Public Sector Economics
ECON 315; Fall 2015
MW 2:30-4:00 PM
Hepburn 113

Professor Alex Gill
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Office: Hepburn 10
Office Hours: Tuesdays 2-5 PM
Phone: (315)-229-1865

Course Description: Traditionally, classes on the economics of the public sector focused on market failures (e.g. not providing public goods or imposing negative externalities) and the details of government finance. This course will cover those topics but from a modern perspective. This modern perspective involves two basic themes. First, the market/state dichotomy is overly simplistic. Markets require states to enforce property rights and contracts, and states require markets to provide resources for state activities. We will attempt to study government intervention from a more realistic perspective that recognizes the interdependent evolution of states and markets and their relationship to each other. Second, we will strive to always take heed of information and incentives. What do the actors involved in the issue under study know? What can they know? What will they be incentivized to do and why?

Textbook: Rosen, Harvey S. and Ted Gayer, Public Finance, 10th edition (R&G)

You purchase the text at the bookstore, online, or you may purchase or rent an e-book at coursesmart.com. The e-book is identical to the print version. The cheapest options are to find a used book or to rent the e-book from Coursesmart for 180 days.

The assigned readings for this course will also include various classic papers in the field (listed in the course schedule below). These are available through the library website (I recommend you use the Google Scholar database tool to find the papers.).
**Sakai:** You can find the syllabus, homework assignments, and announcements on the course Sakai page throughout the semester.

**Prerequisites:** Econ 200 and 251

**Helpful resources:** The University provides free and useful help with writing skills, with English as a second language, and with quantitative skills. Writing and basic math skills are crucial to do well in this course. If you need assistance with these skills, please let me know and I will direct you to the appropriate resources.

**Academic Honor Policy:** All students are expected to adhere to the Academic Honor Council Constitution (which you signed prior to registration) at all times. Failure to do so will result in a zero grade on the relevant assignment and notification of the Dean of Academic Affairs.

**Attendance:** Attendance is not mandatory and will not be formally checked or recorded. If you want to do well in this course, though, plan on attending all classes, completing all assigned readings and assignments on time, and asking lots of questions.

**Students with Disabilities:** If you have a disability, you will need to register with the Disability and Accessibility Services Office as well as inform me so that I can make appropriate accommodations for you.

**Grading:** Your grade is comprised of:

25%: **Midterm Exam** (Wednesday, October 7, in class)

25%: **Final Exam** (administered Wednesday, December 16th, 1-4 PM)

Notes on exams: All exams are written (You will never be given a multiple choice question in this class.) and will consist of 4-5 short answer (one paragraph) questions and one essay question. One week prior to each exam, you will receive a study guide that includes 12 potential short answer questions and 3 potential essay questions. The test questions will be drawn from the study guide. You will have an opportunity in the class prior to each test to ask questions about the study guide. **YOU MAY STUDY IN GROUPS BUT MUST GIVE YOUR OWN ANSWERS ON THE TEST.**

20%: **Term paper** (Due at the beginning of the last class, Wednesday, December 9th)

Notes on the term paper: This is a 10-15 page research paper on a topic of your choice, subject to my approval. You must submit a topic for approval by Monday, Monday, October 12. You must submit an outline of your paper by Monday,
October 26. The paper is due at the beginning of class on Wednesday, November 11. I will distribute more information on this assignment mid-semester.

**15%: Group Project and Presentation**

On Monday, October 12, I will randomly assign students in the class to groups of four. The assignment is to prepare and give a 10-15 minute presentation on a topic of your choice (that is relevant to public economics). Each group will (1) Pick a topic, subject to my approval, by Monday, October 19; (2) Turn in an outline of the project including (i) sources, (ii) a summary description of the relevant facts, (iii) the information and incentive issues within the topic, and (iv) the important information and arguments you plan to impart to the class during your presentation by Monday, November 2; and (3) Give a 10-15 minute presentation to the class on the chosen topic during the second-to-last week of class. Each group member will receive the same base grade that will be adjusted based on peer feedback. I will distribute more information about this assignment later in the semester.

**15%: Participation** (12% homework; 13% in-class participation as subjectively evaluated by me)

Notes on homework: There will be 12 homework assignments posted on Sakai throughout the semester. They are always due on a Monday (and are all noted in the course schedule below). You can receive the following grades on homework: a “check plus” indicates a completely correct answer (100%), a “check” indicates a mostly correct answer that demonstrates a genuine effort (90%), a “check minus” indicates insufficient effort (50%), and a “0” indicates either a failure to turn in the assignment on time or a failure to demonstrate a genuine effort to complete the assignment. YOU MAY WORK ON HOMEWORK IN GROUPS. IF YOU DO SO, TURN IN ONE ASSIGNMENT LISTING EACH GROUP MEMBER’S NAME. ALL MEMBERS OF EACH GROUP RECEIVE THE SAME GRADE.

General notes on grading: There are no extra credit opportunities, and if you miss an exam or deadline without a valid excuse (meaning verifiable illnesses or other emergencies), you will receive a zero grade on that assignment.
Grading Scale:

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<th>Grade</th>
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Course Schedule (subject to change):

1) Wednesday, August 26: Syllabus, Introduction
   Reading: None.

2) Monday, August 31: Beyond Markets and States
   Reading: Chapter 1 of R&G

3) Wednesday, September 2: Public goods, externalities, and other common arguments for intervention
   Reading: Chapter 3 of R&G

4) Monday, September 7: Efficient provision of public goods
   Homework #1 due at the beginning of class

5) Wednesday, September 9: Cont’d
   Reading: None.

6) Monday, September 14: Externalities
   Homework #2 due at the beginning of class
7) Wednesday, September 16: Cont’d
   Reading: None.

8) Monday, September 21: Political Economy: Common Pool Resources, Polycentricity
   Homework #3 due at the beginning of class

9) Wednesday, September 23: Political Economy: Federalism and Voting with your Feet

10) Monday, September 28: Political Economy: Arrow’s Impossibility Theorem
    Reading: Chapter 6
    Homework #4 due at the beginning of class

11) Wednesday, September 30: Midterm Summary; Midterm study guides distributed.
    Reading: None.

12) Monday, October 5: Review for Midterm
    Reading: None.
    Homework #5 due at the beginning of class

13) Wednesday, October 7: Midterm Exam
14) Monday, October 12: Government Finance Theory
   Homework #6 due at the beginning of class.
   **Paper topics due at the beginning of class.**
   **Group assignments made in class.**
15) Wednesday, October 14: Efficient Taxation
   Reading: Chapter 16 of R&G
16) Monday, October 19: Taxation Cont’d
   Reading: Chapter 18 of R&G
   Homework #7 due at the beginning of class
17) Wednesday, October 21: Deficit Finance and Central Banking
   Reading: Chapter 20 of R&G
18) Monday, October 26: Bureaucracy
   Homework #8 due at the beginning of class.
   **Term paper outlines due.**
19) Wednesday, October 28: Use of Knowledge in Society
20) Monday, November 2: Democracy in Deficit
   Homework #9 due at the beginning of class
   **Group presentation outlines due.**
21) Wednesday, November 4: The Great Depression
   Reading: None.

22) Monday, November 9: The Great Recession
   Reading: Watch Inside Job on Sakai.
   Homework #10 due at the beginning of class

23) Wednesday, November 11: Healthcare
   Reading: Chapters 9 and 10
   ***Term paper due at the beginning of class.

24) Monday, November 16: Redistribution
   Reading: Chapters 12 and 13
   Homework #11 due at the beginning of class

25) Wednesday, November 18: Social Security
   Reading: Chapter 11

26) Monday, November 30: Group presentations
   Reading: None
   Homework #12 due at the beginning of class

27) Wednesday, December 2: Group presentations
   Reading: None

28) Monday, December 27: Summary; final exam study guide distributed.

29) Wednesday, December 9: Review for final

FINAL EXAM: Monday, December 19, 6-9 PM