Professor Alessandra Casella
Email: ac186
Office hours: W 4-6 by zoom, or in person by appointment.

Prerequisites: Calculus III, ECON W3211, W3213; STAT W1201.

Requirements: There will be a midterm and a final, both as take-home exams. The midterm will count for 1/3 of the final grade; the final for 1/2. In addition, there will be eight problem sets. The problem sets, graded as check, check plus, check minus, are required and will count for 1/6 of the grade. All exams and problem sets will be based on the lectures. Class attendance is required.

This year, given the remote format, we will experiment with a new feature. For each class, ten students will be assigned the role of panelists: panelists have to ask at least one question during the class, and more broadly are in charge of creating a more interactive environment. Effective panelists will earn bonus points up to an extra 1/6 of the pre-bonus total grade.

Textbook: There is no textbook, but the following books will be useful and are on reserve in the Business Library:


Introduction

Approach:


Content. Three examples:


1. Limits and potential of markets.

- Externalities and public goods.
- The Coase theorem.
- Markets for pollution permits.


EPA: https://www.epa.gov/airmarkets/acid-rain-program
https://www.epa.gov/airmarkets/so2-allowance-auctions


### 2. Public goods provision.

- Optimal provision (the Samuelson - Lindhal condition).
- Decentralized provision of public goods and free-riding.
- The Vickrey-Clarke-Groves mechanism.
- Experimental results.

Hindriks, J. and G. Myles, Ch. 5.

Gruber, J., Ch. 7.


3. COVID 19

- Testing.
- Vaccine Development.


Romer, P. 2020, “Roadmap to Responsibly Reopen America”


4. Voting:
- Majority rule and the Condorcet paradox.
- Arrow’s Impossibility theorem.
- Majority rule and single-peaked preferences.
- Party competition in elections.
- Alternatives to majority rule.
- Majority rule and common values: the Condorcet Jury Theorem.

*Shepsle and Bonchek, Chs 4-8.

*Mueller, Chs 4-8.


5. **Redistribution.**

- Rent-seeking and lobbying
- The political economy of redistribution
- Income and wealth distribution: dynamic trends

Mueller, Ch. 3; Ch. 20.


Gruber, J., Ch.17.


