In Public Finance II (681B) we will cover seven topics in the field of public economics: (I) Public Goods; (II). Discrimination and Affirmative Actions; (III). Welfare and Social Security Reforms; (IV). Social Norms and Culture; (V). Externality Theory; (VI). Economics of Scale, Non-convexities and Network Externalities; (VII). Private and Social Risk and Social Discount Rate. Lectures will cover some important papers on the reading list. The primary goals of the lectures are to provide a broad understanding of the public finance literature and to introduce many of the theoretical and empirical approaches practiced in the field. We encourage and require active class discussions, which are important for the students to develop their abilities to read economics papers critically and articulate their insights and criticisms of these papers.

**Course Requirements:** (1). Students will be expected to make short presentations and participate actively in class discussion; (2). Students will also be expected to either extend the short research paper you wrote in the Fall term or write another short paper. Empirical papers, which can also be submitted for the econometrics paper requirement, are encouraged; (3). There will be an oral final examination.

**TOPIC I: PUBLIC GOODS PROVISION**

**BOOKS:**


**CLASSICAL PAPERS:**


READING LIST:

A. STATIC MODELS OF PRIVATE PROVISION OF PUBLIC GOODS:


B. PRIVATE PROVISION OF PUBLIC GOODS IN LARGE ECONOMIES:


C. DYNAMIC VOLUNTARY PROVISION OF PUBLIC GOODS:


D. LOCAL PUBLIC GOODS:


**Topic II: Discrimination And Affirmative Actions**

**BOOKS:**


**CLASSICAL PAPERS:**


**READING LIST:**

**A. TASTE BASED DISCRIMINATION:**


**B. STATISTICAL DISCRIMINATION AND AFFIRMATIVE ACTION**


**C. LOOKING FOR EVIDENCE OF DISCRIMINATION**


**Symposia on Discrimination in Product, Credit and Labor Markets**, *Journal of Economic Perspectives*, Spring 1998, including the following articles and comments by Kenneth Arrow, James Heckman and Glenn Loury.

- John Yinger: “Evidence on Discrimination in Consumer Markets”
- William A. Darity and Patrick Mason: “Evidence on Discrimination in Employment: Codes of Color, Codes of Gender”.
- Helen Ladd: “Evidence on Discrimination in Mortgage Lending”.


**C. DISTINGUISHING TASTE-BASED DISCRIMINATION AND STATISTICAL DISCRIMINATION:**


**D. OTHER EMPIRICAL STUDIES:**


**Topic III: Public Policies: Welfare and Social Security Reforms**

**A. WELFARE REFORMS: FACTS AND ANALYSIS**


**B. SOCIAL SECURITY REFORMS**


**Topic IV. Social Norms and Cultural Effects**


**Topic V: Externalities**

**A. Social v. Private Costs and Benefits**


**B. Examples**


Engel, Fischer and Galetovic” Highway Auctions and Real Estate Values” (working paper)


**C. Pigou and Ramsey**


**D. Regulation, Markets**


**E. Uncertainty**


**Topic VI: Economies of Scale/ Non-Convexities / Network Externalities**


**Topic VII: Private and Social Risk/Discounting Public Investments**

Atkinson and Stiglitz, Ch 15 sec 4.


Cooper, R. (forthcoming) Discounting the Distant Future.