

35860 Public Finance

module number
35860
module title
Public Finance
module coordinator
Prof. Dr. Stefan Bauernschuster

examination number	credit points (ECTS)	hours per week (SWS)
212118	5	2+2
availability	duration	recommended semester
Every summer semester	1 semester	4

workload
Lecture 2 SWS (30 hours class instruction; 45 hours self-study) Uebung 2 SWS (30 hours class instruction; 45 hours self-study)
Calculation is based on: every hr./sem.-week corresponds to 60 minutes. One semester is presumed to be 15 weeks, i.e. 14 course + 1 exam week
module applicability
Economics
reference to the LPO I
recommended requirements
Solid knowledge in (undergraduate) microeconomics Basic knowledge in public economics, in particular allocation theory (as provided, e.g., in the module „Marktversagen und Wirtschaftspolitik“)
obligatory requirements
language
English

content
This module provides an in-depth microeconomic analysis of taxation and public debt. We start by investigating the development and structure of public expenditures and public revenues, before we introduce the concept of social welfare functions and several ideas about a fair distribution of the tax burden. Then, we look at the design of taxes and discuss linear, regressive and progressive taxes and their relation to inequality. In the core of this module is the analysis of the impact of taxes on individual decisions and resulting welfare effects, the question of who bears the tax burden (tax incidence), as well as optimal taxation as a trade-off between equity and efficiency concerns. In an aside, we deal with the German income tax schedule and introduce a simple economic model of tax evasion. Finally, we study the development of public debt and deal with the question to which degree public debt is sustainable. We discuss in which cases financing government expenditures by public debt rather than by increased taxes might be justified and to which degree excessive public debt might create problems.

<p>Table of contents:</p> <p>Chapter 1: The scope of the public sector</p> <p>Chapter 2: The pursuit of equity in taxation</p> <p>Chapter 3: The design of taxes</p> <p>Chapter 4: Tax incidence</p> <p>Chapter 5: Taxes and efficiency</p> <p>Chapter 7: Taxation of savings and labor supply</p> <p>Chapter 8: Optimal taxation</p> <p>Chapter 9: Tax fraud</p> <p>Chapter 10: Public debt: Neoclassical model vs Ricardian equivalence</p> <p>Chapter 11: Public debt: Justification and challenges</p>
<p>intended learning outcomes (ILOs)</p> <p>Students who have successfully participated in the module are able to</p> <ul style="list-style-type: none"> • demonstrate a clear theoretical understanding of taxation and public debt • explain the economic justification, basic structure and economic effects of different types of taxes • analyze economic implications of taxes with respect to economic efficiency and distributive equity as well as their effects on the behaviour of economic actors • assess pros and cons from financing government expenditures by public debt rather than increased taxes • apply their knowledge to draw relevant policy conclusions, and to engage in informed debates about taxation and public debt
<p>teaching methods</p> <p>Classroom lecture with interactive elements</p> <p>Übung with tutorials</p>
<p>required attendance</p>
<p>examination (type of examination, scope)</p> <p>Final exam (90 minutes)</p>
<p>overall grade relevance</p> <p>100% final exam</p>
<p>possibility of retake exam</p>
<p>reading list</p> <ul style="list-style-type: none"> • Besley T., Persson T. (2013), Taxation and Development, In: Handbook of Public Economics, Volume 5, 51-110. • Blanchard, O. (2019), Public Debt and Low Interest Rates, American Economic Review, 109(4), 1197-1229. • Blankart, C. (2011), Öffentliche Finanzen in der Demokratie, Munich: Vahlen. • Blömer, Maximilian, Brandt, Przemyslaw, Peichl, Andreas (2021), Raus aus der Zweitverdienerinnenfalle: Reformvorschläge zum Abbau von Fehlanreizen im deutschen Steuer- und Sozialversicherungssystem, Gütersloh: Bertelsmann Stiftung. • Brümmerhoff, D., Büttner, T. (2018), Finanzwissenschaft, 12th edition, Berlin: DeGruyter Studium. • Fellner, G., Sausgruber, R., Traxler, C. (2013), Testing Enforcement Strategies in the Field: Threat, Moral Appeal and Social Information, Journal of the European Economic Association, 11 (3), 634-660. • Fuest, C., Neumeier, F., Stöhlker, D. (2021), The Pass-Through of Temporary VAT Rate Cuts: Evidence from German Supermarket Retail, CESifo Working Papers 9149. • Fuest, D., Peichl, A., Siegloch, S. (2018), Do Higher Corporate Taxes Reduce Wages? Micro Evidence from Germany, American Economic Review, 108(2), 393-418.

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- Lichter, A., Löffler, M., Isphording, I., Nguyen, T.-V., Pöge, F., Siegloch, S. (2021), Profit Taxation, R&D Spending, and Innovation, IZA Discussion Paper 14830.
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- Reinhard, C., Rogoff, K. (2009), This Time Is Different: Eight Centuries of Financial Folly, Princeton: Princeton University Press.
- Romer, C., Romer, D. (2019), Fiscal Space and the Aftermath of Financial Crises: How It Matters and Why, Brookings Papers on Economic Activity.
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- Wellisch, D. (2000), Finanzwissenschaft III: Staatsverschuldung, Munich: Vahlen
- Woo, J., Kumar, M. (2015), Public Debt and Growth, Economica, 82, 705-739
- Zimmermann, H., Henke, K.-D., Broer, M. (2010), Finanzwissenschaft, Munich: Vahlen.

additional notes

Exam question can be answered in English or German