This course represents one of the two semesters of graduate public economics. It covers several topics within the field of public economics. The first part of the course, taught by Liqun Liu, covers basic theories, while the second part of the course, taught by Li Gan, covers empirical analysis.

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Requirements and Grading:

(1) Paper presentation (20%): Each student is required to present a paper in the literature. This paper should be highly correlated with the term paper that the student is writing. The paper to be presented is subject to approval. The presentation will be held during the week of October 8th.

(2) Referee Report (10%): Each student is required to write a referee report.

(3) Term paper (70%): Each student is required to write and present a term paper. The term paper can be an extension of a paper in the literature, or a new paper.
   (a) A five-page proposal, including motivation, literature review, and some basic summary statistics (empirical) or the basic setup of a model (if theoretical), is due on October 15th, in class.
   (b) The full draft of the paper is due on November 26th, in class.
   (c) The presentation of the term paper will be held during the week of Nov 26th, in class.

We will use papers from the reading list below. Some textbooks are also listed for background reading.

J. Stiglitz, Economics of the Public Sector (W.W. Norton & Company, 1991)
I. Effects of Income Taxation

A. Theoretical Analysis
   Book Chapters


II. The Welfare Cost of Taxation and the Marginal Cost of Public Funds

A. Theory


B. Empirical Analysis

Hausman, Jerry, “Exact Consumers Surplus and Deadweight Loss”, American Economic Review 71 (September, 1981), 622-676

III. Optimal Income Taxation

A. Theory


B. Empirical Analysis


Gan, Li and Jijun Tan (2007). “How does the Optimal Two-Bracket Income Tax Depend on Wage Inequality”, mimeo

IV. Cost-Benefit Analysis

A. Benefit Measurements: Theory


B. Benefit Measurements: Empirical Analysis


V. Social Security and Retirement Behavior

A. Theory


B. Empirical Analysis


VI. Health and Health Care

A. Theory


B. Empirical Analysis


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