

ECO 4504  
Fall 2016  
MAT 16  
M W 4:05 – 6:00 pm

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Office Hours: T 2:00 - 4:00

## **Public Economics**

**Text:**        Economics of the Public Sector (4<sup>th</sup> Edition), by Joseph Stiglitz and Jay Rosengard

**Exams:**        There will be a midterm and a final, each counting for 1/2 of the grade. The final is at 7:30 am on Thursday, December 15.

**Homework:**    At various points during the semester, some homework problems will be assigned. Extra credit points will be given for these when the final grade is computed.

Public economics looks at government spending and taxation policies in the context of a market economy. The course will first review the operation of a market economy with no imperfections. In that context, the only role for government would be for distributional purposes. Then we will consider how market imperfections can create a role for government consumption and production. Once the government engages in such activities, the mechanisms by which it makes decisions become important. These can be done by democratic procedures or by more technocratic processes such as cost/benefit analysis. The general analyses developed to this point will then be applied to consider specific government programs such as defense, health, and education. The course then turns to a positive and normative analysis of the tax instruments the government can use to fund its various programs.

### **Syllabus**

- I.        Overview of the Public Sector  
          Chapters 1 & 2
- II.       Review of Welfare Economics  
          Chapters 3, 4, & 7
- III.      Public Goods and Externalities  
          Chapters 5 & 6
- IV.      Public Production  
          Chapter 8
- V.       Mechanisms for Allocation  
          Chapters 9, 10, & 11

- VI. Analysis of Specific Programs  
Chapters 12 – 16
  
- VII. Taxation Theory  
Chapters 17 – 21
  
- VIII. Particular Taxes in Practice  
Chapters 22 – 25

Depending upon how rapidly we go, not all of the sections will be covered in full. Everything in sections I to V will be covered. In sections VI and VIII there is likely to be time to analyze only some of the specific programs or taxes.