

ECONOMICS 431
THE ECONOMICS OF THE PUBLIC SECTOR
Syllabus, Spring 2010

Professor Chris Clapp
M W 3:30-4:45pm
Maury 110

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Office: 337 Monroe, 924-7823
Office hours: T 2:30-4:00pm

Course description: Economics 431 examines the role of the public sector in the economy. The aim is to understand reasons for government intervention in the economy, the extent of that intervention, and the response of individuals and firms to the government's actions.

Assignment	Date	Contribution to grade
Problem Sets	beginning of class 2/3 2/17 3/24 3/31 4/12(M)	5% each, drop one \Rightarrow 20%
Exam #1	2/24	20%
Exam #2	4/14	20%
Final Exam	5/11 2:00PM - 5:00PM	40%

Other key dates

Drop w/out penalty	Thursday 2/4
Spring Break, no class	Mon. 3/8 & Wed 3/10
Withdrawal deadline	Wednesday 3/17
Exam schedule change request deadline	Wednesday 4/28

- **Prerequisites:** Economics 301 or Economics 311 are prerequisites for this course.
- **Attendance:** Attendance is optional but strongly encouraged. You will be responsible for all material covered in class.
- **Exams:** The exams will cover material that is presented in class or is dealt with in the problem sets; a textbook is available but is not required, and there are no other outside readings. If you are unable to take an exam at the scheduled time because of illness or emergency, you must notify me in advance via a phone call or email. Otherwise, you will get a zero. There will be no make-up exams in the case of excused absences due to illness or emergency; the other exam grades will be reweighted accordingly (with the other midterm exam worth $1/3 * 80\%$ and the final worth $2/3 * 80\%$).
- **Problem sets:** Problem sets will be made available on the class UVACollab class page. Answers to problem sets shall be handed in at the beginning of class. No late problem sets will be accepted. These assignments are for your benefit and will serve as a review for the material on the exams. Your lowest problem set grade will be dropped.
- **Extra credit 1:** One goal of the course is to encourage students to discuss policies in class and to follow policy news. To this end, extra credit will be available for students who discuss in class a newspaper article about any government policy change that relates broadly to one of the topics covered in Economics 431. Students should be prepared to spend 5 minutes describing the proposed policy change and hypothesizing about the potential impact on individual behavior and/or markets. To avoid duplicative efforts, check for relevance of the proposed article, and schedule an appropriate time for class discussion, please email me in advance about any article that you would like to discuss.

Following a presentation, I will assign a grade that will contribute an extra 0-3 points to student's final grade. A maximum of 6 extra credit points (resulting from two successful presentations) can be earned in this way.

- **Extra credit 2:** In order to give you extra motivation to begin studying in advance of the exams and to encourage you to think about the material beyond the examples covered in class, you may submit up to 2 proposed exam questions (with answers) no later than one week before the exam. If I select one of your questions to be included on the exam, you will receive 1 extra credit point for a short answer question and 2 extra credit points for a longer problem (as well as the implicit bonus of knowing how to answer an exam question). The questions used and their value is at my sole discretion. No more than one question per student will be accepted per exam. You are not allowed to work with other students when writing exam questions, nor may you share the questions you submit. Questions must be your own original creations, and may not come from textbooks or any other sources.

- **Textbook:** The textbook is optional. As noted above, you will only be responsible for material which we cover during lectures. The textbook *Public Finance and Public Policy* by Jonathan Gruber, 3rd edition, covers much, though not all, of the material that will be covered in class. Much of the same material is also covered in Gruber's 2nd edition and in *Public Finance*, any edition, by Harvey Rosen; if you have access to either of those books instead. I will also cover material that is not presented in these textbooks.

- **Honor system:** I trust every student in this course to fully comply with all of the provisions of the honor code, which is an institution that provides important benefits to all of us. On every exam and problem set, please write The Pledge and sign your name. Here are additional expectations:

- on exams, it is expected that you will neither receive nor give aid, nor access any material other than a non-programmed calculator
- on problem sets, you may work with other students, but it is expected that you will hand in your own answers – it is in your interest to work through these problems on your own before discussing them with others, as this will give you crucial help in preparing for the exams
- during the entire semester, it is expected that you will not access anyone else's old exams or answer keys at any time
- you may study with students from the other 4310 section being taught this semester, but you may not share posted homework solutions or solicit/give any information about the content of exams or the final
- you are not allowed to co-write extra credit exam questions, nor may you share the questions you submit

All alleged honor violations brought to my attention will be forwarded to the Honor Committee. If, in my judgment, it is beyond a reasonable doubt that a student has committed an honor violation on an exam, that student will receive an immediate grade of zero for that exam, regardless of any subsequent action taken by the Honor Committee.

- **Special needs:** All students with special needs requiring accommodations should present the appropriate paperwork from the Learning Needs and Evaluation Center (LNEC). It is the student's responsibility to present this paperwork in a timely fashion and follow up with the instructor about the accommodations being offered. Please notify me of any special needs by 1/27/2010. Specific accommodations for test-taking should be arranged at least 1 week before an exam.

- **Concentration:** This course is a prerequisite for taking Economics 488 and completing the Concentration in Public Policy. It is not a prerequisite for the Master in Public Policy, but it will give you a good introduction to issues associated with policy analysis.

- I reserve the right to amend this syllabus.

Course Outline

Optional reading (Gruber 2nd edition)

A. Introduction

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| 1. Overview | Chapter 1 |
| 2. Review of microeconomics and statistics | Chapters 2 and 3 |

B. Positive and negative spillovers

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| 3. Public goods | Chapter 7 |
| 4. Externalities | Chapters 5 and 6.1-6.2 |

C. Social insurance

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| 5. Asymmetric information | Chapter 12 |
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Exam #1

Wednesday 2/24, in class

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| 6. Social insurance | Chapter 12 |
| 7. Unemployment Insurance and more | Chapter 13 |
| 8. Social Security | Chapter 14 |

D. Redistribution

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| 9. Measuring income distribution | Chapter 17.1 |
| 10. Welfare | Chapter 17.2-17.6 |

Exam #2

Wednesday 4/14, in class

E. Tax theory

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| 11. Incidence | Chapter 19 |
| 12. Efficiency | Chapter 20.1 |
| 13. Optimal taxation | Chapter 20.2-20.5 |

F. The U.S. tax system

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| 14. Income taxation | Chapter 18 |
| 15. Taxation and behavior | Chapters 21-22 |

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| G. Political economy | Chapter 9 |
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Comprehensive final exam Tuesday 5/11, 2:00PM - 5:00PM