

# Graduate Public Economics (ECO2601)

*Should I take this course?\**

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Here are some reasons why you might consider taking Graduate Public Economics, whether you are an MA or PhD student.

## 1 Are you interested in saving the planet?

At the current rate, Planet Earth is probably not sufficient for our needs, collectively speaking. In 1960, the world population was 3 billion; it just passed 7 billion, and is projected to rise to a staggering 9.8 billion (though with some error) by 2050.

Unfortunate for us, there is no obvious alternative planet on hand to act as a supplement. Alpha Centuri (the closest other sun) is 4.28 light years away, and Kepler 22b, a viable-looking other ‘exo-planet,’ is 600+ light years away.<sup>1</sup> In short, there is no very viable Plan(et) B. Thus, we have some serious – and urgent – figuring out to do on Planet A.

Many of the problems humans face are quintessentially ‘public’ problems that involve uninternalized spillovers. Analyzing such spillovers and then figuring out how best to respond to them is ‘meat-and-drink’ to public economists. (See Nicholas Stern and his timely 2006 Review, for example.) Those spillovers – externalities – and ways of dealing with them are going to be our primary subject matter, at a very general level.

In various ways, the presentation in this course will reflect the view that applied microeconomics is actually relevant to the planet-saving enterprise, as I hope you will come to see.

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<sup>1</sup>Scientists announced quite recently that a new exo-planet, named Kepler 438b, has been discovered. It is a mere 470 light years away, and appears to have surface conditions that would allow water to flow.

## **2 Are you interested in learning some applied microeconomic tools?**

Suppose one were absolutely indifferent to the fate of Planet Earth, at least beyond one's tenure on it.

From an intellectual point of view, Public Economics is still home to some fascinating topics – some of the most interesting in the whole of economics (stated with absolutely no bias): failing welfare theorems, characterizing externalities and optimal responses to them, measurement issues concerning the quantification of externalities, mechanisms for providing public goods, means for analyzing decentralized public goods provision etc.

Our coverage will involve a combination of theory and empirics – that is, econometrics. We will see the advantages of having theory and empirics get together in a very close way – let's call that 'structural estimation.' In particular, we will then be able to speak about issues of public policy *design* in a systematic, quantitatively-informed manner.

## **3 Are you interested in doing research in public economics?**

Public economics is an inherently applied discipline that draws motivation from problems we encounter in everyday life. Research topics will therefore just keep coming up. If interested in starting to get to grips with these, then *definitely* take this course.

## **4 Are you prepared to do some work?**

Learning is not a spectator sport – you know, going along to watch some soccer / hockey game or movie and being entertained (in this context, the entertainer being the instructor). One learns by doing things that are relevant. Then at some point, the brain re-forms, and the material starts to seem natural. That is how we will be proceeding – small-ish tasks assigned on a regular basis that give you relevant practice, after which you should gain a sense that they are 'straightforward.' Plus there will be no small component devoted to class discussion: we all get to learn that way. The more intellectual energy that gets put in, the more we will all get out, instructor/entertainer included...

The course will be suitable for PhD students and MA's – given the importance of the material, the more the merrier. (PhD students already familiar with aspects of the course can ask for supplementary work that goes deeper. No-one need remain unchallenged.)