Syllabus: ECON 9450, Advanced Public Finance I
Fall, 2015
Instructor: Prof. Andrew Feltenstein
Office Hours: W 3:00 – 5:00
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Class Meetings: MW 1:30 – 2:45 pm Langdale 503
Textbooks:

Prerequisites
Students should be familiar with the basics of first year graduate microeconomics.

Goals
This course focuses upon issues in public expenditure analysis. The course first examines
the foundations of welfare economics, using the various forms of market failure as an
economic rationale for the existence of government. Then, market failures are used to
examine the major types of public expenditures in many countries: public goods
(including impure public goods, benefit-cost analysis, and preference revelation
mechanisms), externalities, and asymmetric information. In addition, the issue of equity
(i.e., the distribution of well-being), can be considered a form of market failure, and
government policies toward the poor are also discussed.

Grades: will be based on
(1) Midterm 25%
(2) Class presentation 25%
(3) Term paper 50%

Miscellaneous:
• Academic dishonesty on the term paper will result in a score of zero.
• Please let me know if you have a disability that requires special accommodation for lectures or
anything else.

Course outline:
We will use parts of of Tresch’s and Gruber’s books and also read a number of journal
articles.
The following books will be on reserve at the library:
   (1980)
Atkinson & Stiglitz is a very useful book, but is out of print. It is available from Amazon, but is incredibly expensive. Up to you.

The journal articles are all available online
The course syllabus provides a general plan for the course; deviations may be necessary. A tentative schedule for the semester follows.
Lecture Topics: ECON 9450, Advanced Public Finance I

Economic Expenditure

Lecture topics

1. Introduction
   Brief overview of the course
   Syllabus and general outline of topics

2. Introduction to Welfare Economics
   Read: Tresch, Ch. 1, 2 (Note that our discussion will cover somewhat different topics, but Tresch provides some interesting additional insights)

3. A Critique of Welfare Economics
   Read: Tresch, Ch. 3, 4.

   Read: Tresch, Ch. 12, 18

5. First Best Theory of Public Goods
   Read: Tresch, Ch.5, 6
   Read: Gruber, Ch. 5

   Read: Tresch, Ch.19

7. Solutions to the Preference Revelation Problem
   Read: Tresch Ch. 6 (p. 154-169), 20.

8. Private Provision of Public Goods
Read: Gruber Ch. 7.1-7.2

9. Free-Riding
Read: Tresch Ch. 6 (p. 170-202)
Read: Gruber Ch. 7.2-7.4.

10. Cost-Benefit Analysis
Read: Tresch, Ch. 23

11. Cost-Benefit Analysis (contd.)
Read: Tresch, Ch. 26.

12. Cost-Benefit Analysis (contd.)
Read: Tresch: Ch. 27-28.
Read: Gruber: Ch. 8.

13. Social Discount Rate
Read: Tresch: Ch. 24

14. Social Discount Rate (cont’d)
Read Tresch: Ch. 25
Read: Atkinson and Stiglitz: p. 474-481.

15. Methods of Program Evaluation
16. Worker’s Compensation

17. Unemployment Insurance
   Read: Gruber, Ch. 12.

18. Disability Insurance
   Read: Gruber, Ch. 14.

19. Disability Insurance
   Read: Gruber, Ch. 15

20. Education
   Read: Gruber, Ch. 11.

21. Education

22. Health Insurance
   Read: Gruber, Ch. 16.

23. Health Insurance

24. Social Security
   Read: Gruber, Ch. 13.