University of Hawaii at Manoa
Department of Economics

Public Economics II (Theory of Public Finance—Revenue) Instructor: Ruben Juarez
Econ 651 Office: SH-509 Ph: 956-4703
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Course website: Office Hours: T, Th 1:30-2:30 or by
http://www2.hawaii.edu/~rubenj/classes/econ651 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
topic. Topics include (but are not limited) to social choice theory, political mechanisms,
theory. Topics include (but are not limited) to social choice theory, political mechanisms,
optimal income taxation and new new welfare economics, applied mechanism design
(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
courage 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)

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.

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.
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.

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.

Part IV, Voting and Social Choice.


**Assessment**

Problem sets: 30%
Participation/Presentations: 40%
Paper: 30%