Instructor: Lee H. Endress  
Lecture: T/Th 4:30 - 6:00pm  
Room: Saunders 541

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:
- Boadway and Bruce, Welfare Economics, Blackwell, 1984
- Hindriks and Myles, Intermediate Public Economics, MIT Press, 2006

Other References:
- 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 24: research paper proposals due  
Oct 13: Midterm exam  
Nov 24: Research papers due  
Dec 15: Final exam

**Tentative Agenda and Course Schedule:**

1. **General equilibrium and welfare economics**  
   Dates: Aug 25, 27; Sept 1  
   Readings: Myles chap 2, pp 18-50;  
   Debreu/Scarf (1963)

2. **Externalities**  
   Dates: Sept 3, 8, 10  
   Readings: Myles chap 10 pp 312-326 and 334-341;  
   Coase (1960), Hardin (1968), Johannson/Roumasset (2001),  
   Samuelson (1995), Starrett (1972)

3. **Public Goods**  
   Dates: Sept 15, 17, 22  
   Readings: Myles chap 9 pp 263-311;  
   Foley (1970), Groves/Ledyard (1977), Lindahl (1919), Samuelson (1954) and (1955), Tiebout (1956)

4. **Excess Burden and Optimal Taxation**  
   Dates: Sept 24, 29; Oct 1, 6  
   Readings: Myles chap 4  
   Corlett/Hague (1953), Diamond/Mirrlees (I,II, 1971), Dixit (1970),  
   Harberger (1954), Ramsey (1927), Sandmo (1975)

5. **Review and Midterm Exam**  
   Dates: Oct 8-Review; Oct 13-Midterm

6. **Asymmetric Information**  
   Dates: Oct 15, 20, 22  
   Readings: Arnott/Stiglitz (1986) and (1988), Dixit/Stiglitz (1977),  
   Greenwald/Stiglitz (1986)
   Dates: Oct 27, 29, Nov 3, 5
   Readings: Myles chap 3; Boadway and Bruce chaps 7, 8, 10
          DiamondlMcFadden (1974), Dinwiddy/Teal (1990), DixitlWeller
          (1979), Harberger (1968) and (1971), Hausman (1981), Samuelson
          (1950), Willig (1976)

8. Overlapping Generations and Dynamic Public Economics
   Dates: Nov 10, 12, 17, 19
   Readings: Myles chaps 13, 14, 15
          Diamond (1965), Endress et al (2005), Samuelson (1958)

9. Miscellaneous Topics:
   Dates: Nov 24, Dec 1

9. Research Paper Presentations:
   Dates: Dec 3, 8, 10

11. Final Exam:
    Date: Dec 15

Papers

   of Public Economics 29 pp 1-24

   Journal of Economics 90, pp 383-413

   Economic Studies 41, pp 119-28


Copeland, B. and M. S. Taylor (2009) Trade, Tragedy, and the Commons, American


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


