

ECON 260
Introduction to Public Finance
FALL 2004

Instructor: Tom Evans, SS515, 702-9012, tevens@uchicago.edu.

Time and Location: TTh 10:30-11:50, SS108, Discussion M 5:00-5:50 SS107

Office Hours: Thursday, 8pm, Regenstein Cafe, or by appointment.

Textbook: Rosen, Harvey S. Public Finance. 6th Ed. 2002.

Teaching Assistant: Eduardo Camero, ecamero@uchicago.edu. Office hours 5-5:50pm Monday, SS107.

Material: This course will introduce students to three areas of study involving government: public choice, public finance and public economics. Public choice investigates the reasons for, and behavior of, governments, elected officials, interest groups, bureaucrats and so on, with special emphasis on democracies. Public finance investigates impacts and efficiency implications of taxing and spending decisions. And public economics studies how specific programs and laws affect individual decision making. For example, how does social security impact private savings and retirement decisions? We will look specifically at social security, social insurance programs and health care.

Grading: There will be two homework assignments worth 20% each, a research paper worth a total of 30%, and a final exam worth 30% of your final grade. The homework assignments will be due approximately at the middle and end of the quarter. The research paper will be due at the end of the quarter; however, a preliminary draft will be due near the middle of the quarter. The final exam will be in-class, closed book and closed notes. No alternative homework or midterms will be given. A grade of zero will be awarded for any missed or late homework assignments.

Course Methodology: This course will be a mix of theoretical and empirical work. In general, the approach will be to introduce theoretical models of government behavior and then to evaluate those models by turning to suitable empirical work. To this end, it will be necessary for students to learn a basic level of econometrics to fully appreciate the material being presented.

Reading List: (in approximate order of presentation)

- Cheung, N.S. "The Fable of the Bees: An Economic Investigation," JLE, Apr. 1973. JSTOR
Buchanan, J. "An Economic Theory of Clubs," *Economica*, Feb. 1965, 1-14. JSTOR
Tiebout, C. "A Pure Theory of Local Expenditures," JPE, Oct. 1956, 416-424. JSTOR
Coase, R. "The Lighthouse in Economics," JLE, Oct. 1974, 357-376. JSTOR
Coase, R. "The Problem of Social Cost," JLE, Oct. 1960, 1-44. JSTOR
Demsetz, H. "Why Regulate Utilities?" JLE, Apr. 1968, 55-65. JSTOR
Harberger, A. "Three Basic Postulates for Applied Welfare Economics: An Interpretive Essay," JEL, Sep. 1971, 785-797. JSTOR
Hockman, H., Rodgers, J. "Pareto Optimal Redistribution," AER, Sep. 1969, 542-557. JSTOR
Craft, E. "The Value of Weather Information Services for Nineteenth-Century Great Lakes Shipping," AER, Dec. 1998, 1059-1076. JSTOR
Viscusi, W. "The Impact of Occupational Safety and Health Regulations, 1973-1983," Rand JE, Winter 1986, 567-580. JSTOR
Karpoff, J. "Public versus Private Initiative in Arctic Exploration: The Effects of Incentives and Organizational Structure," JPE, vol. 109, no. 1, 2001. online through UOC library.
Stigler, G. "The Theory of Regulation," Bell JE, Apr. 1976.
Peltzman, S. "Toward a More General Theory of Regulation," JLE, Aug. 1976, 211-233. JSTOR
Becker, G. "A Theory of Competition Among Pressure Groups for Political Influence," QJE, Aug. 1983, 371. JSTOR
Mulligan, C., Richard, G., Sala-i-Martin, X., "Do Democracies Have Different Public Policies than Non-democracies?" JEP, Winter 2004, 51. online through UOC library.
Marvel, H. "Factory Regulation: A Reinterpretation of Early English Experience," JLE, Oct. 1977, 379-402. JSTOR
Bartel, A., Thomas, L. "Predation through Regulation: The Wage and Profit Effects of the Occupational Safety and Health Administration and the Environmental Protection Agency" JLE, Oct. 1987, 239-264. JSTOR

- Wright, G. "The Political Economy of New Deal Spending: An Econometric Analysis," REStat, Feb. 1974, 30-38. JSTOR
- Anderson, G., Tollison, R. "Political Influences on Civil War Mortality Rates: The Electoral College as a Battlefield," Defence Economics, 1991, 219-233.
- Mulligan, C. "Derivation of Ramsey's Optimal Tax Formula," online notes.
- Mulligan, C. "Behavioral Implications of Tax Distortions," online notes.
- Goolsbee, A. "What Happens When You Tax the Rich? Evidence from Executive Compensation," JPE, Apr. 2000, 352-378. JSTOR
- Benjamin, D., Dougan, W. "Efficient Taxation: Evidence from Cigarettes," JLE, Apr. 1997, 113-136. JSTOR
- Mulligan, C., Sala-i-Martin, X. "Social Security in Theory and Practice (I): Facts and Political Theories," NBER Working Paper 7118, 1999. NBER web-site.
- Mulligan, C., Sala-i-Martin, X. "Social Security in Theory and Practice (II): Efficiency Theories, Narrative Theories, and Implications for Reform," NBER Working Paper 7119, 1999. NBER web-site.
- Summers, L. "Some Simple Economics of Mandates Benefits," AER, May 1989, 177-183. JSTOR
- Gruber, J. "The Incidence of Mandated Maternity Benefits," AER, Jun. 1994, 622-641. JSTOR
- Arrow, K. "Uncertainty and the Welfare Economics of Medical Care," AER, 1963, 941-973. JSTOR
- Cutler, D., Reber, S. "Paying for Health Insurance: The Trade-off Between Competition and Adverse Selection," QJE, May 1998, 433-466. JSTOR
- Cutler, D. "Does Public Insurance Crowd Out Private Insurance?" QJE, 1996, 391-430. JSTOR