

Public Policy 2010
Economics and Public Policy
Spring 2009

Syllabus

Instructor: Amy Serrano

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Office: Blistein House, room 226

Office Hours: Wednesday 10:30-12:00, or by appointment

Class Meetings: Tuesday and Thursday, 1:00 – 2:20

Course Webpage: www.econ.brown.edu/faculty/Amy_Serrano/

Course Description:

This course examines the role of government in market economies. We will begin by studying how markets function. We will see that (under ideal conditions) market competition can lead to efficient economic outcomes. In some circumstances, however, markets may fail, and government intervention can be beneficial. We will analyze market failures resulting from externalities, public goods, and asymmetric information.

In addition to policies that address market failures, government may also play a role in the distribution of income, and we will consider a variety of real-world policies aimed at income redistribution. Finally, the course examines the financing of government programs, and the goals and limitations of optimal taxation.

Books:

The primary textbook we will use is *Public Finance and Public Policy* (Second Edition) by Jonathan Gruber. Earlier editions of the book are fine.

It would also be helpful to consult Greg Mankiw's *Principles of Economics* (especially during the first part of the course). A copy of Mankiw's book is on reserve in the Rockefeller library.

Another book I recommend is *The Armchair Economist: Economics and Everyday Life*, by Steven Landsburg. This is a thought-provoking little paperback with lots of great examples.

Grading:

The course grade will be divided into

30 percent for weekly homework assignments
(Due in class every Thursday)

35 percent each for two midterm exams

Homework:

You are welcome to work together on homework assignments, but each student must hand in his or her own work. Homework will be due at the beginning of class every Thursday. **No late problem sets will be accepted**, but I will drop your lowest problem set grade.

Exam Dates:

First Midterm: Thursday, March 12

Second Midterm: Wednesday, May 6 (9 am)

Topics and readings

	Gruber	Mankiw
Part I: Introduction to Microeconomics		
1. Course Introduction	1	1 - 2
2. Supply and Demand	2	2 & 4
3. Equilibrium and Comparative Statics	2	4 - 6
4. Efficiency and Welfare Economics	2	7
5. The model of consumer choice	2	21
6. Labor supply and demand	2	21 & 18
Part II: Externalities and Public Goods		
7. Externalities	5	10
8. Public goods	7	11
9. Political Economy	9	22
10. Cost-benefit Analysis	8	
11. State and local government	10	
12. Education	11	
Part III: Social Insurance and Redistribution		
13. Asymmetric Information and Health Insurance	12, 15-16	22
14. Other government insurance programs	13-14	
15. Income Distribution and Welfare Programs	17	20
Part IV: Taxation		
16. Key concepts in taxation	18	6, 8 & 12
17. Tax incidence	19	"
18. Taxes and economic efficiency	20	"
19. Taxes and the labor market	21	