

# Graduate Public Economics (ECO2601)

## Note to MA Students: Course Selection\*

January 8, 2019

This is a note intended for students who might be interested in taking ECO2601.

In it, I provide some additional information about Graduate Public Economics this semester that may be relevant to your making an optimal course selection.

First – and I want to emphasize – the course is intended for *both* MA and PhD students. (I mean, given the underlying planetary-saving objective of the course, more is better from my perspective.)

Both constituencies can be served well, and in my mind, both matter equally. (So you know, the department also wants both constituencies to be well-served.)

**PhD students:** The course has PhD students enrolled – not least, it counts as the second in the PhD Public Economics sequence. For those students, my goals are to make sure they know the basics and beyond, that they get exposed to some interesting research in the field, and that “some fires are lit” (W. B. Yeats’s phrase) with a view to their doing research of their own in Public Economics, whether it involves saving the planet directly or more indirectly.

**MA students:** For MA students, my main aim is to cover the main bases and have you follow along.

My lectures are designed to be self-contained and transparent. (Obviously, if at any point they appear not to be – on either score – then let me know.) If you understand the lecture content and do the ‘D’ readings – most of which are pretty interesting (I’d say) – then you should be in good shape. The final exam will reflect what we cover in both closely.

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There will, as noted, be short exercises along the way. That just helps people stay engaged, and provides me with information about how each student is doing (and progressing). These exercises are *not* intended to take over your life.

In places, as part of these exercises, I will include questions that are compulsory for PhD students and optional for MAs: these will be more challenging. Again, the emphasis for the MAs will be on competency in terms of the relevant theory and the empirics that necessarily complement the theory – the days when this subject was entirely in the realm of applied theory are long past...

[The underlying view here is that education should be an empowering activity, rather than an exercise in making people feel idiotic. At a general level, *empowerment* is the aim, for each person taking ECO2601. (Thus empowered, you can go on to do great things, maybe making use of some of the Public Economics you learned in the course.)]

In the first lecture, I said what I think is true: if one aggregates the way humans are ‘living’ on Planet Earth, the aggregate result is frankly *insane*. It is completely unsustainable, and we are getting to the stage where various ‘tipping points’ may be about to be exceeded, if they haven’t already – the science points very much to that conclusion. Beyond those tipping points, the sea level will rise, the oceans will be acidified, groundwater poisoned, cultivable land desertified (if that’s even a word) – I could go on... But in short, things will become much harder for humans here and **much** more unpleasant.

Addressing that big problem is very much something Public Economists can contribute to in a fruitful way. But before we help save the planet, we have to start more modestly, and get our brains working in a certain systematic way – that is a core objective I have for everyone who enrolls in, and sticks with, ECO2601.

## Where are we going in the course?

Next lecture, we will demonstrate the First Welfare Theorem and speak about its intellectual significance. (This is probably ‘review’ for most people.) It’s a key result, and one that typically does not hold if there are externalities.

In most settings, there most assuredly *are* externalities. That is something you will be left in no doubt about, by the end of the course, if not a lot sooner!

Externalities (coming up) are the key concept in ECO2601. We will introduce them, and discuss ways externalities can be viewed in theory. That should prove interesting, plus it leads into a hard practical problem – how one would measure externalities in reality. That gets us engaging with empirical analysis etc.

Finally, two brief items:

1. How should a carbon tax be set in practice? It is a tricky issue. A question on the final exam will invite you to discuss how you think policy makers should set one.

2. I don't know how an education system should be organized optimally. But this is worth figuring out – hence some of the coverage later in the course. It's a good, unresolved problem that could help us (I mean, humanity), going forward.

If any of you have questions/concerns, just send email or have a word.

Rob McMillan