Instructor: Lee H. Endress
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Lecture: MW 5:30 – 7:00pm
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Course Description: This course is an introduction to the field of public economics. Topics will include: the role of government; general equilibrium and welfare economics; externalities and public goods; excess burden and optimal taxation; asymmetric information; cost – benefit analysis, including aspects of risk and discounting; and an introduction to dynamic public economics addressing policy issues such as national debt, social security, and sustainable development. Course format will be a combination of lecture, student presentations, and seminar style discussions of pertinent issues in public economics. Readings will be from assigned texts and papers from the public economics literature, with emphasis on the “classics.” Problem sets will be assigned. All students are required to prepare and present a research paper.

Learning Objectives: The objectives of this course are to (1) prepare students to develop and evaluate public policy; (2) apply advanced microeconomic principles to the public sector; (3) provide exposure to the classic literature of the field; (4) engage students in research that contributes to the field of public economics; and (5) enhance student confidence in teaching and presentation skills.

Required Texts:

Other References:
Boadway and Bruce, Welfare Economics, Blackwell, 1984
Hindriks and Myles, Intermediate Public Economics, MIT Press, 2006
Layard and Glaister (eds), Cost-Benefit Analysis (2nd Ed), Cambridge U. Press, 1994
Salanie, Economics of Taxation, MIT Press, 2003
Tresch, Public Finance (2nd Ed), Academic Press, 2004
Grading:  Midterm Exam: 20%
          Final Exam: 30%
          Research Paper: 30%
          Presentations/Participation: 20%

Note: Students selecting the credit/no credit option are required to complete a research paper and participate in all class activities, including presentations.

Key Dates:  Sept 23: research paper proposals due
          Oct 16: Midterm exam
          Nov 25: Research papers due
          Dec 16: Final exam

Tentative Agenda and Course Schedule:

1.  General equilibrium and welfare economics
    Dates: Aug 26, 28; Sept 2
    Readings: Myles chap 2, pp 18-50; Laffont pp 1-5
              Debreu/Scarf (1963)

2.  Externalities
    Dates: Sept 4, 9, 11
    Readings: Myles chap 10 pp 312-326 and 334-341; Laffont chap 1
              Coase (1960), Hardin (1968), Johannson/Roumasset (2001),
              Samuelson (1995), Starrett (1972)

3.  Public Goods
    Dates: Sept 16, 18, 23
    Readings: Myles chap 9 pp 263-311; Laffont chap 2
              Foley (1970), Groves/Ledyard (1977), Lindahl (1919), Samuelson
              (1954) and (1955), Tiebout (1956)

4.  Excess Burden and Optimal Taxation
    Dates: Sept 25, 30; Oct 2
    Readings: Myles chap 4
              Corlett/Hague (1953), Diamond/Mirrlees (I, II, 1971), Dixit (1970),
              Harberger (1954), Ramsey (1927), Sandmo (1975)

5.  Asymmetric Information
    Dates: Oct 7, 9, 11
    Readings: Laffont chap 3, 5
              Arnott/Stiglitz (1986) and (1988), Dixit/Stiglitz (1977),
              Greenwald/Stiglitz (1986)

6.  Review and Midterm Exam
    Dates: Oct 14-Review; Oct 16-Midterm
7. **Applied Welfare Economics and Cost-Benefit Analysis**  
   Dates: Oct 21, 23, 28, 30  
   Readings: Myles chap 3; Boadway and Bruce chaps 7, 8, 10  

8. **Overlapping Generations and Dynamic Public Economics**  
   Dates: Nov 6, 13, 20  
   Readings: Myles chaps 13, 14, 15  
   Diamond (1965), Endress et al (2005), Samuelson (1958)

9. **Making Economic Policy**  
   Dates: Nov 25; Dec 2  
   Readings: Dixit (1996)

10. **Research Paper Presentations**  
      Dates: Dec 4, 9, 11

11. **Final Exam**  
      Date: Dec 16

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**Papers**


Lindahl, E. (1919) Just Taxation—A Positive Solution


Samuelson, P. (1958) An Exact Consumption-Loan Model of Interest With or Without the Contrivance of Money, Journal of Political Economy, LXVI No 6, pp 467-82


