

ECON 237: Economics of the Public Sector, Fall 2013

Class meetings: 106 Albee, 3:10-4:30pm, Tuesday and Thursday

Instructor: James Green-Armytage e-mail: armytage@bard.edu

Office: 211 Albee Hours: Monday 4:45-5:45, Tuesday & Thursday 3:30-4:30

Course web site: <http://moodle.bard.edu/file.php/2530>

Text: Arye Hillman, *Public Finance and Public Policy*, 2nd edition.

Exam dates:

First test: Wednesday, October 2

Second test: Monday, November 11

Third test: Wednesday, December 18

Approximate grading scheme:

First test: 18%

Second test: 20%

Third test: 22%

Problem sets: 10%

Lit review assignment: 15%

Attendance, participation, weekly reflection papers: 15%

Topics

Introduction: Efficiency of ideal markets; market failure. Efficiency and social justice.

Public goods

Social optimum vs. Nash equilibrium. Lindahl prices. Revelation mechanisms.

Excludable public goods.

Externalities: Pigovian taxes and subsidies. Common goods. Coase theorem.

Taxation

Types of taxes: Income (labor, land, capital), consumption, etc.

Deadweight loss: Linear supply and demand. Tax on labor. Tax on investment income.

Redistribution: Social insurance and social welfare maximization. Fairness norms.

Systems of government: Anarchy. Communism.

Public choice: Principal-agent problem. Voting rules: Single winner, multiple winner, etc.

Fiscal federalism: Tax competition. Voting with the feet.

Health care & entitlements: Adverse selection. Moral hazard. Affordable Care Act.

Optimal government size: Balancing marginal cost of revenue, marginal benefit of expenditure.