

## The Urban Economy and Public Policy

UAP 5234  
11:00-12:15 T-TH  
LITRV 1770  
Prof. John Levy  
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### COURSE PURPOSE

The purpose of this course is to help the student develop the ability to apply basic economic concepts to public policy, to be able to ask the right questions about the economic side of public issues, and to become an informed consumer of economic arguments. I believe that if you are involved in formulating policy you will find some knowledge of economics central to thinking through policy questions and to understanding policy arguments and studies. For example, benefit cost analysis, which is basic to environmental policy as well as many public funding decisions, is essentially applied microeconomics. The arguments for the use of pollution taxes and offsets as opposed to regulatory standards are essentially microeconomic arguments. In order to think clearly about any proposal involving taxes one must have some understanding of tax incidence -- of who will be the *de facto* as opposed to the *de jure* payer of the tax. Regulation of the market is one of the primary roles of government. To think clearly about regulatory policy one must have some knowledge of how markets work. And so on.

### READINGS

The required text is Essential Microeconomics for Public Policy Analysis, John M. Levy, Praeger Publishers, 1995. You may or may not need some additional readings for basic economic concepts. For that purpose I have put several standard economics texts on reserve. All other readings are available on the Electronic Blackboard.

### COURSE REQUIREMENTS AND GRADING

There will be two in-class exams on microeconomic theory, one at about week 6 and one about week 13. Early in the course there will be several weekly assignments on microeconomic topics. There will be an essay assignment late in the course and a final essay due at the end of exam week.

Grades will be assigned approximately on the basis of the following weights;

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|---|-----|
| First exam                                    | 20% |
| Second exam                                   | 20% |
| Satisfactory completion of weekly assignments | 10% |
| Class participation                           | 10% |
| Essay during the semester                     | 20% |
| Final essay                                   | 20% |

## READINGS AND TOPICS

The economist's viewpoint.

Levy, Introduction and chapter 1.

Karl Sigmund, Ernst Fehr, and Martin A. Nowak, "The Economics of Fair Play," *Scientific American*. Jan 2002, pp. 82-87.

Basic assumptions.

Levy, chapter 2.

Supply and demand.

Levy, chapter 3.

Firms and markets.

Levy, chapter 4.

The Tiebout Hypothesis

Ronald C. Fisher, State and Local Public Finance, Chapter 5

A public sector example of intervention in markets.

Lawrence P. Smith and Peter Tomlinson, "Rent Controls in Ontario: Roofs or Ceilings," *AREUEA Journal*, Summer, 1981, pp. 93-114.

Welfare economics.

Levy, chap 5.

A conventional view of the economic role of government.

Levy, chap 6.

Alternative views of the role of government.

James Gwartney & Richard E. Wagner, "The Public Choice Revolution," *Intercollegiate Review*, Spring, 1988, pp. 17-26.

Steven Kelman, "Public Choice and Public Spirit," in Readings in Public Sector Economics  
Samuel H. Baker and Catherine S. Elliot, eds., D.C. Heath, 1990, p. 74-86.

Taxes and grants.

Levy, chap 8.

Reading to be supplied.

Public Borrowing and Public Debt.

Reading to be supplied.

Benefit/Cost Analysis.

Levy, chap 9.

Chapter 11 in Stiglitz, Economics of the Public Sector, on reserve

The Economics of zoning,

Reading by William Fishel, to be supplied.

The economics of environmental quality (if time permits).

Reading to be supplied.

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