

Montclair State University
School of Business
Department of Economics and Finance

ECON 508
Economics of Public Management
PA-216

Dr. P. LeBel
T 6:30-9:00 p.m.

Course Description

Application of capital theory in the decision making processes of government and alternative approaches to government project evaluation and important practical issues encountered by state development planners. Specific applications of project analysis in the area of physical and human resource management such as water resource management, public health, and education.

Course Objectives

The Economics of Public Management draws on fundamental concepts from macroeconomic theory, public finance, and financial analysis to analyze the allocation of resources in the public sector economy. Although part of the course will encompass a necessary reformulation of fundamental concepts in economic theory, much of the emphasis will be on the linking of appropriate policy criteria to contemporary public management issues. This includes how static and dynamic models may be used to illuminate the nature of optimal resource allocation in such areas as water resources, public health, education, and allied topics involving physical and human resource management. In so doing, the student will acquire expanded analytical skills to better evaluate existing and alternative public policy alternatives. Descriptive, geometric and quantitative methods will be used throughout the course. Class sessions, which are based on a student's prior reading of assigned materials, require a significant degree of student participation. Extensive use will be made of the [course website](#).

A student who has completed this course is expected to demonstrate a mastery of essential concepts in several areas of the field of public management. The most important of these areas are:

1. a geometric and quantitative formulation of market success and market failure conditions and an assessment of their implications for public management;
2. an overview of alternative criteria for social welfare choices, including the Pareto, Hicks-Kaldor, Scitovsky, and related measures, and a comparative assessment of these decision rules as they pertain to public management issues;
3. a detailed examination of private firm capital budgeting techniques and how these dynamic choices are shaped by public sector management decisions to attain a socially optimal allocation of resources;
4. a detailed examination of public sector cost-benefit analysis techniques

that will be contrasted with private sector capital budgeting, and which will encompass such issues as specific measures of consumer and producer surplus, the measurement of external costs and benefits, the public treatment of risk, and the choice of an appropriate rate of social discount;

5. an application of public management tools to selected contemporary issues, including, but not limited to, mass transit, water supply management, public recreation facilities, education and health, and economic growth.

The student's knowledge in each of the above areas will be tested in a mid-term and final examination, periodic [problem sets](#), as well as in a detailed term paper. A student who has mastered an understanding of the concepts, analytical tools, and policy issues in these areas will be well prepared to pursue advanced studies in individual allied disciplines, as well as to pursue direct career experience.

Educational Dimensions of the Strategic Charter Supported by the Course

1. **Discipline Specific Knowledge and Competencies** – Students will acquire knowledge and skills in analyzing fundamental economic issues. The perspective will vary across individual consumers, firms, and the public sector. Emphasis in all instances will be on practical applications of basic techniques in economic analysis.
2. **Thinking Skills** – Students will use [computer spreadsheets](#) to analyze economic conditions relating to market equilibrium under various market structures, taxation, international trade, and income distribution, through both homework assignments and in-class case studies. In addition, various links to [internet data sites](#) will be used to develop a student's research and organizational skills.
3. **Communications Skills** – Students will make periodic presentations regarding classroom case studies they have completed, as well as to analyze contemporary economic issues.
4. **Change Management** – Students will be encouraged to think about how economic factors shape institutional decisions at a social level as well as how it affects personal and professional choices.

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Syllabus

Most of the material used in this course is found in the text materials listed below, in the library reserve readings, and in the course [web links](#). Readings on reserve require identification by author and course. While we will not cover all of the reserve readings, those that are required will be designated by the instructor for each class.

Text: Harvey S. Rosen. *Public Finance*, fifth edition. (New York: McGraw-Hill, 1999).

Supplementary Materials:

[The Wall Street Journal](#), student subscription service

[The New York Times](#), student subscription service

[Useful Economic Data Links](#)

Readings on Reserve:

A. Book Chapter Sources:

Henry Aaron and Martin McGuire. *Public Goods and Income Distribution*. (Washington, D.C.: (The Brookings Institution, 1971).

Henry J. Aaron and Joseph A. Pechman, editors. *How Taxes Affect Economic Behavior*. (Washington, D.C.: The Brookings Institution, 1981).

Alan J. Auerbach and Joel Slemrod, "The Economic Effects of the Tax Reform Act of 1986", *Journal of Economic Literature* XXV (June 1997): 589-632.

Edward M. Gramlich. *A Guide to Benefit-Cost Analysis*, second edition. (Englewood Cliffs, New Jersey: Prentice-Hall, 1990).

Anthony F. Herbst. *Capital Budgeting: Theory, Quantitative Methods, and Applications*. (New York: Harper & Row, 1982).

E.J. Mishan. *Cost-Benefit Analysis*, third edition.. (New York: George Allen and Unwin, 1982).

Richard A. Musgrave and Peggy B. Musgrave. *Public Finance in Theory and Practice*, fifth edition. (New York: McGraw-Hill, 1989).

Joint Economic Committee. *The Analysis and Evaluation of Public Expenditures: The PPB System*, volume 1. (Washington, D.C.: U.S. Govt. Printing Office, 1969).

B. Journals:

- Kenneth J. Arrow, "The Organization of Economic Activity: Issues Pertinent to the Choice of Market versus Nonmarket Allocation," (Washington, D.C.: Joint Economic Committee, U.S. Congress, 1969).
- Alan J. Auerbach. "Retrospective Capital Gains Taxation". *American Economic Review* 81:1 (March 1991), pp. 167-178.
- Francis M. Bator, "The Anatomy of Market Failure," *Quarterly Journal of Economics* (1958).
- William J. Baumol, "On the Discount Rate for Public Projects", in the Joint Economic Committee, "*The Analysis and Evaluation of Public Expenditures: The PPB System*, vol. 1 (Washington, D.C.: U.S. Government Printing Office, 1969): 489-504.
- Ronald H. Coase, "The Problem of Social Cost", *Journal of Law and Economics* (October 1960).
- Mrinal Datta-Chaudhuri. "Market Failure and Government Failure". *Journal of Economic Perspectives* (4:3 (Summer 1990), pp. 25-39.
- Victor R. Fuchs, "Economics, Values, and Health Care Reform", *American Economic Review* 86:1 (March 1996): 1-14.
- Robert Haveman and Barbara Wolfe, "The Determinants of Children's Attainments: A Review of Methods and Findings", *Journal of Economic Literature* XXXIII (December 1995): 1829-1878.
- Hilary W. Hoynes, "Welfare Transfers in Two-Parent Families: Labor Supply and Welfare Participation under AFDC-UP", *Econometrica* 64:2 (March, 1996): 295-332.
- Dale W. Jorgensen, "Did We Lose the War on Poverty?" *Journal of Economic Perspectives* 12:1 (Winter 1998): 79-96.
- Peter Mieszkowski and George R. Zodrow. "Taxation and the Tiebout Model". *Journal of Economic Literature* XXVII:3 (September 1989), pp. 1098-1146.
- Mark V. Pauly. "Taxation, Health Insurance, and Market Failure in the Medical Economy". *Journal of Economic Literature* XXIV:2 (June 1986), pp. 629-675.
- Joseph Pechman. "The Future of the Income Tax". *American Economic Review* 80:1 (March 1990), pp. 1-20.
- Robert Shiller, Maxim Boycko and Vladimir Korobov. "Popular Attitudes Toward Free Markets: The Soviet Union and the United States Compared". *American Economic Review* 81:3 (June 1991), pp. 385-400.
- Andrei Shleifer, "State versus Private Ownership", *Journal of Economic Perspectives* 12:4 (Fall 1998): 133-150.
- Joseph Stiglitz, "The Private Uses of Public Interests: Incentives and Institutions", *Journal of Economic Perspectives* 12:2 (Spring 1998): 3-22.
- Guido Tabellini and Alberto Alesina "Voting on the Budget Deficit". *American Economic Review* 80:1 (March 1990), pp. 37-49.

All class sessions are based on the student's *prior* reading of assigned material.

I. An Overview of Public Sector Management Issues

Class I - Why We Should Pay Attention to the Public Sector –

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1. **Text Assignment:** Public Finance and Attitudes Toward Government; Government at a Glance, Tools of Positive Analysis, Tools of Normative Analysis, (3-36).
2. **Key Terms:** public finance, public sector economics, unified budget, government enterprises, government sponsored enterprises, regulatory budget, entitlement programs, positive versus normative economics, marginal tax rates, multiple regression, statistical significance.
3. **Reserve Readings:** (1) Robert Shiller, Maxim Boycko and Vladimir Korobov. "Popular Attitudes Toward Free Markets: The Soviet Union and the United States Compared". *American Economic Review* 81:3 (June 1991), pp. 385-400; (2) Edward Gramlich, "Why Should Government Intervene in a Market Economy" in *A Guide to Cost-Benefit Analysis*, second edition (Englewood Cliffs, New Jersey: Prentice-Hall, 1990): 9-29.
4. **Application Modules:** [Functions of the Public Sector](#); [Supply and Demand](#)
5. **Data Sets:** [Global Data](#); [U.S. Budget and Trade Balances](#)
6. **Sample Case Study:** Quick Review of Economic Fundamentals: [Basic Supply and Demand](#)

II. Criteria for Public Sector Intervention

Class 2 – Normative versus Positive Economics

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1. **Text Assignment:** The Analytical Framework of Normative Economics; Public Goods, (37-84).
2. **Key Terms:** welfare economics, Edgeworth Box, Indifference Curves, Pareto efficient, Pareto improvement, contract curve, marginal rate of substitution (MRS), production possibilities curve, marginal rate of transformation (MRT), utility possibilities curve, social welfare function, market failure, asymmetric information, externality, public good, merit goods, producer and consumer surplus, pure public good, impure public good, exclusion principle, publicly provided private goods, free rider problem, perfect price discrimination, privatization, commodity egalitarianism, fixed price contract, cost-plus contract, incentive contract, principal-agent problem.
3. **Reserve Readings:** (1) Francis M. Bator, "The Anatomy of Market Failure," *Quarterly Journal of Economics* (1958); (2) Mrinal Datta-Chaudhuri. "Market Failure and Government Failure" *Journal of Economic Perspectives* 4:3 (Summer 1990), pp. 25-39.
4. **Application Modules:** [The Circular Flow of an Economy](#)
5. **Data Sets:** [Economic Freedom and Corruption](#); [U.S. Budget Trends](#)
6. **Sample Case Study:**

Class 3 - Externalities

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1. **Text Assignment:** Externalities and the Political Economy of Public Sector Intervention, (85-121).
2. **Key Terms:** marginal benefit, marginal social cost, marginal private cost, environmental pollution, Pigouvian taxes, effluent fees, property rights, Coase theorem, corporate average fuel economy standards, political economy, Lindahl prices, majority voting rule, voting paradox, single-peaked preferences, double-peaked preferences, the median voter theorem, logrolling.
3. **Reserve Readings:** (1) Ronald H. Coase, “The Problem of Social Cost”, *Journal of Law and Economics* (October 1960); (2) Richard Musgrave, “Public Provision for Social Goods”, and “Social Goods Considered Further”, in *Public Finance in Theory and Practice*, fifth edition, (New York: McGraw-Hill, 1989), pp. 41-72.
4. **Application Modules:** [Externalities](#)
5. **Data Set:** [Growth and Development](#)
6. **Sample Case Study:**

Class 4 – Political Economy and the Choice of an Optimal Income Distribution

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1. **Text Assignment:** Principles of Political Economy of a Representative Democracy, Poverty, and the Distribution of Personal Income and Wealth, (122-161).
2. **Key Terms:** Arrow impossibility theorem, independence of irrelevant alternatives, representative democratic system, single-dimensional ranking, iron triangle, rent-seeking behavior, Wagner’s Law, Gramm-Rudman-Hollings Act, poverty line, poverty gap, in-kind transfers, utilitarianism, additive social welfare function, the maximin criterion, original position, Pareto efficient income redistribution, commodity egalitarianism, expenditure incidence.
3. **Reserve Readings:** (1) Burton Weisbrod, “Collective Action and the Distributin of Income: A Conceptual Approach”, in the Joint Economic Committee, *The Analysis and Evaluation of Public Expenditures: The PPB System*, volume 1 (Washington, D.C.: U.S. Government Printing Office, 1969), pp. 177-197; (2) Henry Aaron and Martin McGuire, *Public Goods and Income Distribution* (Washington, D.C.: The Brookings Institution, 1971); (3) Guido Tabellini and Alberto Alesina, 'Voting on the Budget Deficit, *American Economic Review* 80:1 (March 1990), pp. 37-49.
4. **Application Modules:** [Income Differentials](#); [The Gini Inequality Model](#)
5. **Data Set:** [U.S. Current GDP 1959-1996](#); [U.S. Real GDP 1959-1996](#)
6. **Sample Case Study:** [Income Distribution](#)

Class 5 – Poverty and Social Insurance Programs –

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1. **Text Assignment:** Expenditure Programs for the Poor and the Foundations of Social

- Security and Unemployment Insurance,(162-204).
2. **Key Terms:** means-tested programs, Aid to Families with Dependent Children (AFDC), time endowment, welfare dependence, negative income tax, Personal Responsibility and Work Opportunity Reconciliation Act of 1996, earned income tax credit, Supplemental Security Income (SSI), Medicaid, cost-based reimbursement, capitation fee system, food stamps, housing assistance, social insurance, annuities, adverse selection, pay-as-you-go, Social Security Trust Fund, average indexed monthly earnings (AIME), primary insurance amount (PIA), social security wealth, wealth substitution effect, retirement effect, bequest effect, privatization, gross replacement rate, experience rated.
 3. **Reserve Readings:** (1) Hilary W. Hoynes, “Welfare Transfers in Two-Parent Families: Labor Supply and Welfare Participation under AFDC-UP”, *Econometrica* 64:2 (March, 1996): 295-332; (2) Jerry Hausman, “Labor Supply”, in Henry J. Aaron and Joseph Pechman, editors, *How Taxes Affect Economic Behavior* (Washington, D.C.: The Brookings Institution, 1981), pp. 27-83.
 4. **Application Modules:** [Income Substitution Effects](#)
 5. **Data Sets:** [U.S. Social Programs](#)
 6. **Sample Case Study:**
TERM PAPER TOPIC SELECTION DEADLINE

Class 6 – Health Care and Basic Cost-Benefit Analysis –

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1. **Text Assignment:** Health Care, and Introduction to Cost-Benefit Analysis, (205-250).
2. **Key Terms:** adverse selection and moral hazard, coinsurance rate, Kennedy-Kassenbaum Act, cost-based reimbursement, fee-for-service, capitation-based reimbursement, health maintenance organization (HMO), Medicare, supplementary medi insurance (SMI), price controls, managed care, medical savings accounts (MSA), cost-benefit analysis, present value, discount factor, discount rate, inflation, nominal versus real amounts, internal rate of return (IRR), net present value (NPV), benefit-cost ratio (B/C), private versus social discount rate, market versus shadow prices, value of time, value of life, cost-effectiveness analysis, Hicks-Kaldor criterion, uncertainty, certainty-equivalent.
3. **Reserve Readings:** (1) Victor R. Fuchs, “Economics, Values, and Health Care Reform”, *American Economic Review* 86:1 (March 1996): 1-14; (2) Mark V. Pauly. "Taxation, Health Insurance, and Market Failure in the Medical Economy". *Journal of Economic Literature* XXIV:2 (June 1986), pp. 629-675; (3) William J. Baumol, “On the Discount Rate for Public Projects”, in the Joint Economic Committee, “*The Analysis and Evaluation of Public Expenditures: The PPB System*, vol. 1 (Washington, D.C.: U.S. Government Printing Office, 1969): 489-504; (4) Anthony Herbst, “Traditional Methods That Recognize Time-Value of Money: Internal Rate of Return”, “Traditional Methods That Recognize Time-Value of Money: The Net Present Value”, and “Reinvestment Rate Assumptions for NPV and IRR and Conflicting Rankings”, in *Capital Budgeting: Theory, Quantitative Methods, and Applications* (New York: Harper and Row, 1982), pp. 64-99.
4. **Application Modules:** [Basic Cost-Benefit Analysis](#); [Fundamentals of Finance](#)

5. **Data Sets:** [International Health Care](#)
6. **Sample Case Study:** [Project Economic Analysis](#); [The Basic Harrod Domar Model](#)

Class 7 – MID-TERM EXAMINATION – ()

III. Instruments of Public Sector Intervention

Class 8 – Taxation and Income Distribution –

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1. **Text Assignment:** Certainty Equivalent Calculation; Taxation and Income Distribution, (251-283).
2. **Key Terms:** certainty equivalent, expected income, statutory versus economic incidence, functional versus the size (or personal) distribution of income, balanced-budget incidence, differential tax incidence, lump sum tax, absolute tax incidence, proportional versus progressive versus regressive taxation, marginal tax rate, partial versus general equilibrium model, unit tax, tax wedge, *ad valorem* taxes, international capital taxation, market structures of competition, monopoly, oligopoly, economic profits, tax equivalence relations, partial factor taxes, Harberger Model (1974), elasticity of substitution, capital versus labor intensive.
3. **Reserve Readings:** (1) Joseph Pechman. "The Future of the Income Tax". *American Economic Review* 80:1 (March 1990), pp. 1-20; (2) Richard A. Musgrave, "Equity in Distribution", in *Public Finance in Theory and Practice*, fifth edition (New York: McGraw-Hill, 1989), pp. 73-86.
4. **Application Modules:** [Excise Taxation](#)
5. **Data Sets:** [Ownership of U.S. Public Debt](#)
6. **Sample Case Study:**

TERM PAPER PRELIMINARY BIBLIOGRAPHY SUBMISSION DEADLINE.

Class 9 Taxation and Economic Efficiency –

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1. **Text Assignment:** Taxation and Efficiency; The Excess Burden of Taxation; Multiple Taxes and the Theory of the Second Best; Efficient and Equitable Taxation, (284-323).
2. **Key Terms:** excess burden, equivalent variation, lump sum tax, marginal rate of substitution (MRS) and marginal rate of transformation (MRT), income versus substitution effect, compensated demand curve, value of marginal product (VMP), theory of second best, optimal commodity taxation, neutral taxation, Ramsey tax rule, Corlett-Hague (1953) rule, vertical versus horizontal equity, natural monopoly, Edgeworth tax model, linear income tax schedule and the flat tax, time inconsistency of optimal policy.
3. **Reserve Readings:** (1) E.J. Mishan, "The Present Discounted Value Criterion", "The Internal Rate of Return", and "The Alleged Superiority of the Discounted Present Value Criterion", in *Cost-Benefit Analysis*, third edition. (New York: George Allen and Unwin, 1982), pp. 213-233.
4. **Application Modules:**
5. **Data Sets:** [U.S. R and D Expenditures](#)
6. **Sample Case Study:** [Economics of Excise Taxes](#)

TERM PAPER OUTLINE WITH REVISED PRELIMINARY BIBLIOGRAPHY DEADLINE

Class 10 – Criteria for Efficient and Equitable Taxation –

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1. **Text Assignment:** Criteria for Tax Design; The Personal Income Tax, (324-374).
2. **Key Terms:** horizontal equity, utility definition of horizontal equity, transitional equity, tax avoidance versus tax evasion, risk aversion, underground economy, tax amnesty, adjusted gross income (AGI), taxable income, exemptions versus deductions, Haig-Simons (H-S) definition of income, capital gains and losses, realized versus unrealized gains, lock-in effect, individual retirement account (IRA), 401(k) plan, Keogh plan, Roth IRA, Education IRA, standard versus itemized deductions, tax arbitrage, tax credit, tax expenditure, Tax Reform Act of 1986 (TRA86), Taxpayer Relief Act of 1997, alternative minimum tax (AMT), flat income tax, marriage neutral taxation, tax indexing, bracket creep, nominal versus real income, global versus territorial system.
3. **Reserve Readings:** (1) Alan J. Auerbach and Joel Slemrod, “The Economic Effects of the Tax Reform Act of 1986”, *Journal of Economic Literature* XXV (June 1997): 589-632.
4. **Application Modules:**
5. **Data Sets:** [International R and D Patterns](#)
6. **Sample Case Study:** [Optimal Excise Taxation](#)

Class 11 – Behavioral Consequences of Taxation –

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1. **Text Assignment:** Personal Taxation and Behavior, (375-399).
2. **Key Terms:** utility-maximizing choice of leisure and income, Laffer curve, life-cycle model, endowment point, intertemporal budget constraint, capital shortage and the productivity crisis, full loss offset.
3. **Reserve Readings:** (1) Andrei Shleifer, “State versus Private Ownership”, *Journal of Economic Perspectives* 12:4 (Fall 1998): 133-150; (2) Dale W. Jorgensen, “Did We Lose the War on Poverty?” *Journal of Economic Perspectives* 12:1 (Winter 1998): 79-96.
4. **Application Modules:**
5. **Data Set:** [Human Development Index 1998](#)
6. **Sample Case Study:**

Class 12 – Corporate Taxation –

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1. **Text Assignment:** The Corporation Tax and Deficit Finance, (400-440).
2. **Key Terms:** economic depreciation, accelerated depreciation, expensing, investment tax credit (ITC), double taxation, accelerator model, user cost of capital, cash flow model, clientele effect, subsidiary, repatriated, arm’s length system, transfer-pricing, partnership method and full integration, deficit, on versus off-

budget financing, debt, internal versus external debt, overlapping generations model, generational accounting, neoclassical model, crowding out hypothesis, Ricardian equivalence, benefits-received principle, intergenerational equity, efficiency considerations, functional finance.

3. **Reserve Readings:** (1) Alan J. Auerbach. "Retrospective Capital Gains Taxation". *American Economic Review* 81:1 (March 1991), pp. 167-178.
4. **Application Modules:** [The Measurement of Risk](#)
5. **Data Set:**
6. **Sample Case Study:**

Class 13 – Taxes on Consumption and Wealth –

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1. **Text Assignment:** Taxes on Consumption and Wealth, Public Finance in a Federal System I (441-486).
2. **Key Terms:** general sales tax, selective sales tax, excise tax, differential commodity tax, unit tax, ad valorem tax, value added tax (VAT), turnover tax, Hall-Rabushka Flat Tax, flow versus stock variables, unified transfer tax, gross versus net estate tax, accessions tax, centralization ratio, Tiebout model, exclusionary zoning laws, local public good
3. **Reserve Readings:** (1) Peter Mieszkowski and George R. Zodrow. "Taxation and the Tiebout Model". *Journal of Economic Literature* XXVII:3 (September 1989), pp. 1098-1146.
4. **Application Modules:** [Educational Forecasting Model](#)
5. **Data Set:** [U.S. Gross Saving and Investment](#)
6. **Sample Case Study:**

Class 14 – Multi-Unit Public Finance –

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1. **Text Assignment:** Property Taxation, Intergovernmental Grants; Microeconomic Review (487-527).
 2. **Key Terms:** assessed value, assessment ratio, circuit breaker laws, personal net worth tax, categorical grants, matching grants, matching closed-end grant, nonmatching grant, tax effort, 1996 Welfare Reform Act, Foundation aid, district power equalization (DPE) grants, ceteris paribus, elasticity, utility, indifference curve, diminishing marginal rate of substitution, budget constraint, income versus substitution effect, compensated demand curve
 3. **Reserve Readings:** (1) Joseph Stiglitz, “The Private Uses of Public Interests: Incentives and Institutions”, *Journal of Economic Perspectives* 12:2 (Spring 1998): 3-22; (2) Robert Haveman and Barbara Wolfe, “The Determinants of Children’s Attainments: A Review of Methods and Findings”, *Journal of Economic Literature* XXXIII (December 1995): 1829-1878.
 4. **Application Modules:**
 5. **Data Set:**
 6. **Sample Case Study:** [Project Financial Analysis](#)
- TERM PAPER SUBMISSION DEADLINE.**

Policies and Procedures:

1. **Grading:**

Mid-term examination	25%
Final Examination:	30% ()
Term Paper:	35%
Class Participation	10%
1. **Term Paper:** Each student is to select, with prior approval by the instructor, a specific aspect of public management policy issues and prepare an analysis in terms of: past performance and effectiveness of policy, an assessment of present and future conditions, and recommendations for change within a well defined theoretical framework. Each report is to be prepared in accordance with standard term paper usage, e.g., Kate Turabian's *Manual for Term Papers and Theses*. The deadline for *approval* of the term paper topic is **class 5**. The deadline for the preliminary bibliography is **class 8**. A term paper outline reflecting the preliminary bibliography is due by **class 9**. The final version of the paper is due no later than **class 14**, after which grading penalties accrue for each daily delay.
3. **Office Hours:** Office hours will be posted at the Department of Economics office, Partridge Hall, Room 412.
Office telephone: (973)–655-7778.
e-mail: Lebelp@mail.montclair.edu

Reading List

The following materials are supplementary to the literature cited in the syllabus. In addition to

alternative texts and quantitative source materials are also identified.

1. Texts on Public Finance: (see also: [Academic Publishers](#))

- Buchanan, J.M., and Flowers, M. *The Public Finances*, fourth edition. (Homewood Illinois: Richard D. Irwin, 1975).
- Due, John F. and Friedlaender, Ann F. *Government Finance: Economics of the Public Sector*, seventh edition. (Homewood, Illinois: Richard D. Irwin, 1981).
- Eckstein, Otto. *Public Finance*, second edition. (Englewood Cliffs, New Jersey: Prentice-Hall, 1967).
- Heilbroner, Robert L., and Bernstein, Peter. *A Primer on Government Spending*. (New York: Vintage Books, 1963).
- Hyman, David N. *Public Finance*, fourth edition. (New York: Harcourt Brace Jovanovich, 1993).
- Johansen, Leif. *Public Economics*. (Chicago: Rand McNally and Company, 1965).
- Lee, R.D. and Johnson, R.W. *Public Budgeting Systems*. (Baltimore, Maryland: University Park Press, 1973).
- Musgrave, Richard A. and Musgrave, Peggy B. *Public Finance in Theory and Practice*, fifth edition. (New York: McGraw-Hill, 1989).
- Musgrave, Richard. *Fiscal Systems*. (New Haven: Yale University Press, 1968).
- Shoup, Carl. *Public Finance*. (Chicago: Aldine Publishing Company, 1969).
- Tresch, Richard W. *Public Finance: A Normative Theory*. (Plano, Texas: Business Publications, Inc., 1981).

II. Readers on Public Finance:

- Blinder Alan, editor. *The Economics of Public Finance*. (Washington, D.C.: The Brookings Institution, 1974).
- Goodin, Robert E. and Deborah Mitchell, editors. *The Foundations of the Welfare State*. (Northampton, Mass.: Edward Elgar Publishing Company, 2000).
- Ladd, Helen F. *Local Government Tax and Land Use Policies in the United States*. (Northampton, Mass.: Edward Elgar Publishing Company, 1998).
- Musgrave, Richard A., and Peacock, Allan T., editors. *Classics In the Theory of Public Finance*. (New York: Macmillan Publishing Company, 1958).
- David Newbery and Nicholas Stern. *The Theory of Taxation for Developing Countries*. (New York: Oxford University Press, for the World Bank, 1981).
- Oates, Wallace. *The Economics of Fiscal Federalism and Local Finance*. (Northampton, Mass.: Edward Elgar Publishing Company, 1998).
- Joseph A. Pechman, editor. *Comparative Tax Systems: Europe, Canada, and Japan*. (Arlington, Virginia: Tax Analysts, 1987).
- Phelps, Edmund S., editor. *Private Wants and Public Needs*, second edition. (New York: W.W. Norton and Company, 1965).
- Schnitzer, Martin, and Chen, Yung-Ping, editors. *Public Finance and Public Policy Issues*. (Scranton, Pennsylvania: Intext Publishers, 1972).

III. Evaluation Criteria In the Public Economy:

- Atkinson, Anthony B. *The Economics of Inequality*. (Oxford: Oxford University Press, 1983).

- Arrow, K.J. *Social Choice and Individual Values*. (New Haven: Yale University Press, 1951, 1972).
- Arrow, K., and Lind, R.C., 'Uncertainty and the Evaluation of Public Investment Decisions', *American Economic Review* (December 1970).
- Arrow, K. *The Limits of Organizations*. (New York: W.W. Norton and Company, 1974).
- Bator, F.M., 'The Simple Analytics of Welfare Maximization', *American Economic Review* (March 1957): 22-59.
- Bator, F.M., 'The Anatomy of Market Failure', *Quarterly Journal of Economics* 72 (August 1958): 351-379.
- Baumol, W.J. *Welfare Economics and the Theory of the State*, second edition. (Cambridge, Massachusetts: Harvard University Press, 1969).
- Baumol, W.J., 'On Taxation and the Control of Externalities', *American Economic Review* (June 1972).
- Blank, Rebecca. *It Takes a Nation – A New Agenda for Fighting Poverty*. (New York: Russell Sage Foundation, 1997).
- Boiteux, M., "On the Management of Public Monopolies Subject to Budgetary Constraint", *Journal of Economic Theory* (September 1971).
- Borcherding, Thomas E. "The Causes of Government Expenditure Growth: A Survey of the U.S. Evidence," *Journal of Public Economics* 28:3 (December 1985): 359-82.
- Buchanan, J.M., and Tullock, G. *The Calculus of Consent*. (Ann Arbor: Ann Arbor Packerbacks, 1962, 1971).
- Callen, J., Matthewson, G., and Mohring, H., 'The Benefits and Costs of Rate of Return Regulation', *American Economic Review* (June 1976).
- Clarke, E.H., 'Multipart Pricing of Public Goods', *Public Choice* (Fall 1971).
- Coase, R.H., 'The Problem of Social Cost', *Journal of Law and Economics* 2 (October 1960): 1-44.
- Coase, R.H. "The Lighthouse in Economics," *Journal of Law and Economics* (October 1974): 357-76.
- Davis, O.A., and Whinston, A., "Externalities, Welfare, and the Theory of Games," *Journal of Political Economy* 70 (June 1962): 241-262.
- Diamond, P., and Mirlees, J., 'Optimal Taxation and Public Production', *American Economic Review* (March 1971).
- Diamond, P., and McFadden, J., 'Some Uses of the Public Expenditure Function in Public Finance', *Journal of Public Economics* (February 1974).
- Downs, A. *An Economic Theory of Democracy*. (New York: Harper and Row, 1957, 1974).
- Feldstein, Martin, "Tax Avoidance and the Deadweight Loss of the Income Tax," Working Paper No. 5055, (Cambridge, Mass.: National Bureau of Economic Research, March 1995).
- Fuchs, Victor R. *Individual and Social Responsibility*. (Chicago: University of Chicago Press, 1996).
- Graaf, J. De V. *Theoretical Welfare Economics*. (Cambridge: Cambridge University Press, 11957).
- Green, J., and Sheshinski, Ed., 'Apportioning the Efficiency Gains of Tax Reforms', *Journal of Public Economics* (April 1979).

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American Economic Review
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Journal of Economic Literature
Journal of Economic Theory
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Journal of Public Economics
National Tax Journal
Public Finance
Public Choice
Quarterly Journal of Economics
Review of Economics and Statistics
Review of Economic Studies