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Econ 4620 Public Economics I, S2014: Seminar assignment for 28 April

Problem 1

It is sometimes argued that public funding of higher education is undesirable because such funding is a transfer to high-income people. Discuss this argument.

Problem 2

Discuss arguments for public provision of health care.

Problem 3

Imagine a commodity we will call “skipboard”. There is evidence that it causes a lot of injuries, and it is proposed to ban the sale and use of skipboards. Give an outline of a cost-benefit analysis of this proposal.

Problem 4

Suppose a project is proposed in order to diminish noise in an area. Discuss what may be possible benefits, how they may be estimated and problems encountered in the assessment, for instance when applying hedonic and contingent valuation methods.

Problem 5

Consider the following optimality condition from Atkinson and Stiglitz.

$$\frac{HU_G}{\alpha} = \frac{\lambda}{\alpha} p_G - \frac{\lambda}{\alpha} tH \frac{\partial X}{\partial G}$$

What is the underlying model (described in words)?

Which is the optimum characterised by the condition?

What is the interpretation of $\frac{\lambda}{\alpha}$?

Explain the case where $t=0$, $\frac{\lambda}{\alpha} = 1$?

What is the interpretation if $\frac{\partial X}{\partial G} = 0$ and $\frac{\lambda}{\alpha} > 1$?

What is the interpretation of $tH \frac{\partial X}{\partial G} (\neq 0)$?

Why is $tH \frac{\partial X}{\partial G}$ multiplied by $\frac{\lambda}{\alpha}$?

Problem 6

Explain what is meant by “agglomeration externalities”.