D. Laibson, B. Madrian and A. Metrick (2009), "Optimal Defaults and Active Decisions," *Quarterly Journal of Economics* 124(4): 1639-1674.

Chetty, R. J. Friedman, S. Leth-Petersen, and T. Nielsen (2012), "Active vs. Passive Decisions and Crowd-out in Retirement Savings: Evidence from Denmark," *Harvard Univ. Working Paper*.



Choi, J., D. Laibson and B. Madrian (2009), "Reducing the Complexity Costs of 401(k) Participation Through Quick Enrollment", in D.A. Wise, *Developments in the Economics of Aging*, Chicago: University of Chicago Press, Also available as NBER Working Paper 11979.

Duflo, E. W. Gale, J. Liebman and P. Orszag, E. Saez (2006), "Saving Incentives for Low- and Middle-Income Families: Evidence from a Field Experiment with H&R Block," *Quarterly Journal of Economics* 121(4), 1311-1346.

Engelhardt, G. and A. Kumar (2007), "Employer Matching and 401(k) Saving: Evidence from the Health and Retirement Study", *Journal of Public Economics* 91(10): 1920-1943.

Gelber, A. (2011), "How do 401(k)s Affect Saving? Evidence from Changes in 401(k) Eligibility," *American Economic Journal: Economic Policy* 3:4, 103-122.

6. TAXATION, INVESTMENT AND RISK-TAKING

(2 HOURS)

Basic Readings:

Gruber ch. 23

Myles ch. 5 -8

Atkinson and Stiglitz, Lectures 4-5

Other Readings:

Brav, J. Graham, C. Harvey, and R. Michaely (2008), "The Effect of the May 2003 Dividend Tax Cut on Corporate Dividend Policy: Empirical and Survey Evidence," *National Tax Journal* 61, 381-396.

Chetty, R. and E. Saez (2005), "Dividend Taxes and Corporate Behavior: Evidence from the 2003 Dividend Tax Cut," *Quarterly Journal of Economics* 120(3): 791-833.

Chetty, R., J. Rosenberg, and E. Saez (2007), "The Effects of Taxes on Market Responses to Dividend Announcements and Payments: What Can we Learn from the 2003 Dividend Tax Cut?," in A. Auerbach, J. Hines and J. Slemrod, eds., *Taxing Corporate Income in the 21st Century* (Cambridge: Cambridge University Press, 2007). Also available as *NBER Working Paper* 11452.

Chetty, R. and E. Saez (2010), "Dividend and Corporate Taxation in an Agency Model of the Firm," *AEJ: Economic Policy* 2(3): 1-31.

Devereux, M., L. Liu, and S. Loretz (2013), "The Elasticity of Corporate Taxable Income: New Evidence from UK Tax Records," *Working Papers* 1223, Oxford University Centre for Business Taxation.

Djankov, S., T. Ganser, C. McLiesh, R. Ramalho, and A. Shleifer (2010), "The Effect of Corporate Taxes on Investment and Entrepreneurship." *American Economic Journal: Macroeconomics* 2(3): 31-64.

Korinek, A. and J. Stiglitz (2009), "Dividend Taxation and Intertemporal Arbitrage," *Journal of Public Economics* 93: 142-159.

Poterba, J. (2004), "Taxation and Corporate Payout Policy," *American Economic Review*, 94: 1711-1715.



Yagan, D. (2013) “Do Payout Taxes Reduce Investment? Quasi-Experimental Evidence from the United States,” UC-Berkeley mimeo.

Auerbach, A. M. Devereux, and H. Simpson (2010), “Taxing Corporate Income,” in *Dimensions of Tax Design: The Mirrlees Review* (Oxford University Press), 837-892.

Chen, Y Z. He, and L. Zhang (2011), “The Effect of Investment Tax Incentives: Evidence from China's Value Added Tax Reform,” Tsinghua University mimeo.

House, C. and M. Shapiro (2008), “Temporary Investment Tax Incentives: Theory with Evidence from Bonus Depreciation,” *American Economic Review* 98: 737-768.

Knittel, M. (2007), “Corporate Response to Accelerated Tax Depreciation: Bonus Depreciation for Tax Years 2002-2004,” U.S. Treasury Office of Tax Analysis *Working Paper* 98.

Edgerton, J. (2012), “Investment, Accounting, and the Salience of the Corporate Income Tax,” *Federal Reserve Board Working Paper*.

7. TAX EVASION AND AVOIDANCE (4 HOURS)

Tax avoidance, models of tax evasion, underground economy, and tax amnesty, evidence of tax evasion from Africa, tax evasion and policy experiments

Basic Readings:

Gruber

Howard

Atkinson and Stiglitz

Stiglitz and Rosengard

Salanie

Gruber

Other Readings:

Anan, B., W. Bekoe & E. Nketiah-Amponsah (2013) “Determinants of Tax Evasion in Ghana: 1970-2010” *International Journal of Economic Sciences and Applied Research* 6(3): 97-121.

Bekoe, W.(2012) “Tax Evasion and Economic Growth in Selected African countries, 1975-2010” *West African Journal of Monetary and Economic Integration* (12) No. 2012

Chetty, R. (2009). “Is the Taxable Income Elasticity Sufficient to Calculate Deadweight Loss? The Implications of Evasion and Avoidance.” *American Economic Journal: Economic Policy* 1(2): 31–52.

8. INTERNATIONAL ISSUES IN TAXATION (4 HOURS)

International Issues in Taxation – Concepts and Principles; Tax Harmonization; Tax Competition, Fiscal Externalities and Coordination Failure; Implications of Trade Costs for Taxes and Investment Flows. Transfer Pricing Manipulation, Tax Havens, Illicit Financial Flows.



Readings:

Desai, M and J Hines (2003), “Economic foundations of international tax rules”, prepared for the American Tax Policy Institute, December 2003. Sections 2.2, 2.3, 3, 4.1 and 4.2. [http://www.americantaxpolicyinstitute.org/pdf/economic_foundation_internal.pdf].

Perroni, C and K Scharf, (2001) “Tiebout with Politics: Capital Tax Competition and Constitutional Choices”, *The Review of Economic Studies* 68(1): 133-154.

A. Auerbach. “A Modern Corporate Tax.” Center for American Progress, 2010.

Devereux, M. R. Griffith, and A. Klemm (2002). “Corporate Income Tax Reforms and International Tax Competition.” *Economic Policy* 17: 449-495.

Dharmapala, D. C. Foley, and K. Forbes (2011), "Watch What I Do, Not What I Say: The Unintended Consequences of the Homeland Investment Act," *Journal of Finance*, American Finance Association 66(3): 753-787, 06.

9. TAX DESIGN AND POLICY

(6 HOURS)

Tax design: direct and indirect taxes; Modern classification of taxes: taxes on income, wealth and property; Taxes on domestic goods and services; and taxes on international trade transactions. ; .

Basic Readings:

Hillman ch. 9

Gruber ch. 25

Howard ch.15-20

Atkinson and Stiglitz, Lectures 12-13

Lewis, Parts 2-4

Other Readings:

Janeba, E. and G. Schjelderup (2009), “The Welfare Effects of Tax Competition

Reconsidered: Politicians and Political Institutions”, *Economic Journal* 119: 1143-1161.

Kempf, H. and G. Rota-Graziosi (2010), “Endogenizing leadership in tax

Competition”, *Journal of Public Economics* 94(9-10): 768-776

Khalilzadeh-Shirazi, J. and A. Shah (1995), *Tax Policy in Developing Countries*, Washington: The World Bank.

Newberry D. and N. Stern (eds.) (1987), *The Theory of Taxation in Developing Countries*, Washington D.C.: Oxford University Press.

Shone, P., (1995), *Tax Policy Handbook*, Washington DC: IMF

Ajakaiye, D. O. (1999), “Macroeconomic Effects of VAT in Nigeria: A Computable General Equilibrium Analysis”, *AERC Research Paper* 92.



- Ariyo A. (1997), 'Productivity of the Nigeria Tax System: 1970-1990', *AERC Research Paper* 67.
- Chipeta, C. (1998), "Tax Reforms and Tax Yield in Malawi", *AERC Research Paper* 81.
- Emilio, A. (1982), "A New Way to Tax Reform?" *Public Finance*, 37(2):153-162.
- Geeroms, H. and H. Wilmots (1985), "An Empirical Study of Tax Evasion and Tax Avoidance", *Public Finance* 40 (2): 190-209.
- Hite, Peggy A. (1989), "A Positive Approach to Taxpayer's Compliance", *Public Finance* 44(2):249-257.
- Inanga E. L. and C. Emenuga (1996), "Taxation of Financial Assets and Capital Market Development in Nigeria", *AERC Research Paper* 47.
- Kusi, N. K. (1998), "Tax Reforms and Revenue Productivity in Ghana", *AERC Research Paper* 74.
- Lent G. E. (1977), "Corporation Income Tax Structure in Developing Countries", *IMF Staff Papers* 24, No. 3(3), November.
- Mansfield, C. Y. (1988), "Tax Administration in Developing Countries: An Economic Perspective", *IMF Staff Papers* 35(1), March..
- Osoro N. E (1993), "Revenue Implications of Tax Reform in Tanzania". *AERC Research Papers*, No 20.
- Ramsey G. (1927), "A Contribution to the Theory of Taxation", *Economic Journal*, 37:47-61.
- Slemrod J. (1983), "Do We Know How Progressive Income Tax System Should Be?", *National Tax Journal* 36: 361-370.
- Stiglitz J. E. (1988), "Pareto Efficient and Optimal Taxation and the New Welfare Economics", in *Handbook of Public Economics*, Vol. II. A. Auernach and M. Fieldstein (eds)., Amsterdam: North-Holland.
- Stiglitz J. E. (1982), "Self-Selection and Pareto-efficient Taxation". *Journal of Public Economics* 17: 213-240.
- Tiebout, (1956), "A Pure Theory of Local Government Expenditures", *Journal of Political Economy*, October..
- Virmini A. (1988), "Tax Reforms in Developing Countries: Issues, Policies and Information Gaps", *Public Finance* 43(1): 19-38.

10. TAX POLICIES IN DEVELOPING COUNTRIES

(6 HOURS)

Structure and Performance of Tax Revenues; Tax Effort, Buoyancy and Elasticity; Tax Avoidance and Tax Evasion; Tax Reforms in Developing Countries.

Basic Readings:

Howard ch. 17



Myles ch. 12

Other Readings:

Omondi, V. Wawire, N. H. W. Manyasa, O. & Thuku, G. (2014). Effects of Tax Reforms on Buoyancy and Elasticity of the Tax System in Kenya: 1963–2010. *International Journal of Economics and Finance* 6(10): 97 – 111.

Wawire N. H. W. (2000) “Revenue productivity Implications of Kenya’s Tax System” in Kwesi Kwaa Prah and A. G. Ahmed (Eds.) *Africa in Transformation: Political and Economic Issues*. Vol.1 Chapter 6. Addis Ababa: OSSREA pp. 99 - 106.

Wawire, N.H.W, (2011); Determinants of Value Added Tax Revenue in Kenya; CSAE Conference Paper No. 426. 20th to 22nd March 2011, at St Catherine's College, Oxford University, UK. Can be accessed from www.csae.ox.ac.uk/conferences/2011

Wawire N.H.W. (2003) “Trends in Kenya's Tax Ratios and Tax Effort Indices, and Their Implications for Future Tax Reforms”. *Egerton Journal*. Vol. IV, Numbers 2&3. Njoro: Egerton University Press. pp. 256 - 279.

Allingham, M. G. and A. Sandmo (1972), “Income Tax Evasion: A Theoretical Analysis”, *Journal of Public Economics* 1: 323-338.

Cremer, H., and F. Gahveri (1993), “Tax Evasion and Optimal Commodity Taxation”, *Journal of Public Economics* 50: 261-275.

Cremer, H., M. Marchand and P. Pestieu (1990), “Evading, Auditing, and Taxing”, *Journal of Public Economics* 43: 67-92.

Osoro N. E. (1992), “Revenue Productivity of the Tax System in Tanzania, 1979 – 1984”, *Journal of African Economies* 1(3): 395 - 415.

Pestieau P. and U. M. Possen (1991), “Tax Evasion and Occupational Choice”, *Journal of Public Economics* 45(1): 107 - 126.

11. FISCAL FEDERALISM

(8 HOURS)

Principles of fiscal federalism; Optimal allocation of functions to appropriate levels of government; Expenditure and tax assignments; The Tiebout model and juridical competition; Revenue sharing mechanisms/intergovernmental grants and transfers: The African Experience.

Basic Readings:

Hillman ch. 9

Gruber ch.

Tresch, Vol. 4.

Laffont, ch. 2

Stiglitz and Rosengard ch.



Salanie,

Other Readings:

Dada A. E. (2015), "Fiscal Decentralization and Social Services in Nigeria" *AERC Research Paper 291*, African Economic Research Consortium, Nairobi.

Lockwood, B. (2006), "The political economy of decentralization", in Handbook of Fiscal Federalism, ed. By E. Ahmad and G. Brosio, Edward Elgar, 33-60.

Janeba, E. and G. Schjelderup (2009), "The Welfare Effects of Tax Competition

Reconsidered: Politicians and Political Institutions", *Economic Journal*, 119: 1143-1161.

Kempf, H. and G. Rota-Graziosi (2010), "Endogenizing leadership in tax competition, *Journal of Public Economics* 94(9-10): 768-776.

Rubinfeld, D. (1987), "The Economics of the Local Public Sector" in Atkinson and Feldstein (eds), *Handbook of Public Economics*, Vol. 2.

Oates, W. E. (1999), "An Essay on Fiscal Federalism", *Journal of Economic Literature* 37: 1120-1149.

Cremer, J. and T. Palfey (2000), "Federal Mandates by Popular Demand", *Journal of Political Economy* 108: 905-927.

Dahlby, B. (1996), "Fiscal Externalities and the Design of intergovernmental Transfers, *Canadian Journal of Economics* 31:189-206.

Hines, J. and R. Thaler (1995), "Anomalies: The flypaper effect", *Journal of Economic Perspectives* 9: 217-226.

Baker, M, A, Payne, and M. Smart (1999), "An Empirical Study of Matching Grants: The Cape on CAP", *Journal of Public Economics* 72:269-288.

Brown, C. and Oates, W. (1987), "Assistance to the Poor in a Federal System", *Journal of Public Economics* 32(3): 307-330.

Oates, W.E. (1972), Fiscal Federalism, New York: Harcourt Brace.

Tiebout, C (1956) "A pure Theory of Local Public Expenditures" *Journal of Public Economics* 64(5): 416-424.

Brewely, T. (1981) "A Critique of Tiebout's Theory of Local Public Expenditures" *Econometrica* 49(3): 713-740.

Ekpo, A.H (1994) "Fiscal Federalism: Nigeria's Post Independence Experience, 1960-1990", *World Development* 22(8):1129-1146.

Ekpo, A.H and J. Ndebbio (1996), "Fiscal Operations in a Depressed Economy: Nigeria, 1960-90", *AERC Research Paper* 44, Nairobi.

Ekpo, A.H and J. Ndebbio (1994) "Local Government Fiscal Operations in An Oil-Export Economy: Nigeria, 1980-1992", *African Journal of Economic Policy* 1(2): 1-18.

Nigerian Economic Society (2000), *Fiscal Federalism and Economic Development in Nigeria*, Ibadan.



Oyefusi, A. (2011), “Wealth Sharing Arrangement for Economic Growth and Conflict Prevention/Resolution: Nigeria Case Study on Linkages between Natural Resources Extraction and Conflict”, Background report prepared for the World Bank

Inman, R.P and D.L. Rubinfeld (1996), “Designing Tax Policies in Federalist Economies: An Overview”, *Journal of Public Economics*, Vol. 60.

12. PUBLIC DEBT

(6 HOURS)

Overview of Public Debt Theories, Causes, Measurement and Financing; Domestic and External Debt; Debt Relief Initiatives; Evidence from Africa.

Basic Readings:

Myles ch. 15

Howard, ch. 10

Other Readings:

Daud, S. N. M., & Podivinsky, J. M. (2015). Federal government debt and economic growth: Evidence from Malaysia. *Progress in Development Studies* 15(3): 253-256.

Dahlby. B. (2008), *The Marginal cost of Public Funds: Theory and Applications*, Massachusetts: The MIT Press

Nautet, M., & Van Meensel, L. (2011). Economic impact of the public debt. *Economic Review* 2: 7-19.

Panizza, U., & Presbitero, A. F. (2014). Public debt and economic growth: is there a causal effect? *Journal of Macroeconomics* 41: 21-41.

Berg, M. A., Portillo, R., Buffie, M. E. F., Pattillo, M. C. A., & Zanna, L. F. (2012).

Public investment, growth, and debt sustainability: Putting together the pieces (No. 12-144). International Monetary Fund. Kosimbei, G., Wawire, N. H. W. Mburu T. K. (2010). *Budget deficits and macroeconomic performance in Kenya: An empirical Analysis*. Saarbrucken: VDMVerlag Dr. Muller.

Lawanson A. O. (2014) Impact of External Debt Accumulation and Capital Flight on Economic Growth of West African Countries” *AERC Research Paper 279*, African Economic Research Consortium, Nairobi.

Cassimon D., Campenhout B. V., Ferry M. and M. Raffinot (2015), “Africa: Out of debt, into fiscal space? Dynamic fiscal impact of the debt relief initiatives on African Heavily Indebted Poor Countries (HIPCs)” *International Economics* 144: 29–52.

Fosu, A. K., (2010), “The External Debt-Servicing Constraint and Public-Expenditure Composition in sub-Saharan Africa African” *Development Review* 22(3): 2010, 378–393.

Ncube M. and Z. Brixiov (2015), “Public Debt Sustainability in Africa: Building Resilience and Challenges Ahead” *Development Policy Review* 33(5): 555-580.