SEMINAR IN PUBLIC ECONOMICS: EXPENDITURES (ECON 8221-3)
University of Colorado, Department of Economics
Spring, 1996

Time: M, W 8:15 - 9:30 am.
Room: Econ 5

Office Hours:
Office: Econ 202

COURSE DESCRIPTION:
This course is part of a two-term sequence with Seminar in Public Economics: Taxation. The course describes the theory of government expenditures, stressing market failure as the rationale for government activity. The course describes the normative outcome achieved by a benevolent government, and the positive outcome achieved under rules of collective choice.

The presentation of material stresses mathematical modelling. Students are required to have passed the Microeconomic Principles courses (Econ 7010, 7030).

REQUIRED TEXT:

RECOMMENDED TEXTS:

MIDTERM EXAM: 4 March 1996.

EXAMPLES:
The examples are an integral part of the course. They are designed to help you use the material, and a significant part of the exams will be based on them.

The examples (plus answers) are available as a bulk pack and also on reserve at the Norlin Library.

COURSE OUTLINE
Attached is a list of topics to be covered and likely dates. The course focuses on the articles marked with an asterisk.
17, 22 Jan: FUNDAMENTAL WELFARE THEOREMS

General:
* Handout: Fundamental welfare theorems.
* Starrett, Chap. 3.
* Varian, Sections 17.6, 17.7, 17.8, 17.9, 18.6, 18.7, 18.8.
* Example: "Fundamental theorems."

24, 29 Jan: PUBLIC GOODS: EFFICIENT PROVISION

General:
* Starrett, Chap. 4.1 and 4.2.
* Varian, Sections 23.1, 23.4.

First-best:
* Example: Efficient public good provision.

Second-best:

Time-consistency

31 Jan, 5 Feb: PRIVATE PROVISION OF A PUBLIC GOOD

General:
* Varian, Section 23.5.

Experiment:
Non-rival and non-excludable:
*Example: "Laissez-faire provision of public goods." "Public goods."

Non-rival and excludable:
*Example: "Private provision of public goods."

7, 12, 14, 19 Feb: COST-BENEFIT ANALYSIS

General:
*Starrett, Chap. 9 and 10.
*Varian, H.R., Section 22.1, 22.2.


21, 26 Feb: GOVERNMENT DECISION-MAKING

Full information:
General:

Voting: normative evaluation:

Voting: empirical

Impossibility theorem:
Incomplete information:
General:

28 Feb, 6, 11, 13 March: EXTERNALITIES

General:
*Starrett, Section 5.1, 5.2.  
*Varian, Section 24.1, 24.2.

Property rights and bargaining:

Experiment:

Pigou Taxes
*Examples: "Consumption externalities", "Production externalities" and "Externalities- firm number."

Quantity effects:

Empirical application:

Quantity regulation with uncertainty:
*Example: "Quantity or price control?"
18 March: LINDAHL PRICING:

General:
*Starrett, Chaps. 5.1 and 5.2.
*Varian, Section 23.7.
*Example: "Lindahl equilibrium."

20 March, 1 April: DEMAND REVEALING SYSTEMS

General:
*Starrett, Chaps. 5.5, 16.3 and 16.4.
*Varian, Sections 23.8, 23.9.

Budget balance:

Experiment:

3, 8 April: CLUBS

General:
*Starrett, Sections 4.3, 4.4, 4.5, 4.6.

*Examples: "Clubs with membership congestion," and "Club goods with use congestion."
10, 15, 17, 22 April: LOCAL PUBLIC GOVERNMENT

General:
*Starrett, Sections 5.3, 5.4, 11.1, 11.2 and 11.3.

Basic model:

Empirical:

Zoning:
*Example: "Tiebout model and zoning," and Zoning by income.

Full model:

Land rents:

Regional aid:
*Example: "Regional policy."
Redistribution:

24, 29 April: INCOMPLETE INFORMATION - MORAL HAZARD.

General:
*Examples: "Moral hazard - insurance."

Pensions:

Wage structures:
*Example: "Moral hazard - compensation."

1, 6 May: INCOMPLETE INFORMATION - ADVERSE SELECTION.

*Examples: Adverse selection, Adverse selection in the labor market, Adverse selection - airline queues, and Annuity market.

General:

Insurance:
*Example: "Adverse selection."

Non-existence of product equilibrium:
Signalling:

Transfer policy: