

**University of Hawaii at Manoa**  
**Department of Economics**

Public Economics II (Theory of Public Finance—Revenue)  
Econ 651  
Spring 2009  
Course website:  
<http://www2.hawaii.edu/~rubenj/classes/econ651>

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Office Hours: M,W 4:30-6:00 or  
by appointment

## **Course Description**

This is the second semester of a two-semester course in Public Economics. It will cover specialized topics in the field. The prerequisite for the course is graduate microeconomic theory. Topics include (but are not limited) to social choice theory, political mechanisms, optimal income taxation and new new welfare economics, applied mechanism design (especially to moral hazard and adverse selection), information cost, and government auctions. Topics may be substituted depending on student interests.

In addition to participating in class and reading the assigned papers (approximately two per week), there are three sets of requirements for this course. The first is to complete 2-3 problem sets. The second will be to give 2-3 short presentations on related papers during the semester. The last requirement is to write a 15-pages paper that will be due the last day of the semester. I encourage you to start looking for a topic as soon as possible. Any theoretical or applied paper is welcome as long as it is related to PE.

## **Tentative readings (most of them available online)**

**Auerbach, A. and M. Feldstein, 1987. Handbook of Public Economics: Volume 2. North Holland, Amsterdam. ISBN-13: 978-0-444-87908-0**

Chapter 10, Incentives and the Allocation of Public Goods, JEAN-JACQUES LAFFONT.

Chapter 15, Pareto Efficient and Optimal Taxation and the New New Welfare Economics, JOSEPH STIGLITZ.

**Auerbach, A. and M. Feldstein, 2002. Handbook of Public Economics: Volume 3. North Holland, Amsterdam. ISBN-13: 978-0-444-82314-4.**

Chapter 21, Taxation and Economic Efficiency, ALAN J. AUERBACH and JAMES R. HINES JR.

Chapter 24, Political Economics and Public Finance, TORSTEN PERSSON and GUIDO TABELLINI.

**Arrow, K, A.K. Sen and K. Suzumura, 2002. Handbook of Social Choice and Welfare. North Holland, Amsterdam. ISBN-13: 978-0-444-82914-6.**

Chapter 1, Impossibility Theorems in the Arrovian Framework, DONALD E. CAMPBELL and JERRY S. KELLY

Chapter 4, Voting Procedures, STEVEN J. BRAMS and PETER C. FISHBURN.

Chapter 8, Game-Theoretic Analysis of Voting in Committees, BEZALEL PELEG.

**Intriligator, M. and K. Arrow 1986. Handbook of Mathematical Economics: Vol 3. North Holland, Amsterdam. ISBN-13: 978-0-444-86128-3**

Chapter 22, Social Choice Theory, AMARTYA SEN.

Chapter 24, The Theory of Optimal Taxation, J.A. MIRRLEES.

Chapter 25, Positive Second-Best Theory, EYTAN SHESHINSKI.

**Moulin, H., 1991. Axioms of Cooperative Decision Making. ISBN-13: 978-0-521-42458-5.**

Part IV, Voting and Social Choice.

**Myles, G., 1995. Public Economics. Cambridge University Press, Cambridge. ISBN-13: 978-0-521-49769-5**

**Salanie, B., 2003. The Economics of Taxation. MIT Press, Cambridge, MA. ISBN-13: 978-0-262-19486-0**

*Further readings will be distributed later.*

## **Assessment**

Problem sets: 30%

Participation/Presentations: 40%

Paper: 30%