
Course outline

Contact information

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Course information

The web address for this course is <http://teaching.fec.anu.edu.au/ECON2131/>. Core material for this course will be available on WebCT (<https://webct.anu.edu.au/login/>), including course outline, handouts, weekly exercises, links to the reserve collection and electronic resources, notices and announcements. All students formally enrolled in the course should have access to WebCT. Those students who are not formally enrolled and are considering doing so should provide their student ID numbers to the lecturer in order to gain access to WebCT while they decide on changing their enrolment.

It is worthwhile to note that the relevant WebCT site for ECON2132 and ECON8034 is the *WebCT site for ECON2131*. In this site students will be able to find the material that is common for all students -undergraduate, graduate and Honours- as well as the additional material for those enrolled in ECON2132 and ECON8034. The additional material will be located on a separate folder with the mention ECON2132/ECON8034.

Course overview

This course is the advanced version of ECON2131 Public Economics – Theory. The course is taught at a more advanced level for graduate students (ECON8034 Principles of Public Economics) and undergraduate students enrolled at the Honours level (ECON2132 Public Economics Theory (H)). The Pass component consists on a standard public economics course, which commonly takes for granted the existence of a benevolent government and focuses mostly on what governments should do. The Honours/graduate component will cover topics on public choice and provide an alternative, more critical, view on government. The public choice perspective places more emphasis on modeling the political process and argues that this, like the market mechanism, has readily identifiable sources of failure.

Class organization

All students follow the undergraduate classes (see the course outline for ECON2131 for more detail on the organization of these classes). In addition, there will be regular meetings with Honours and graduate students. These meetings will take place on Wednesdays 10-11 am on teaching weeks 3, 5, 7, 9, 11 and 13. A list of topics with references is provided below. It is expected that students read the compulsory material to be treated in the Honours/graduate meetings *before* in order to be able to actively participate in those meetings.

Assessment

Assessment for ECON2132 and ECON8034 will be similar to the assessment for ECON2131 and will consist of an assignment and a final exam. Both are compulsory and non redeemable. See the course outline for ECON2131 for more detail on the different pieces of assessment.

The final exam for ECON2132 and ECON8034 will contain questions specially designed to account for the additional material treated by Honours/graduate students. The number of questions will nevertheless remain the same (i.e., 6 questions to be answered in 3 hours).

As for ECON2131 students, the final mark for ECON2132 and ECON8034 students will be based on the performance in:

- Assignment 25%
- Final exam 75%

Recommended textbooks

Hillman, A.L. (2003), *Public Finance and Public Policy: Responsibilities and Limitations of Government*, Cambridge University Press.

Hindriks, J. and Myles, G.D. (2006), *Intermediate Public Economics*, MIT Press.

Mueller, D.C. (2003). *Public Choice III*, Cambridge University Press.

Hillman (2003) is a final-year undergraduate text on public finance or public economics that provides a comprehensive overview of academic thinking about the role of government in the economy, emphasizing the role of political institutions in shaping how governments behave. Hindriks and Myles (2006) is a final-year undergraduate or first-year graduate textbook in Public Economics that covers the traditional topics of efficiency and equity but also highlights more recent developments in information, games, and, especially, political economy. Mueller (2003) is the main reference book on public choice and treats all these issues with a greater deal of detail.

List of topics with references¹

Week 3

An introduction to public choice, Arrow's impossibility theorem and majority rule

*Hindriks and Myles, ch.10, sections 1-4

Mueller, chapters 4-6

Week 5

Alternatives to majority rule

*Hindriks and Myles, ch.10, sections 5-8

Mueller, chapter 7

Week 7

Voting and public goods

*Hindriks and Myles, section 5.5

Hillman, section 6.1

Mueller, ch.2, sections 1-5

Week 9

Voting and redistribution

*Hillman, section 6.1

Mueller, ch.3

¹ Compulsory readings are indicated by an asterisk (*) and will be listed first. This is a tentative list of references. Other references might be added during the course.

Week 11

Political behavior and public policy

*Hillman, section 6.2

Mueller, ch.20

Week 13

Public policy and rent-seeking behavior

*Hillman, section 6.3

Hindriks and Myles, ch.11

Mueller, ch.15

Notes about handouts and references

- For the undergraduate component of the course, see “Notes about handouts and references” in the course outline for ECON2131.
- For the Honours/graduate component of the course, the recommended texts listed above will be placed in the Reserve Collection. I will provide chapter 10 from Hindriks and Myles (2006) and chapter 6 from Hillman (2003) online. The material provided online will cover most of the topics listed above. Those topics are also treated in more depth by Mueller (2003) for those students who would like to pursue the study of public choice further and I have provided the references above.