Syllabus: ECON 9450, Advanced Public Finance I
Fall, 2017
Instructor: Prof. Andrew Feltenstein
Office Hours: M 2:00 – 4:00
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Class Meetings: MW 1:30 – 2:45 pm Sparks Hall 300
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:
Atkinson & Stiglitz is a very useful book, but is out of print. It is available from Amazon, but is incredibly expensive. Up to you. Of course free stuff is floating around....

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.
   Read: Read: Arrow, K. J., and Lind, R., “Uncertainty and the Evaluation of Public

15. Methods of Program Evaluation
   Read: Gruber, Ch. 3.
   Read: Tresch, Ch. 8.

16. Worker’s Compensation
   Read: Meyer, Bruce D., W. Kip Viscusi, and David L. Durbin (1995). Worker’s
   Compensation and Injury Duration: Evidence from a Natural Experiment”. American

17. Unemployment Insurance
   Read: Gruber, Ch. 12.
   Read: Katz, Lawrence F. and Bruce D. Meyer (1990). “Unemployment Insurance,
   Recall Expectations, and Unemployment Outcomes”. Quarterly Journal of Economics
   105(4): 973-1002.

18. Disability Insurance
   Read: Gruber, Ch. 14.
   Conditions on Participation in Disability Programs: Evidence from the Coal Boom and

19. Disability Insurance
   Read: Gruber, Ch. 15
   Read: Bound, John and Timothy Waidmann (2002). Accounting for Recent Declines in
   Employment Rates among Working-Age Men and Women with Disabilities”. The
   Journal of Human Resources 37(2): 231-50

20. Education
   Read: Gruber, Ch. 11.
   Class in the Early Grades on College Test-Taking and middle School Test
21. Education

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

23. Health Insurance

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