

HARVARD UNIVERSITY

Economic Principles and Public Policy

Economics 1021

T. C. Schelling

Spring 1981

Course Outline and Reading Assignments*

All readings listed are assigned; none are optional.

Books Required to Purchase:

Robert H. Haveman and Julius Margolis, Public Expenditure and Policy Analysis, second ed. (paperback), Rand McNally, 1977.

Robert Dorfman and Nancy Dorfman, Economics of the Environment, second ed., W.W. Norton and Company, 1977.

Richard Goode, The Individual Income Tax, revised ed. (paperback), The Brookings Institution, 1976.

Charles L. Schultze, The Public Use of Private Interest, The Brookings Institution, 1977.

Arthur M. Okun, Equality and Efficiency, The Brookings Institution, 1975.

T.C. Schelling, Micromotives and Macrobehavior, W.W. Norton and Company, 1978.

Harold M. Hochman, The Urban Economy, W.W. Norton and Company, 1976.

Book Required to Obtain:

Your Income Tax, Publication 17, Internal Revenue Service, not for sale.

Note: The class meets in lecture 13 times before Spring Recess. Reading assignments for the 8 meetings after Spring Recess will be distributed later. Sections will meet each week except the first week and the week before Spring Recess.

*For problems for this course, see Volume 12.

Outline and Readings

	<u>Pages</u>	<u>Meetings</u>
I. Lives and Decisions	136	3
1. Chase, Samuel B., (ed.), <u>Problems in Public Expenditure Analysis</u> , The Brookings Institution, 1968, pp. 127-176.		
2. Vaupel, James W. and John D. Graham, "Egg in Your Bier?", <u>The Public Interest</u> , No. 58, Winter 1980, pp. 3-17.		
3. Zeckhauser, Richard, "Procedures for Valuing Lives," <u>Public Policy</u> , Fall 1975, pp. 419-464.		
4. Lave, Lester B. and Eugene P. Seskin, "Air Pollution and Human Health," in Robert Dorfman and Nancy S. Dorfman, <u>Economics of the Environment</u> , 2nd ed., W.W. Norton & Co., pp. 422-449.		
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II. Policy: Why Things May Not Take Care of Themselves	177 (313)	2 (5)
5. Haveman, Robert H. and Julius Margolis, <u>Public Expenditure and Policy Analysis</u> , 2nd ed., 1977, Introduction, pp. 1-24.		
6. Davis, Otto A. and Morton I. Kamien, "Externalities, Information and Alternative Collective Action," H and M, pp. 82-104.		
7. Schelling, T.C., <u>Micromotives and Macrobehavior</u> , W.W. Norton & Co., 1978.		
Ch. 1, "Micromotives and Macrobehavior," 9-43		
Ch. 3, "Thermostats, Lemons, and Other Families of Models," 83-133		
Ch. 4, "Sorting and Mixing: Race and Sex," 137-155		
Ch. 6, "Choosing Our Children's Genes," 193-203		
8. Steiner, Peter O., "The Public Sector and the Public Interest," in H and M, pp. 27-40.		

III. Examples of Market Failure

214 (527) 2 (7)

The Environment

9. Ruff, Larry E., "The Economic Common Sense of Pollution," in D and D, pp. 41-58.
10. Dales, J.H., "The Property Interface," in D and D, pp. 172-186.
11. Dales, J.H., "Land, Water, and Ownership," in D and D, pp. 229-244.
12. Mishan, E.J., "Property Rights and Amenity Rights," in D and D, pp. 245-251.
13. Schelling, T.C., "Prices as Regulatory Instruments for Environmental Protection," JFK School of Government, December 1980.
14. Goldman, Marshall I., "The Convergence of Environmental Disruption," in D and D, pp. 312-325.

The City

15. Baumol, W.J. & Wallace E. Oates, "The Cost Disease of the Personal Services and the Quality of Life," pp. 57-73, in The Urban Economy by Harold M. Hochman, W.W. Norton and Co., 1976.
16. Thompson, Wilbur, "The City as a Distorted Price System," pp. 74-86, in The Urban Economy.
17. Alonso, William, "Urban Zero Population Growth," pp. 164-179 in The Urban Economy.

IV. Helping People

118 (645) 3 (10)

The Conflict Between Equity and Incentives

18. Tobin, James, "The Case for an Income Guarantee," The Public Interest, Summer 1966, pp. 31-41.
19. Schorr, Alvin L., "Against a Negative Income Tax," and James Tobin, "A Rejoinder," The Public Interest, Fall 1966, pp. 110-119.
20. Weisbrod, Burton A., "Collective Action and the Distribution of Income: A Conceptual Approach," in H & M, pp. 105-131.

- 21. Products Liability: Bexiga vs. Havir Mfg. Corp., Harvard Law Review, Vol. 86 (March 1973), pp. 923-931.
- 22. Implications of Guaranteeing Medical Care, Institute of Medicine, 1975, Schelling et al., pp. 23-37, 39-44, 53-57.

Cash, Kind, or Rationing

- 23. Tobin, James, "On Limiting the Domain of Inequality," The Journal of Law and Economics, Vol. 13 (October 1970), pp. 263-277.
- 24. Thurow, Lester C., "Cash Versus In-Kind Transfers," American Economic Review, Papers and Proceedings, May 1974, pp. 190-195.
- 25. Frieden, Bernard J., "Housing Allowances: An Experiment That Worked," The Public Interest, No. 59, Spring 1980, pp. 15-35.

V. Case Study: Day Care 68 (713) 0 (10)

- 26. Nelson, Richard R., The Moon and The Ghetto, W.W. Norton and Co., 1977, pp. 83-103.
- 27. Rivlin, Alice, "Federal Support for Child Care: An Analysis of Options," in H & M, pp. 442-475.
- 28. Bruce-Briggs, B., "'Child Care,' The Fiscal Time Bomb," The Public Interest, #49, Fall 1977, pp. 87-102.

VI. Review Questions 0 (713) 1 (11)

--to be distributed

Spring 1981

Course Plan

<u>WEEK OF</u>	<u>SECTION</u>
2/2	no sections
2/7	Problem: Right Turn on Red
2/16 [Washington's B-Day]	Quiz
2/23	Hour Exam: Lives, Policy, Environment, City
3/2	Problem: Moral Hazard
3/9	Quiz
3/16	15 Questions Due
3/23	***** RECESS *****
3/30	Hour Exam: Helping People, Cash v Kind, Day Care, Crime, Energy
4/6	Problem: Tax
4/13	Quiz: Tax
4/20	Quiz: Tax
4/26	***** READING PERIOD *****