A good proportion of what we will do is found in R. Cornes and T. Sandler, *The Theory of Externalities, Public Goods, and Club Goods*, 2nd Ed. (Cambridge; Cambridge University Press, 1996) and T. Sandler, *Collective Action: Theory and Application* (Ann Arbor: U. of Michigan, 1992). I have listed related articles, by topic, which provide original-source in-depth treatment of topics. Class time is limited; hence, some required readings must be covered on your own. I have also included up-to-date treatments that have been published. I have limited required readings to some important articles. I hope that all students will be well-prepared each class period.

The course grade will be determined as follows:

- 33% -- Midterm
- 33% -- Final (at scheduled time, noncumulative)
- 34% -- Term paper (15 pages in length using at least 10 sources, not required as readings. It is your obligation to find these sources.)

All tests will carry your chosen random number, given to my secretary, Anne Hrbek, 382 Heady Hall. This way all grading is done anonymously so as to eliminate any unconscious biases on my part. Students are required to take both exams. Bring empty blue books to the exams.

The term paper is due Wednesday, December 1, 1999. Late papers will lose credit. More will be said about the paper during class.

### TOPICS AND ASSIGNMENTS

* indicates required reading, otherwise articles are listed solely for students interested in pursuing a topic further.

#### I. WELFARE FOUNDATIONS AND INTRODUCTION (2 weeks)


II. EXTERNALITIES AND MARKET FAILURES (2 weeks)


Theory, April 1999, pp. 225-245.


### III. THEORY OF PUBLIC GOODS - INTRODUCTION (1/2 week)


IV. NASH AND PARETO EQUILIBRIA, PUBLIC GOODS, AND COLLECTIVE ACTION (3 weeks)

1. Cornes-Sandler, Chapter 6 and Chapter 9.


V. PUBLIC GOODS IN GENERAL (1 week)

1. Cornes and Sandler, Chapter 8.


VI. LINDAHL EQUILIBRIUM (1 week)


VII. DEPARTURES FROM NASH-COURNOT BEHAVIOR (1 week)

*1. Cornes-Sandler, Chapter 10.


**VIII. THEORY OF CLUBS** (2 weeks)


IX. OTHER TOPICS IN PUBLIC GOODS AND EXTERNALITIES (Good topics for papers)


Paper topics must be **one** of the following, unless approved by me:

(1) Coase Theorem  
(2) Rent-Seeking and Public Goods  
(3) Price Excludable Public Goods  
(4) Open-Access Areas  
(5) Profit-Maximizing Clubs  
(6) Defense as a Public Good  
(7) Experimental Economics and Public Goods  
(8) UN Peacekeeping as a Public Good  
(9) Global Public Goods

Chapter 4 of my *Collective Action* has lots of possible application that could serve as topics.

X. APPLICATIONS (1.5 weeks)


*2. Cornes and Sandler, Chapters 17-18.


XI. THEORY OF JURISDICTIONS AND GOVERNMENTS (1/2 week)


