



ECON 26010: Public Finance

Dr. Christopher Clapp

Syllabus, Spring 2020

Class

Meetings: Tu Th 9:30 - 10:50
am

Location: Zoom

Discussion: M 5:30 - 6:20 pm

Location: Zoom

Professor: Chris Clapp

Office Hours: T 3:00-4:00pm
or by appointment

Email: cclapp@uchicago.edu

Location: Zoom

TA: Joseph Nardi

Office Hours: By appointment

Email: nardij@uchicago.edu

Location: Zoom

Course Description

Most of the economics you have learned so far has focused on the awesomeness of the free market system, as the invisible hand leads to wonderfully optimal outcomes in many situations. At its core, this class is about when that wonderful optimality is not achieved because the free market system fails. Interestingly, government actions in the economy can cause, exacerbate, or remedy these market failures. We'll examine the role of the public sector in the economy and some important government programs in terms of equity and efficiency. The aim of the course 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.

Learning Objectives: What's My Incentive for Taking This Course?

This course is designed to prepare students to enter the debate that constantly surrounds public policy issues. To do so, you'll gain knowledge of how and why federal, state, and local governments work. Graduates of this class will be able to inform others of the underlying market failures that cause problems in an eloquent way (so that non-economists can understand), analyze and explain the costs and benefits of policies both in terms of efficiency and redistribution (there are no silver bullets), and evaluate the efficacy and political feasibility of proposed policies (if not become a policymaker yourself). At best, you'll go on to create new solutions to existing problems that cause current researchers to slap their foreheads and say, "Why didn't I think of that?" At worst, you'll be educated consumers of discourse about government issues who can recognize how political economy and individual/firm incentives shape the discussion of government issues.

Along the way you can expect to:

- Use the economic triple-threat (intuition/pictures/math) to learn economic theory.
- Explain whether a market-based or public-policy solution fits a given situation.

- Recognize examples, both big and small, of market failures and market-based/public policy solutions in your own lives.
- Learn about key government programs: how they are beneficial and where they fall short.
- Learn to recognize the motivation behind the stances groups take on government issues, and debate effectively, responsibly, and productively with those who have opposing viewpoints.

Overall Approach

The world is (extra) crazy right now because of the global pandemic and this semester is going to be challenging. We're all under a lot of stress, and we're all in this together.

- As a guiding principle, I'm going to be (extra) nice to you! I have adjusted the class and my teaching to be as flexible and accommodating as possible while still maintaining academic standards. We will adjust the class further as needed.
- Please be nice to each other, me, and your TA! Just please don't try to take advantage of the situation.

If you get sick, are caring for a sick relative, have a tough situation at home, or anything else I can help with, please let me know as soon as you are able. And please inform your college adviser if you encounter obstacles to your coursework. We will all work with the Dean of Students office in the College to develop appropriate accommodations.

In accordance with the Department's Pass-Fail Policy (posted on Canvas), you may take this class pass/fail (see the "Course Policies" section for more information).

I have followed the advice of and policy from the Department and University and made a lot of changes to the way I normally teach this class. Some of those changes will probably be improvements and others will fail.

- This class won't be as polished as way I normally teach it, and we'll figure some things out as we go.
- Please feel free to give me feedback on what's working well and what is not.

Prerequisites

The official prerequisites are:

- The Elements of Economic Analysis III (ECON 20200 or ECON 20210), and
- Econometrics (ECON 21020 or ECON 21030).

Students should be comfortable with calculus and derivatives. Familiarity with econometrics will be helpful. If you have concerns about your preparation for this class, please let me know, and we can discuss them.

Note that you cannot be simultaneously enrolled in this class and ECON 16020.

Evaluation

Your final grade in this course will be related to performance in several areas. The weight placed on each component will be as follows:¹

Problem Sets (3 of 4)	30%
Quizzes (3 of 4)	70%
Class Participation	05%
E.C. Presentations (2)	01%

There will be four problem sets, which will be posted on the Canvas site at least one week before the due date (please email to remind me if I fail to do so). The problem sets are for your benefit so you can practice the material we're covering and get feedback on your understanding of it. To give you an incentive to keep up with the work, you must upload a PDF of your work to the Gradescope application on Canvas. You only get one attempt to do so, so do not click "submit" until you are ready. The link to each assessment will expire at 11:45pm on the date indicated in the Course Outline that follows. You will not be able to complete the assessment after this deadline (see the "Course Policies" section for more information).

I understand that students sometimes have legitimate reasons for being unable to complete problem sets on time or give their full effort (and that is especially true this semester), so only the three best problem sets will count toward your course grade. You are welcome (and encouraged) to form study groups (of no more than 5 students) and discuss the problem sets with each other. To ease TA grading responsibilities, you may produce one PDF of problem set solutions for your group, but everyone must submit the problem set independently. Please write the names of all students in your group on your problem set.

To make things easy for the TAs, you should neatly handwrite the entire assignment and use a scanner or any of the free "scanner" apps available for smart phones to create a PDF of the document.² If you run into technical difficulties, please email me and the TA your PDF immediately, and we will do our best to help you get the assignment submitted.³

When you submit the assignment on Gradescope you will be prompted to indicate on which page your answer to each question of the homework can be found. You must do this! If you don't, Gradescope will show your answer as "missing" and you should assume you will get zero points for the question. Gradescope will not "force-submit" a homework assignment at deadline. If you do not submit the assignment, assume that it will show up as "not submitted" and you will get zero points. Submissions are graded per question with student's answers randomized and identities hidden (everyone's "4a", then "4b", etc.). Because of this it is impossible to "refer to answer for the preceding question" or "see graph for previous question." If you find yourself referring to your answer for a prior question, include the graph/picture/etc. again.

In accordance with Department of Economics guidance, I am replacing my typical "midterm and final" exam structure with a more evenly distributed, incremental "quiz" exam structure. Note that this means that there will be no exam during finals week. Also in accordance with Department guidance, the quizzes will be given during class time. **We are awaiting University guidance about available technology and the best practices for online exams, so I will update this section with details of how the quizzes will be administered once that information is available.**

The quizzes will cover material that is presented in class and/or covered in the problem sets; a textbook is available but is not required. Quizzes are "open book" and "open note," but all work must be your own. You

¹ If you have previously taken this class with me as an instructor, the weight of the problem sets will be shifted to the exams.

² I use Dropbox's app to create PDFs in this way. It is free and works well.

³ Note that this will be my first time using Gradescope, so we'll work out the kinks together.

may not consult, collaborate, or in any other way work with anyone else (in or out of the class) on the quizzes. No make-up quizzes will be given for any reason, valid or otherwise. With that said, only your three best quizzes will count toward your course grade.

Additionally, to ensure that students who become ill or have to care for a sick family member do not automatically fail the class, I will allow students to write a paper of no more than 10 pages on the topic covered on the quiz as a grade replacement. The details of these papers will be shared should they become necessary. Following the design of many of our social insurance programs, these papers will be designed to be optimal (relative to taking the quiz) only for students who truly need to make use of this option.

~~Class participation grades will be based on your level of active, attentive, inquisitive participation in the class, on the Canvas discussion boards, and/or in-class assignments.~~ Given that students may be attending class from other time zones, face technological constraints, and/or be sharing their workspace with family members, I am going to suspend the usual class participation component of the grade. I still expect students to participate in the class as best as they can. Should I deem that there is not ample engagement with the class, I reserve the right to reinstate this component of your grade. If so, evaluation of student participation will be applied from the time I announce the policy change through the end of the semester.

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 or online article about any issue that relates broadly to one of the topics covered in class. Students should be prepared to spend 5 minutes describing the issue and interpreting it using the tools learned in class. To avoid duplicate 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 (and include a link to or PDF of the article). In order to ensure that we still have time to cover class material, I will allow no more than 2 presentations per class. Please note that this means extra credit is a scarce good.

Following a presentation, I will assign a grade that will contribute an extra 0.0-0.5 points to student's final grade. A maximum of 1 extra credit point (resulting from two successful presentations) can be earned in this way.

Letter Grade Distribution

I do not have hard and fast ranges for letter grades. Instead, cut-offs are set by examining the distribution of grades and determining significant differences in performance. Historical data suggests that the letter grade ranges will be no less beneficial to students than the standard ranges (listed in the table that follows).⁴

≥ 100.0	A+	87.0 - 89.9	B+	77.0 - 79.9	C+	67.0 - 69.9	D+	
93.0 - 99.9	A	83.0 - 86.9	B	73.0 - 76.9	C	63.0 - 66.9	D	< 60.0 F
90.0 - 92.9	A-	80.0 - 82.9	B-	70.0 - 72.9	C-	60.0 - 62.9	D-	

Materials

There is no required textbook in this class, but these are recommended/optional references.

- Recommended: *Public Finance and Public Policy*, 5th Edition, by Jonathan Gruber (ISBN-10: 1464143331)

⁴Please note that the University does not allow me to enter a grade of "A+" when submitting final grades, so this designation is important only for your internal satisfaction and letters of recommendation.

- The previous edition is also available (and cheaper). It is a close substitute for the current edition, but it is up to you to determine any differences.

In addition, we may read academic articles which will be posted on Canvas as the course progresses.

Office Hours

My office hours for this class are listed on the first page of the syllabus. Those hours are for you, so please make use of them (be it with questions about course material, to discuss a research idea, or just to chat). You do not need to make an appointment to see me during my office hours; just drop by. I will be on Zoom during those times. If a sufficient number of students attend at the same time and office hours become too crowded to be effective, we will make alternative arrangements.

There are economies of scale in the production of knowledge, so please make your best effort to attend during the posted times. However, if you have a legitimate conflict (such as another class) or want to talk with me one-on-one, you are welcome to make an appointment for another time. I am happy to meet with students outside of office hours. I only ask that you do your absolute best to attend the regularly scheduled office hours since I have many students and responsibilities other than teaching. Also, if you know in advance that you cannot make a scheduled appointment, please email me to let me know.

Course Policies

• Recording

- The course will be taught synchronously via Zoom. I will record lectures and post them only to Canvas in accordance with University and Family Educational Rights and Privacy Act (FERPA) guidelines. The TA will also record discussion sections and post them in a similar manner. Office hours will not be recorded.
- FERPA is a federal statute that, broadly speaking, guarantees privacy over certain aspects of your educational records. You can view the details of the policy on the registrar's website (<https://registrar.uchicago.edu/records/ferpa/>).
- If you record a class, discussion section, office hours, or meeting without permission, or if you share any of the recorded videos without permission, you may be violating eavesdropping laws, copyright laws, or the FERPA statute. So do not post or share any such videos outside of Canvas. This also applies to any manipulated video.

• General

- There is no attendance requirement (beyond the first day), but regular attendance is necessary (but not sufficient) to do well in the class.
- The class webpage is available through the Canvas portal. I will use it to post announcements, assignments, and grades. Please check it regularly.
- Email is the official means of communication for out-of-class communication. In other words, you are expected to check your UChicago email account regularly.
- I will respond to email within 2 business days (Monday-Friday, 9:00am-5:00pm). **Since I am teaching two similar classes this semester, please include “Econ 26010: “ as a prefix to your subject.**

- Any and all results of in-class and out-of-class assignments and examinations are data sources for research and may be used in published research. All such use will always be anonymous.

- **Assignments⁵ and Exams⁶**

- I post answer keys after most assignments are due, so no late assignments will be accepted for any reason, valid or otherwise.⁷ Not turning in an assignment, handing it in late, or failing to take an on-line assessment before the link expires will result in a grade of zero.
- No make-up exams will be given for any reason, valid or otherwise. Doing so would create concerns about uneven treatment, and I can't be sure that classmates won't share information about what was on the exam.
- In each case, notification and/or documentation is required in a timely manner. Whenever possible, you should contact me before the exam regarding your absence.

- **Grades**

- Pass/Fail, Withdrawal, and Incomplete grade requests will be handled in accordance with University and Department policy. Requests must be submitted to me via email and before the appropriate deadlines. In the case of this class, they must be submitted prior to the final assignment for the course (the final quiz) since this assessment is scheduled before finals week.
- I encourage you to discuss such requests with me in person before making your decision.

Academic Integrity⁸

As a member of the Student Government Judicial Branch as an undergraduate and a graduate student at a university where any non-trivial act of lying, cheating or stealing results in expulsion, I take **UChicago's Academic Integrity and Student Conduct Policy** very seriously. All alleged honor violations brought to my attention will be referred to the disciplinary committee. If, in my judgment, the preponderance of the evidence indicates that a student has committed an honor violation on an assignment, that student will receive an immediate grade of zero for that assignment, regardless of the outcome of the disciplinary committee hearing. I trust every student in this course to fully comply with all of the provisions of the Academic Integrity and Student Conduct Policy. Here are specific expectations:

- On exams, it is expected that you will neither receive nor give aid, nor access any material other than items explicitly outlined in the exam instructions (no cell phones, laptops, etc.).
- On problem sets, you may (and should!) work with other students, but it is expected that you will write out your own answers and take the online assessments on your own. 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.

⁵The problem sets constitute the assignments in this class.

⁶The quizzes constitute the exams in this class.

⁷Reasons include, but are not limited to: illnesses, athletic competitions, work trips, job fairs, job interviews, travel reservations, relative illnesses, relative funerals, out-of-town weddings, car accidents, car trouble, scooter trouble, tickets to see Billy Joel in concert, and emergency visits to the veterinarian with your dog.

⁸I apologize for the heavy handed tone of this section. It is intended to protect the many honest students who take my class and the University as a whole.

- During the entire semester, it is expected that you will not access old problem sets, exams, or answer keys at any time. This includes websites that post solutions under the guise of tutoring. (These sites both facilitate cheating and steal the intellectual property of the author.)
- During the entire semester and thereafter, it is expected that you will neither post any class material on the internet nor share any class materials with other students through any other means. Furthermore, if you become aware that this has occurred, you are obligated to let me know immediately.

Americans With Disabilities Act

Students with disabilities needing an academic accommodation should contact UChicago's Student Disability Services (SDS). Please see their webpage for contact information (<https://disabilities.uchicago.edu>). Additionally, please feel free to come talk to me if I can be of help. Requests for accommodations should be made via SDS and a reasonable amount of time in advance of any exams or assignments.

Mental Health Services

Students differ in how much they know about mental health services. Your use of UChicago's Student Health and Counseling Services (SHCS) is confidential and not linked to your academic file.⁹ There are no gains from suffering in silence, so please do not hesitate to make use of the services provided by SHCS if you need them. Please see SHCS' mental health webpage for services and contact information (<https://wellness.uchicago.edu/mental-health/>). And if you are having serious mental, physical, or other problems, immediately contact the urgent medical care line at (773) 702-4156.

Diversity Statement

UChicago is committed to diversity and rigorous inquiry that arises from multiple perspectives. I concur with this commitment and view the diversity that students bring to my class as a resource and a benefit to learning. I expect to maintain a productive learning environment based on open communication, mutual respect, and non-discrimination. I strive to present materials in a way that is respectful of diverse student backgrounds. As there can always be a gap between intent and execution, suggestions for promoting a positive and open environment are welcomed. Please feel free to correct me on your preferred name and gender pronouns if necessary.

Responsible Employees (Title IX)

All University of Chicago faculty and TAs are classified as "Responsible Employees." As such, they are required to report any discussions of sexual misconduct, dating violence, domestic violence or stalking to the Title IX Coordinator for the University. This includes the identities of the student making the complaint and alleged perpetrator. You will receive an email once a report is filed, but you are not obligated to meet with anyone or engage in the process. Alternatively, there are "Confidential Resource" employees at the University who do not have an obligation to share identifying information. For more information, including phone numbers, see the UChicago U Matter website (<https://umatter.uchicago.edu/find-support/>).

⁹Broadly speaking, psychiatrists assign medication, while therapists/psychologists will talk with you. The latter are trained to ask the right questions.

Syllabus Change Policy

Except for changes that substantially affect implementation of the evaluation (grading) statement (aside from those I have already noted), this syllabus is a guide for the course and is subject to change with advance notice.

Tentative Course Outline

The weekly coverage might change as it depends on the progress of the class. The “Gruber” column in the table that follows indicates the chapter(s) in the Gruber textbook that corresponds to the topic we’re covering in class that day. “PS” is an abbreviation for “Problem Set” and “Q” is an abbreviation for “Quiz.”

Course Schedule						
Week	Week Of	Date	Day	Topic/Assignment	Gruber	Assign.
1	April 6	04/07	Tue	Introduction/Review of Microeconomics	2 & 3	
		04/09	Thu			
2	April 13	04/14	Tue	Market Failure, Redistribution & Efficiency		
		04/16	Thu	Public Goods	7	PS 1*
3	April 20	04/21	Tue			
		04/23	Thu			Q 1
4	April 27	04/28	Tue	Political Economy: Voting & Tiebout Sorting	9 & 10	
		04/30	Thu			PS 2
5	May 4	05/05	Tue			
		05/07	Thu	Externalities	5 & 6	Q 2
6	May 11	05/12	Tue			
		05/14	Thu			PS 3
7	May 18	05/19	Tue	Asymmetric Info	12 & 13	
		05/21	Thu			Q 3
8	May 25	05/26	Tue			
		05/28	Thu	Unemployment Insurance	14	PS 4
9	June 1	06/02	Tue			Q 4
		06/04	Thu	No Class: College Reading Period		

Note that there is no discussion section the first week of class. Additionally, the first problem set will be due on Friday to accommodate students celebrating Passover.