Course Outline
The course analyzes the role of the state in an economy, including particularly its manifestation as a service, or welfare, state. The first part presents the theory of collective economic activity, the economic theories of justice, democracy, and bureaucracy, and the theory of tax incidence. The second part of the course uses the tools developed in the first part to analyze specific governmental institutions, expenditure programs, and taxes. U.S. practice is primary, but some is put into comparative international perspective.

Course Requirements
Students should obtain a broad understanding of the theoretical issues covered, and broad factual knowledge of the practical issues covered. In addition, students should specialize in one of the subjects treated in the course. A midterm and a final exam count for ⅓ of the grade each; and a very short essay, preferably empirical, of 1500 words or so, counts for the remaining ⅓ of the grade. The essay may be a response to a current newspaper article on a public policy problem related to the course. The topic of the essay must be approved by the end of the mid-term exam. The essay itself is due with the final exam.

Class participation is welcome any time.

There will be a student debate on vouchers in education at the 12th class meeting. Two or four students can participate in lieu of writing a paper. The debate lasts precisely forty minutes.

Contact
T/W/Th, 4 – 6 PM., Room 104-R
e-mail: fdweiss@jhu.edu

Textbooks and Readings

Everything else on the reading list will be on reserve, books as print at 1717, and single chapters and articles as electronic at e-reserves code WEI661.
Weekly Topic Schedule

1. Markets and Governments
   Hillman, Chapter 1, Supplement 1A, Chapter 7.

2. Public Goods and Club Goods
   Hillman, Chapter 3.1-3.2, Supplement 3A, 3D.

3a. Externalities
    Hillman, Chapter 5.

3b. Internalities ["I can resist anything except temptation." — Oscar Wilde]
    *Nudge* is best read by this session.

4. Risk and Information

5a. Voting
    Hillman, Chapter 6.

5b. Bureaucracy and the Scope of Government
    Hillman, Chapter 2.
    Albert Breton, Robert Wintrobe, "The Bureaucracy of Murder Revisited," *Journal of
6. Tax Incidence  
Hillman, Chapter 9.1-9.2.

7. **Midterm Exam** on Sessions 1 – 5.

**Spring Break**

8. Some Taxes in Some Places  

9. Health Care  

10a. Statutory Pensions (Social Security)  

10b. Sustainability of the Government Budget Deficit  

11. Income Distribution and Redistribution  
Hillman, Chapter 7; Supplement 7A.  
Emmanuel Saez: "Income Inequality: Evidence and Policy Implications"  
[http://www.youtube.com/watch?feature=player_embedded&v=t_FbB8Romhk](http://www.youtube.com/watch?feature=player_embedded&v=t_FbB8Romhk)

Yonatan Ben-Shalom & Robert Moffitt & John Karl Scholz, "An Assessment of

12. Education
Hillman, Chapter 10.2.

13. Fiscal Federalism
Hillman, Chapter 9.3.

14. Final Exam on Sessions 6, 8, 13 and your choice of three of the four Sessions 9-12.