

University of Bath  
Department of Economics and International Development  
EC50120, EC30172 Welfare Economics and Distributive Justice  
Fall 2007  
Thanos Mergoupis

### Unit Outline - Preliminary

**Lecturer:** Thanos Mergoupis  
Room 3 East 4.07

**Contact Hours:** 20 x 1 hour lectures  
Weeks 1-11  
Monday 2.15-16.05 8W 2.10

5 x 1 hour classes  
Although geared toward those registered for EC30172, all are encouraged to attend.

Classes run in alternate weeks, starting with week 2  
Tuesday 17.15-18.05 1W 2.5,

Office Hours:  
Wednesday 12.15-14.05  
Thursday 10.15-11.05

**Email:** [A.Mergoupis@bath.ac.uk](mailto:A.Mergoupis@bath.ac.uk)

**Assessment:** Those registered for EC50120:  
33% midterm exam  
67% final exam

Those registered for EC30172:  
100% final exam

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**Aims:** To develop an analytical understanding of the economics of welfare and distributive justice

**Learning outcomes:** The ability to analyse economic decisions under the light of formal principles of economic welfare and distributive justice

**Skills:**

Ability to develop rigorous arguments through precise use of concepts and mathematical models. (Taught/Facilitated/Assessed).  
Ability to express and analyse real life economic decisions in terms of formal models. (T/F/A).

Ability to select, summarise and synthesise written information from multiple sources (T/F/A).

Comprehensive and scholarly written communication (T/F/A).

Concise and effective written communication (T/F/A).

Effective oral communication (e.g. lecture question and answer) (F).

**Content:** The fundamental theorems of welfare economics. Principles of distributive justice. Cardinal welfarism. Ordinal welfarism. Solutions to the problem of the Commons. Economic exploitation in general, and economic exploitation in capitalism.

## General

Attendance in the lectures is strongly recommended. The lectures are intended to guide the student to the readings. In no way should the lectures be conceived as a substitute of the readings.

## Readings and course outline

The main texts for the course are:

Moulin, Herve. 2003. *Fair Division and Collective Welfare*. Cambridge, MA: 2003 (HM)

Roemer, John E. 1988. *Free to Lose: An Introduction to Marxist Economic Philosophy*, Cambridge, MA: Harvard UP. (JR)

The HM text is in print and available at the bookstore.

The JR text is out of print. Students can use the library copies. Alternatively second hand copies can be found at second hand book sources such as <http://www.bookfinder.com/> .

Additional required readings as below.

Part I: Welfare economics and micro-level fairness

Weeks 3-6

Readings: HM, chapters 1-5.

Additional readings:

Week 1:

Myles, Gareth. 1995. *Public Economics*, Cambridge: Cambridge UP. Chapter 2: General Equilibrium and Welfare Economics, pp. 18-51.

Stiglitz, Joseph E. 2000. *Economics of the Public Sector, Third Edition*, New York: W. W. Norton & Co., Chapter 3: Market Efficiency

Sigmund, Karl, Ernst Fehr, and Martin A. Nowak. 2002. "The Economics of Fair Play", Scientific American, Vol. 83, pp. 82-87, January.

Brosnan, Sarah F., and Frans B. M. de Waal. 2003. "Monkeys Reject Unequal Pay", Nature, Vol. 425, Sept. 18, pp. 297-299.  
Wynne, Clive D. L. 2004. "Fair Refusal by Capuchin Monkeys", Nature, Vol. 428, March 11, p. 140.  
Brosnan, Sarah F., and Frans B. M. de Waal. 2004. "Reply [to Wynne]", Nature, Vol. 428, March 11, p. 140.

Weeks 6-7:

Atkinson, Anthony B. and Stiglitz, Joseph E. 1980. *Lectures on Public Economics*, Section 10.2, pp. 299-310.

Part II: Macro-level fairness

Weeks 8-10

Readings: JR. chapters 1-6.

An educational charter: What your lecturer expects from you  
and what you should expect from you lecturer

**Attendance**

1. Students are strongly encouraged to attend every lecture, but no attendance is required.
2. In no way should attendance of the lectures be considered as a substitute of doing the readings.
3. If students choose to attend, they should refrain from talking to each other or otherwise disturbing the course of the lecture. This is disruptive to the lecturer and to other students. Students who cause such disruption may be asked to leave the lecture room.
4. Students are encouraged to interrupt the lecture with relevant questions.

**Lecture notes and other teaching material**

5. Every effort is made to provide lecture notes on the unit web site before the lecture, and students are advised to print them and bring them to the lecture. The lecturer cannot guarantee however that the lecture notes will be on the unit website before every lecture. Note that lecture notes on the web may be occasionally revised.
6. Problem sets will also be posted on the unit website.

7. Every effort will be made to provide answers to as many of the assigned problems as possible. However, there will be problems that no answers will be provided.

8. Although every care is taken to avoid errors, they often do creep into lecture notes and solutions. If such errors are spotted please report them to the lecturer.

### **Office hours**

9. Office hours are made available to students for the discussion of any problems or questions arising from the unit. Because of large numbers of students, there will be no availability of the lecturer outside the office hours. To make sure that you meet the lecturer during the office hours, use the sign-up sheet on the door. Students are therefore encouraged to seek clarifications early on during the term and avoid periods of heavy demand.

10. Students wishing to discuss assigned problems are encouraged to come to the lecturer's office hours. They are expected to have worked on the problems/questions they wish to discuss and they should bring with them and present all the relevant work.

### **Exams**

11. Students tested in unseen exams/tests should expect to be informed of:

(a) The material covered by the exam/test. Ordinarily this includes (i) lecture content; (ii) lecture notes; (iii) assigned readings; (iv) assigned problems.

(b) The format of the exam/test. This means: (i) the number of sections and/or questions of the exam/test, and number expected to complete; (ii) the format of the questions, i.e. true or false, multiple choice, or full answers.

This implies that absolutely no information will be given on the content of the exam/test. In particular, no information will be given on whether questions would require a quantitative or a verbal answer, on whether questions will cover more than one section of the unit, etc.

### **Exams from previous years**

12. Students may choose to work on questions from previous years' exams/tests (in addition to those assigned as part of the assigned problems) for practice purposes and using their own judgment as to their relevance for the current unit. The lecturer may provide some solutions to them. However, neither the content nor the difficulty of previous years' exam questions would in any way indicate the content or the difficulty of current year's exams.

### **Assessment procedures in other units**

13. Assessment procedures in other units may differ from assessment procedures in this unit in a number of ways. For example, in terms of (i) the weights of assessed components; (ii) information given in relation to the exam; (iii) uses and relevance of

previous years' exams, etc. Note carefully that any such differences have no bearing whatsoever on the assessment procedures of this unit.

In relation to this point students must understand:

The assessment rules vary depending on the subject and the content of a unit and the teaching approach of the lecturer. For example, units emphasising techniques will require a different teaching approach from units emphasising critical thinking. This in turn necessitates different assessment procedures. There are units emphasising breadth of coverage while others emphasise depth, again implying different teaching approaches and assessment methods.

### **General comment**

14. This unit emphasises teaching particular ways of thinking about economic problems. Therefore there is little or no weight placed on obtaining a correct answer and most or all the weight placed on using the appropriate methods. There have been instances where students obtain the correct answer (strictly speaking, an answer that coincides with the correct one) using wrong methods, and as a result receive low or zero marks. Alternatively, students obtaining the wrong answer because of arithmetic mistakes but otherwise using appropriate methods, receive high or full marks.

15. Although every effort is taken to avoid mistakes and provide answers to students' questions, mistakes are unavoidable and some questions will remain unanswered. Students are encouraged to approach every part of the unit in a critical manner and pursue unanswered questions on their own. Indeed it is one of the unit's objectives to enable students to do so.