B.E. International Program

Faculty of Economics, Thammasat University

Course Outline

EE 448 Public Economics: Selected Topics/ EE 441 Economics of Public Expenditure

Semester 1/2012 (August 14 – December 1, 2012)

Number of credits: 3 credits

Lecture Time: Tuesdays and Thursdays, 12.30 – 14.00 hrs

Lecture Venue: Room 304, Faculty of Economics

Instructor: Dr. Brian Kennedy

Office: Room 454, Faculty of Economics

E-mail: bpk@econ.tu.ac.th, or through Moodle

Office hours: Tuesdays and Thursdays, 9.30 – 12.00 hrs
and after 17.00 hrs or by appointment

Course Description:

The role of government in economic activities; Government Outlay; Welfare Economics; Theory of Public Goods, Theory of Externalities, Public Choice, Public Pricing and Policies, fiscal decentralization; The analysis of the effects of government spending on the macroeconomic goals, such as price stability, economic growth, distribution of income, and employment conditions, as well as the effects of government spending on important economic sectors.

Prerequisites: EE212 (or EE214) and EE311

Main Textbook:

Public Choice II: Dennis Mueler (Available for Copy in the Library)

A quick note on the text. A later version of this text, Public Choice III, is available. However, it is almost twice the length of Public Choice II, with the additional length being primarily devoted to more complex mathematical models of the main topics, additional topics of marginal value, or more recent empirical studies. The more complex math models are not appropriate for an undergraduate level course, and the more recent empirical studies are of little value, since almost all empirical work in Public Choice Economics are of the U.S., and mean little to foreign students without extensive background. Therefore, I am electing to use the older version of the text.

Course Reader I: Readings for Before the Midterm
Course Reader II: Readings for After the Midterm
Articles: I will post links to discussion articles to Moodle throughout the Semester. The Course Moodle Code is 3059

Other Recommended Books:

1. Rober Cooter, The Strategic Constitution, Available at http://www.law.berkeley.edu/faculty/cooterr/PDFpapers/stratcon.PDF
2. Mancur Olson, The Logic of Collective Action
3. Joe Stevens, The Economics of Collective Choice, Boulder, Colorodo; Westview Press, 1993

Teaching Plan:

Class Schedule

Class	Date	Topics
		Section I: Voters
Week 1: Introduction to Public Choice		Private and social benefits and costs Positive and negative externalities Coase and Property Rights Application: Regulation vs. trade-able permits
Week 2: The Logic of Collective Action		Public vs. private costs Public goods, the Tragedy of the Commons, Free Riders
Week 3: The median voter model		Model Assumptions, model methods Cycling, peaks, Condorcet voting

Class	Date	Topics
Week 4: The Median voter Model II		Extended numeric analysis of the model The U.S. – First past the post Thailand – Party list voting The Thai Constitution of 1997, 2007, 2009
Week 5: Bargaining and Agenda Setting		The one and two dimension agenda setter Indifference curve analyses
Week 6: The rational and irrational voter		Expressive voters Rational Ignorance Rational Irrationality Other models of voter behavior
Week 7: Normative Implications		Other Voting systems The case for limited government Federalism and Tiebout Voting
Section II: Politicians and Politics		
Week 8: Rent Seeking I		The traditional economic model of monopolies Wealth transfers and deadweight losses The utility maximizing politician New York Taxi Medallions
Week 9: Rent Seeking II		Gordon Tullok and the chinese beggars The policy entrepenuer Dissapating rents Harbinger triangles and the Rent-Seeking Society Mancur Olsen "The decline and fall of empires"
Week 10: Empirical Model: The Political Business Cycle		The Phillips Curve Macro-economic policy and the Phillips Curve The "Misery Index" -- Political science and elections The long run and short run Philips Curve The political buisness cycle
Week 11: Empirical Model: The E.U.		
Section III: Bureaucrats, Governments, and Normative Questions		
Week 12: Principal-Agent models		
Week 13: The Niskannen Revenue maximization model		What do Buerocrats and Government Workers maximize Government Agencies as Monopolistic Providers of Goods Marginal vs. Total Revenue The Revenue Maximizing Minister Efficiency vs. Equity, social evaluations of value vs. expert evaluations of value

Class	Date	Topics
Week 14: The Coase Theorem		The Coase Theorem: Demonstration Example (Trains) Statement of the model Transaction Costs and Model Limitation
Week 15: Applications: the U.S. Elections		Using the Models to Explain U.S. Government Elections, Policies, and Programs
Week 16: Applications: Thai Government Policies		Using the Models to Explain Thai Government Elections, Policies, and Programs

Course Evaluation:

Type of evaluation	Evaluation Method	Evaluation date
Midterm Exam	**40%**	**Thursday, October 4, 2012, 12.30 – 14.00 hrs**
Final Exam	**50%**	**Thursday, December 20, 2012, 13.30 – 16.30 hrs**
Class Attendance/Discussion	10%	Ongoing throughout Class

Important Dates:

Classes Begins	August 14, 2012
Adding and Dropping Courses	August 14 – 28, 2012
Midterm Exam Period	October 1 – 6, 2012 (No Lectures)
Course Withdrawal with "W"	October 17 – 22, 2012
Class Ends	December 1, 2012