

Theoretical Public Economics Syllabus
(ECO 7536; Fall 2019)

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Course Description: This is a second-year Ph.D. course on *theoretical* public economics. Students are assumed to have taken the first year of Ph.D. courses in economics. The course is concerned primarily with public goods and their provision. This is a vast area implying we can only examine a small fraction of the literature and results, especially in a half-semester class. I chose readings in an attempt to cover key elements of the area, while also playing to my research strengths. The specific topics are listed in the course outline below.

Topic Outline (estimated class meetings)¹

1. Externalities and Public Goods Basics (3)
2. Private Provision of Public Goods (3)
3. Majority Choice (3)
4. Club Goods and Local Public Goods (3)
5. Public Provision of Private Goods (2)

Class Schedule: Classes meet 9:35 – 11:30 am Monday and Wednesday, Oct. 16 – Dec. 11, including the final exam. **Note that class is cancelled on Oct. 28 and we will do a make-up class on Thursday, Nov. 7 at our regular time and in MAT 224A.**

¹ Time spent on each area is tentative. We'll adjust times as the course unfolds.

Readings: (** indicates a required reading; * is recommended reading; other readings are important as well but of less immediate significance to the course. I will indicate as the course unfolds what papers we will examine in class.)

*Do required reading **carefully** before class.*

1. Externalities and Public Goods Basics

** Mas-Collell, A., Whinston, M., and J. Green, “Externalities and Public Goods,” Chapter 11 in *Microeconomic Theory*, Oxford University Press, 1995.

* Oakland, W., “Theory of Public Goods,” Chapter 9 in *Handbook of Public Economics - Volume 2*, A. Auerbach and M. Feldstein, eds., North-Holland, 1987.

2. Private Provision of Public Goods

** Bergstrom, T., Blume, L. and H. Varian, “On the Private Provision of Public Goods,” *Journal of Public Economics*, v. 29, 1986, 25-49.

** Bernheim, B.D., “On the Voluntary and Involuntary Provision of Public Goods,” *American Economic Review*, v. 67, #4, September 1986, p. 789.

** Andreoni, James, “Giving with Impure Altruism: Applications to Charity and Ricardian Equivalence,” *Journal of Political Economy*, v. 97, #6, December 1989, 1447-1458.

**Varian, Hal R., “System Reliability and Free Riding.” Working Paper. University of California, Berkeley. February 2004.

* Warr, Peter, “Pareto Optimal Redistribution and Private Charity,” *Journal of Public Economics*” 1982,

* Andreoni, James, “Privately Provided Public Goods in a Large Economy: The Limits of Altruism,” *Journal of Public Economics*, v. 35, February 1988, 57-73.

*Nitzan, S. and R. Romano, “Private Provision of a Discrete Public Good with Uncertain Cost,” *Journal of Public Economics*, v. 42, #3, August 1990, 357-370.

*Epple, Dennis and R. Romano, “Competition between Private and Public Schools, Vouchers, and Peer Group Effects,” *American Economic Review*, Vol. 88, No. 1, March 1998, pp. 33-62.

Andreoni, James, “Toward a Theory of Charitable Fund-Raising,” *Journal of Political Economy*, v. 106, #6, 1998, 1196-1213.

Romano, R. and H. Yildirim, "Why Charities Announce Donations: A Positive Perspective," *Journal of Public Economics*, v. 81, September 2001, 423-448.

Barbieri, S. and D. Malueg, "Threshold Uncertainty in the Private-Information Subscription Game," *Journal of Public Economics*, v. 94, 2010, 848-861.

3. Majority Choice

** Enelow, J. and M. Hinich, Chapters 1 – 3 in *The Spatial Theory of Voting: An Introduction*, Cambridge University Press, 1984.

** Plott, C, "A Notion of Equilibrium and Its Possibility Under Majority Rule," *American Economic Review*, v. 57, #4, September 1967, 787-806. (Note: You needn't work through the proofs.)

** Epple, D. and T. Romer, "Mobility and Redistribution," *Journal of Political Economy*, v. 99, #4, August 1991, 665-898.

** Epple, D. and R. Romano, "Ends Against the Middle: Determining Public Service Provision When There Are Private Alternatives," *Journal of Public Economics*, v. 62, #3, 1996, 297-325.

* Besley, T. and S. Coate, "An Economic Model of Representative Democracy," *Quarterly Journal of Economics*, v. 112, #1, February 1997, 85 – 114.

Fernandez, R. and R. Rogerson, "Equity and Resources: An Analysis of Education Finance Systems," *Journal of Political Economy*, v. 111, #4, August 2003, 858-898.

Gans, J. and M. Smart, "Majority Voting with Single Crossing Preferences," *Journal of Public Economics*, v. 59, #2, 1996, 219 – 237.

Calabrese, Steve, D. Epple, and R. Romano, "Majority Choice of Tax Systems in Single- and Multi-Jurisdictional Economies," *Journal of Public Economics*, 131 (November 2015), 58-70.

4. Club Goods and Local Public Goods

** Scotchmer, S., "Local Public Goods and Clubs," in *Handbook of Public Economics – Volume 4*, A. Auerbach and M. Feldstein, eds., Elsevier Science, 2002, 1997 – 2042.

** Benabou, Roland, "Equity and Efficiency in Human Capital Investment: The Local Connection," *Review of Economic Studies*, v. 63, #2, 1996, 237-264.

Epple, D. and T. Nechyba, "Fiscal Decentralization," Chapter 55 in *Handbook of Regional and Urban Economics – Volume 4*, J. Henderson and J. Thisse, eds., Elsevier Science, forthcoming.

Calabrese, S., Epple, D. and R. Romano, "On the Political Economy of Zoning," *Journal of Public Economics*, v91, 2007, 25-49.

_____, "Inefficiencies from Metropolitan Political and Fiscal Decentralization," *Review of Economic Studies*, July 2012.

5. Public Provision of Private Goods

** Epple, D. and R. Romano, "Public Provision of Private Goods," *Journal of Political Economy*, v. 104, #1, February 1996, 57-84.

* Fernandez, R. and R. Rogerson, "Public Education and Income Distribution: A Dynamic Quantitative Evaluation of Education Finance Reform," *American Economic Review*," v. 88, #4, 1998.

Besley, T. and S. Coate, "Public Provision of Private Goods and the Redistribution of Income," *American Economic Review*, v. 81, #4, September 1992, 979 – 984.

Epple, D. and R. Romano, "Educational Vouchers and Cream Skimming," *International Economic Review*, v. 49, November 2008, 1395 – 1435.

Grading: Your course grade will be based on two paper summaries (40% of course grade) and on a final exam (60% of course grade). Each paper summary should be of a paper related to a topic we are discussing in class but not one that I will lecture on. They should be 3 – 4 pages long and clearly convey that you understand the paper. The first is due on Nov. 13 and the second on Dec. 4. Clear with me the paper you will summarize. I am planning to give the final exam on the last day of class, Dec. 11 (but we might change this to Dec. 9).

Honor Code and Students with Disabilities: I adhere to the honor code of the University of Florida and students are expected to do the same. Policy for students with disabilities is as codified by the University of Florida. Please contact me if you will require accommodation.

Below is a list of papers that includes a few not on your syllabus, thus providing a few more papers from which to choose for your paper summaries. You can as well choose papers on the syllabus that are not **, but please get my approval. And you can suggest other papers as well.

Andreoni, James, "Toward a Theory of Charitable Fund Raising," *Journal of Political Economy*, v. 106, #6, 1998, 1186 – 1213.

Barbieri, Stephano and David Malueg, "Threshold Uncertainty in the Private-Information Subscription Game," *Journal of Public Economics*, v. 94, Issues 11-12, December 2010, pp. 848-861.

Barseghyan, Levon and Steve Coate, "Property Taxation, Zoning, and Efficiency in a Dynamic Tiebout Model," *American Economic Journal: Economic Policy*, forthcoming.

Bergstrom, Theodore, "A Fresh Look at the Rotten Kid Theorem – and Other Household Mysteries," *Journal of Political Economy*, 1989, 97, 1138-1159.

Besley, Timothy and Stephen Coate, "An Economic Model of Representative Democracy," *Quarterly Journal of Economics*, v. 112, #1, February 1997, 85-114.

Boadway, Robin, Maurice Marchand, and Marianne Vigneaulty, "The Consequences of Overlapping Tax Bases for Redistribution and Public Spending in a Federation," *Journal of Public Economics*, 68(1998), 453-478.

Brueckner, Jan K., "A Tiebout/Tax-Competition Model," *Journal of Public Economics*, v. 77, 2000, 285 – 306.

_____, "Fiscal Decentralization with Distortionary Taxation: Tiebout vs. Tax Competition," *International Tax and Public Finance*, 2004, 11(2), 133-153.

De Bartolome, Charles, "Equilibrium and Efficiency in a Community Model with Peer Group Effects," *Journal of Political Economy*, v. 98, #1, 1990, 110-133.

Dotti, Valerio, "Income Inequality, Size of Government, and Tax Progressivity: A Positive Theory," *European Economic Review*, forthcoming.

Epple, Dennis and Richard Romano, "Collective Choice and Voluntary Provision of Public Goods," *International Economic Review*, v. 44, May 2003, 545-572.

_____, "Public School Choice and Finance Policies, Neighborhood Formation, and the Distribution of Educational Benefits," Chapter 7 in *The Economics of School Choice*, Caroline Hoxby, ed., National Bureau of Economic Research, University of Chicago Press, 2003, 227-286.

_____, “On the Political Economy of Educational Vouchers,” *Journal of Public Economics*, 120, December 2014, 62-73.

Fernandez, Raquel and Richard Rogerson, “Keeping People Out: Income Distribution, Zoning, and the Quality of Public Education,” *International Economic Review*, v. 38, #1, 1997, 23-42.

_____, “Equity and Resources: An Analysis of Education Finance Systems,” *Journal of Political Economy*, v. 111, #4, August 2003, 858-898.

Gans, J. and M. Smart, “Majority Voting with Single-Crossing Preferences,” *Journal of Public Economics*, v. 59, #2, 1996, 219-237.

Gravel, Nicolas and Oddou, Remy, “The Segregative Properties of Endogenous Jurisdiction Formation with a Land Market,” *Journal of Public Economics*, 117 (2014), 15-27.

Gordon, Roger H. and Julie Cullen, “Income Redistribution in a Federal System of Governments,” *Journal of Public Economics*, 96 (2012), 1100-1109.

Harbaugh, William, “What Do Donations Buy?” *Journal of Public Economics*, 67, 1998, 269-84.

Lazear, Edward, “Educational Production,” *Quarterly Journal of Economics* 116 (August 2001), 777-804.

Lockwood, Ben, “Fiscal Decentralization: A Political Economy Perspective,” *Handbook of Fiscal Federalism*, E. Ahmad and G. Brosio, eds., Edward Elgar, 2006.

Nechyba, Thomas, “School Finance Induced Migration Patterns: The Impact of Private School Vouchers,” *Journal of Public Economic Theory*, v. 1, #1, 1999, 5-50.

_____, “Local Property and State Income Taxes: The Role of Interjurisdictional Competition and Collusion,” *Journal of Political Economy*, 105, 2 (1997), 351-384.

Varian, Hal., “Sequential Provision of Public Goods.” *Journal of Public Economics*, 1994, 53, 165-86.

_____. “A Solution to the Problem of Externalities When Agents Are Well-Informed,” *American Economic Review*, 1994, 84, 1278-1293.

Vesterlund, Lise, “The Informational Value of Sequential Fundraising,” *Journal of Public Economics*, 2003, 87, 627-57.

Wilson, John, “Property Taxation, Congestion, and Local Public Goods,” *Journal of Public Economics*, 1997, 64, 207-217.