

Purdue University  
Department of Agricultural Economics

AGEC 60400: Fundamentals of Applied Welfare Economics  
*Syllabus—Spring 2019*

Date last updated: November 7, 2018

<b>Instructor</b>	Carson Reeling, Ph.D. Office: 776 Krannert Building Email: creeling@purdue.edu Phone: (765) 496-6197
<b>Schedule</b>	Tuesdays and Thursdays 1:30 to 2:45 p.m. from Jan. 8 to Feb. 7, 2019
<b>Office Hours</b>	By appointment

**Brief Course Description (from Purdue Graduate Catalog)**

Basic concepts and principles of applied welfare economics including Pareto conditions for welfare maximization; public goods, externalities, and property rights; consumer and producer surplus; theory of the second best; and neoclassical and contemporary theories of income distribution. *Concurrent Prerequisite: ECON 51100.*

**Course Objectives and Desired Learning Outcomes**

The primary objective of this course is to prepare students to conduct rigorous applied economic policy analyses. Students who complete this course will be able to

- Derive Hicksian and Marshallian measures of consumer and producer welfare;
- Apply compensation principles for normative assessments of policy outcomes; and
- Identify market failures and derive first- and second-best policy instruments for correcting them.

**Materials**

The primary course text is:

- Just, R.E., D.L. Hueth, and A. Schmitz. 1982. *Applied Welfare Economics and Public Policy*. Prentice-Hall: Englewood Cliffs, N.J.

Inexpensive used copies of the text are available on Amazon and elsewhere. I will also place a copy of the text on reserve in the Parrish Library of Management & Economics (second floor, Krannert Building). We will use additional supplementary texts throughout the semester, but electronic access will be provided via Purdue Libraries so there is no need to purchase them.

## **Course Content**

Most class content, including problem sets and supplementary readings, can be accessed via Blackboard Learn (<https://mycourses.purdue.edu>).

### *Problem Sets (25% of Final Grade)*

I will provide two problem sets over the course of the semester. Each problem set is worth 12.5 percent of your final grade. Students may work together to complete the problem sets. However, each student must turn in their own, original assignment. Completed problem sets are to be uploaded to Blackboard by the due date (Problem Set 1: Jan. 17; Problem Set 2: Jan. 31). Late assignments will not be accepted. Detailed answer keys will be made available in Blackboard after the assignment's due date.

### *Exam (75%) of Final Grade*

There will be a cumulative final exam during the last scheduled class meeting. The exam will be similar to the problem sets and may draw on the course readings. Hence, no practice exams or study guides will be provided. The exam will only be offered during the scheduled time; no make-up exams will be offered. No outside notes or materials are permitted for use during the exam.

## **Grade Scale**

I will assign grades according to the following scale: 97-100 = A+; 94-97 = A; 90-94 = A-; 87-90 = B+; 84-87 = B; 80-84 = B-; 77-80 = C+; 74-77 = C; 70-74 = C-; 67-70 = D+; 64-67 = D; 60-64 = D-; <60 = F. Final grades may be curved at my discretion, but no adjustments will be made to grades unless there is an error in their calculation

## **Policy Statements**

### **Attendance Policy**

Attendance will not be formally monitored for this class. However, all students are expected to attend each class session except in cases of illness or emergencies.

### **Academic Honesty**

Academic integrity is one of the highest values that Purdue University holds. Any student found to engage in academic dishonesty will be assigned a failing grade in the course and be referred to the Office of the Dean of Students. Individuals are encouraged to alert university officials to potential breaches of this value by either emailing [integrity@purdue.edu](mailto:integrity@purdue.edu) or by calling 765-494-8778. While information may be submitted anonymously, the more information that is submitted provides the greatest opportunity for the university to investigate the concern.

### **Counseling and Psychological Services Information**

Purdue University is committed to advancing the mental health and wellbeing of its students. If you or someone you know is feeling overwhelmed, depressed, and/or in need of support, services are available. For help, such individuals should contact Counseling and Psychological Services (CAPS) at (765) 494-6995 and <http://www.purdue.edu/caps/> during and after hours, on weekends and holidays, or by going to the CAPS office of the second floor of the Purdue University Student Health Center (PUSH) during business hours.

### **Accessibility and Accommodations Statement**

Purdue University strives to make learning experiences as accessible as possible. If you anticipate or experience physical or academic barriers based on disability, you are welcome to let me know so that we can discuss options. You are also encouraged to contact the Disability Resource Center by email at [drc@purdue.edu](mailto:drc@purdue.edu) or by phone at (765) 494-1247.

**Course Reading List (superscript \* indicates required reading)**

*Section 1: Ranking States of the World*

\* Just et al. (1982), Chapters 1–3.

Bator, Francis M. 1957. “The Simple Analytics of Welfare Maximization.” *American Economic Review* March:22-59.

Cooter, R. and P. Rappoport. 1984. “Were the Ordinalists Wrong about Welfare Economics?” *Journal of Economic Literature* June:507–530.

*Section 2: Welfare Measures*

\* Flores, N.E. 2017. “Conceptual Framework for Nonmarket Valuation.” In Champ, P.A., K.J. Boyle, and T.C. Brown (Eds) *A Primer on Nonmarket Valuation*. Springer: Dordrecht, pp 38–41.

\* Just et al. (1982), Chapters 5 and 6.

Hicks, J.R. 1943. “The Four Consumer’s Surpluses.” *Review of Economic Studies*:31–42.

Mäler, K.-G. 1971. “A Method of Estimating Social Benefits from Pollution Control.” *The Swedish Journal of Economics* 73(1):121–133.

Willig, R.D. 1976. “Consumer’s Surplus without Apology.” *American Economic Review* September:589–597

*Section 3: First- and Second-Best Policy Design*

Bator, F.M. 1958. “The Anatomy of Market Failure.” *Quarterly Journal of Economics* August:351–379.

\* Coase, R. 1960. “The Problem of Social Cost.” *Journal of Law and Economics* 3:1–44.

Demsetz, H. 1967. “Toward a Theory of Property Rights.” *American Economic Review* May:347–359.

\*Lipsey, R.G. and K. Lancaster. 1956–7. “The General Theory of the Second Best.” *Review of Economic Studies* 24(1):11–32.