

ECON 440: ANALYSIS OF PUBLIC FINANCE FALL 2007 PETER NORMAN

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Office hours: Tuesdays 11:00-12:00 or by appointment.

Scope of Course

This is a course in applied microeconomic theory. Topics that will be covered include various market failures and the extent these can be used to justify intervention in the market. Concrete examples are externalities, public goods and asymmetries of information. In addition, some positive models of public decision making (such as voting models) will be discussed.

It will be assumed that you are familiar with basic techniques taught in Econ 101 (such as indifference curves and supply-demand analysis). Some very basic calculus will be used too for most topics covered.

Texts

- Stiglitz, Joseph, *Economic of the Public Sector*, Norton, Stanford University, 2000. ISBN 0-393-96651-8.
- Typed lecture notes that are posted on <http://www.unc.edu/~normanp/440.html>
- Coase Ronald, "The problem of social cost", *Journal of Law and Economics* 3, 1-44, 1960.
- Hardin, Garrett, "The tragedy of the commons", *Science*, 168, 1243-1248, 1968.

The textbook is very good in terms of explaining the main ideas informally. However, it lacks in terms of details and deeper analysis. You should therefore expect that the treatment in the lecture notes will be slightly more advanced than the book. Additional articles may be added.

I expect to cover material that roughly corresponds to chapters 3-9 and 16-21. Details on when to read what will be provided in the typed lecture notes.

Exams, Homework and Grading

There will be two in class midterms:

Midterm 1 Thursday October 4

Midterm 2 Thursday November 1

No midterm makeups will be given for any reason whatsoever. If you have a valid reason for missing an exam the weight from the midterm you are missing will be transferred to the other midterm.

In addition, 4-5 homework exercises will be handed out over the semester. These will be graded largely on the basis of effort.

Each midterm counts as 20% of the course grade, the final for 50%, and the remaining 10% will be coming from homework exercises.