



FLORIDA STATE  
UNIVERSITY

## **ECO 4554: Economics of State & Local Governments**

**Professor Christopher Clapp**

**Syllabus, Spring 2017**

### Class

Location: 313 HCB

Meetings: M W 9:30-10:45am

### Professor

Email: [cclapp@fsu.edu](mailto:cclapp@fsu.edu)

Phone: (850) 645-0756

Office Location: 281 Bellamy

Office Hours: M 1:00-1:45pm, W  
11:00-11:45am, or by appointment

## **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 enough, 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, paying particular attention to the roles played by sub-national governments. 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.

## **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 acquire knowledge of how and why 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.

## Expectations

- **I expect that students will (tips for doing well):**

- Attend class regularly and arrive on time.
- Ask questions about anything presented in class that is confusing, regardless of whether or not everyone else seems to “get it.” *If you’re confused, someone else certainly is.*
- Review the slides after every class. There are no required textbook readings, so this is a very reasonable expectation.
- Regularly ask me clarifying questions about anything from previous classes that was unclear.
- Visit me in office hours with more in-depth questions and for help with problem set questions.
- Work in groups to figure out problem set questions. No one knows nothing, and everyone knows something! Problem sets are designed to reinforce what we’ve covered in class and make you think by extending that material (not have you replicate an example with slight differences), so *I do not expect that anyone will be able to answer my questions without some help.*
- Review the solutions to the problem sets once they are posted on Blackboard. They give detailed explanations of how to solve the problems. Regardless of how you do on the problem set (and especially if you’re not pleased with your performance), working through the solutions and figuring out what you did well on and where you went wrong will greatly increase your understanding of the material.
- Respect my time by:
  - \* Checking the syllabus before emailing me to ask procedural questions.
  - \* Making every possible attempt to attend my regularly scheduled office hours. That means that aside from other classes, you should plan your schedule around my office hours.
  - \* Visiting me in office hours only if you regularly attend class.
  - \* Attempting problem set questions in advance before asking me for help with solutions.
  - \* Asking pointed questions in class and office hours (not questions of the form, “How do you do 1a? ... How do you do 1b? ...”)

- **In return, you can expect that I will:**

- Hold class regularly. Begin and end class on time.
- Prepare lectures that both explain important concepts and stimulate you to think about those concepts in greater depth.
- Update those lectures regularly to reflect advances in the economic literature and current events.
- Be accessible in regularly scheduled office hours to help you with any questions you may have and by appointment if you have reasonable conflicts with my office hours.
- Treat all students with respect.

## Prerequisites

The official prerequisite is Principles of Microeconomics (ECO 2023), but this is a difficult subject and one of the more advanced classes in the major. For these reasons, it is my opinion that taking this class when you are an advanced undergraduate (Junior or Senior) is in your best interest. More specifically, ***I strongly recommend that you don't take this class until you have first successfully completed Intermediate Microeconomic Theory (ECO 3101).*** Early in the class, we will cover key concepts from ECO 3101 that serve as the foundation for everything that follows in this class (and in all of microeconomics). ***While it is possible to learn these foundational concepts in this class and do well, please be forewarned that if you have not taken ECO 3101 already, you will be at a disadvantage relative to students who have and you will have to put in additional effort to address this disparity in preparation if you decide to stay in this class.*** (Historically, a non-trivial number of students do not adequately do so and wind up dropping the class.) Said another way, you will get more out of this class (and find it easier) after completing ECO 3101.

While calculus is not an official requirement for this class, it is a necessary (and valuable) tool economists use in order to set-up and understand many of the models that we'll examine. While I will work to minimize the use of calculus in this class, I will require that you have a "big picture" understanding of why economists use calculus and that you are comfortable with some basic techniques. We'll begin the class by reviewing those techniques.

## 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:<sup>1</sup>

Problem Sets (4)	20%
Midterms (2)	40%
Final Exam	35%
Class Participation	05%
E.C. Presentations (2)	06%

There will be five problem sets, which will be posted on the FSU Blackboard 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, after you have finished your problem set, you must take a short, on-line assessment on Blackboard. The questions on the assessment are based on the problem set and will be trivial if you have completed the problem set. There will be a time limit, so you should not attempt the assessment until you have completed the problem set. 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, so only the best four problem sets will count toward the course grade (each worth 5%). You are welcome (and encouraged) to form study groups and discuss the problem sets with each other, but everyone should write-up his/her own problem set and complete the assessment independently.

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. There will be two midterm exams. The first midterm will take place on **Wednesday**,

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

**February 15th**, and the second one on **Wednesday, April 12th**, during the regular class time.<sup>2</sup> No make-up midterms will be given for any reason, valid or otherwise (see the “Course Policies” section for more information).

The final exam will be held on **Monday, May 1st, from 5:30pm-7:30pm**. Please let me know if I have misread the university exam schedule. There will be no make-up final scheduled, except in extreme circumstances (see the “Course Policies” section for more information).<sup>3</sup>

Class participation grades will be based on your level of active, attentive, inquisitive participation in the class and/or in-class assignments.

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. 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 0-3 points to student’s final grade. A maximum of 6 extra credit points (resulting from two successful presentations) can be earned in this way.

## 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).<sup>4</sup>

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

## Materials

### Textbooks

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

<sup>2</sup>The last day to drop/withdraw without receiving a grade is traditionally at the end of the 7th week of classes. Please confirm this with the current academic calendar (**Fall** or **Spring**). I will make every effort to post your first midterm grades before this date so you can optimize accordingly, but I cannot promise that this will be feasible.

<sup>3</sup>Please note that FSU policy clearly states that, “The scheduling of a final examination at any time other than the regularly scheduled final examination period is prohibited by University policy. The final exam schedule is found in the Registration Guide located at <http://registrar.fsu.edu/>. *Unless an exam is given during the final examination period, no test may be given during the last week of classes.*” (There are a few exceptions pertaining to online/distance learning classes and classes with seating constraints, but I believe those are noted on the exam schedule website.) Every semester, students struggling to finish their assignments tell me that they have finals during the last week of the semester. If this is the case in one of your other classes, I strongly encourage you to (politely) remind the offending faculty member of the Undergraduate Final Examination Policy and bring the issue up with the Department Chair and/or Dean of the course in violation if he or she does not adjust the class schedule. It is not fair to students for faculty to expect them to take their finals a week early, so you should not feel bad about voicing concern over this issue.

<sup>4</sup>Please 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.

- Recommended: *State and Local Public Finance*, 4th Edition, by Ronald C. Fisher (ISBN-10: 0765644274)
  - I have placed a copy on reserve at Strozier Library.
- Recommended: *Public Finance and Public Policy*, 5th Edition, by Jonathan Gruber (ISBN-10: 1464143331)
  - 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.
  - I have placed a copy of the previous edition on reserve at Strozier Library.

## 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 in my office during those times. If a sufficient number of students attend at the same time, we may move to a bigger room, and I will leave a note on my door to let you know where we are.

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

### ● General

- All cell phones and other personal communication devices must be turned off in class (unless I instruct you to use them as part of a class activity). If you are expecting an emergency call prior to class, please let me know.
- The class webpage is available through the Blackboard @ FSU 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 FSU email account regularly.
- 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.

### ● Attendance

- There is no attendance requirement (beyond the first day), but regular attendance is necessary (but not sufficient) to do well in the class.

### ● Assignments<sup>5</sup>

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<sup>5</sup>The problem sets and project constitute the assignments in this class.

- I post answer keys after most assignments are due, so no late assignments will be accepted for any reason, valid or otherwise.<sup>6</sup> 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.
- If you are unable to turn in an assignment (that has to be handed in) in person, I will accept a LEGIBLE scan of your work in a SINGLE PDF document via email so long as I receive it before the end of class on the appropriate date. The legibility of scans is entirely at my discretion. I will not accept cell phone pictures of assignments (often, they're too hard to read) or a separate document for each page being submitted (they're a nuisance for me to deal with).

### • Exams<sup>7</sup>

- No make-up midterms 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.
  - \* Should you miss a midterm because of a valid excuse, the weight of the missed midterm will be shifted to the final exam.
  - \* Should you miss a midterm for any other reason, you will receive a grade of zero on the exam.
- There will be no make-up final scheduled, except for the cases of serious health problems, family emergency or exam conflict (see [University Final Examination Policy](#)).
- 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.

### • Validating Excuses

- Should you miss an exam or an extended period of class due to an illness or other valid excuse, please contact The Dean of Students Department to have your circumstances validated. Upon confirming your situation as they see fit, a member of the Department staff will contact your professors and let them know that your excuse is valid. This saves me the trouble of trying to validate student excuses (which I have no idea how to do) and saves you the hassle of presenting an excuse to multiple faculty members. Contact information for The Dean of Students Department is listed in the table that follows.<sup>8</sup>

#### General

4th Floor of the University Center  
Building A, Suite 4100  
(850) 644-2428

#### Direct Contact

Robert Summerill  
(850) 644-9555  
rsummerill@fsu.edu

- If the Dean of Students Department cannot or will not validate the reason you missed an exam, you will receive a grade of zero on that exam. There are no exceptions to this policy.

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<sup>6</sup>Reasons 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.

<sup>7</sup>The midterms and final exam constitute the exams in this class.

<sup>8</sup>This information is current as of 12/2015. Please let me know if I need to update the "direct contact" information.

## **Academic Integrity (See also the “Academic Honor Policy” section)**

I 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.

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 Florida State’s Academic Honor Policy very seriously. All alleged honor violations brought to my attention will be handled by following the Academic Honor Policy process (see [Flowchart](#)). 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 Academic Honor Policy process. I trust every student in this course to fully comply with all of the provisions of the Academic Honor 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.
- During the entire semester, it is expected that you will not access old problem sets, exams, or answer keys at any time.
- You may study with students from the other sections being taught this semester, but you may not share posted solutions or solicit/give any information about the content of exams or the final.

## **University Attendance Policy**

Excused absences include documented illness, deaths in the family and other documented crises, call to active military duty or jury duty, religious holy days, and official University activities. These absences will be accommodated in a way that does not arbitrarily penalize students who have a valid excuse. Consideration will also be given to students whose dependent children experience serious illness.

## **Academic Honor Policy**

The Florida State University Academic Honor Policy outlines the University’s expectations for the integrity of students’ academic work, the procedures for resolving alleged violations of those expectations, and the rights and responsibilities of students and faculty members throughout the process. Students are responsible for reading the Academic Honor Policy and for living up to their pledge to “. . . be honest and truthful and . . . [to] strive for personal and institutional integrity at Florida State University.” (Florida State University Academic Honor Policy, found at <http://fda.fsu.edu/academic-resources/academic-integrity-and-grievances/academic-honor-policy>.)

## **Americans With Disabilities Act**

Students with disabilities needing academic accommodation should:

1. register with and provide documentation to the Student Disability Resource Center; and

2. bring a letter to the instructor indicating the need for accommodation and what type. This should be done during the first week of class.

Please note that instructors are not allowed to provide classroom accommodation to a student until appropriate verification from the Student Disability Resource Center has been provided.

This syllabus and other class materials are available in alternative format upon request.

For more information about services available to FSU students with disabilities, contact the:

Student Disability Resource Center  
874 Traditions Way  
108 Student Services Building  
Florida State University  
Tallahassee, FL 32306-4167  
(850) 644-9566 (voice)  
(850) 644-8504 (TDD)  
sdrc@admin.fsu.edu  
<http://www.disabilitycenter.fsu.edu/>

### **Free Tutoring from FSU**

On-campus tutoring and writing assistance is available for many courses at Florida State University. For more information, visit the Academic Center for Excellence (ACE) Tutoring Services' comprehensive list of on-campus tutoring options - see <http://ace.fsu.edu/tutoring> or contact [tutor@fsu.edu](mailto:tutor@fsu.edu). High-quality tutoring is available by appointment and on a walk-in basis. These services are offered by tutors trained to encourage the highest level of individual academic success while upholding personal academic integrity.

### **Syllabus Change Policy**

"Except for changes that substantially affect implementation of the evaluation (grading) statement, 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 “G” 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, and the “F” column provides the analog in the Fisher textbook.

Course Schedule for Economics of State and Local Governments							
Week	Week Of	Date	Day	Topic/Assignment	G	F	Assignment
1	January 9	01/09	Mon				
		01/11	Wed	Introduction: Nature & Scope of Public Economics			
2	January 16	01/16	Mon	<b>Martin Luther King Jr. Day – No Class</b>			
		01/18	Wed	Review of Microeconomics	2 & 3	2	
3	January 23	01/23	Mon				
		01/25	Wed	Market Failure, Redistribution vs. Efficiency		2	Prob. Set 1
4	January 30	01/30	Mon				
		02/01	Wed	Public Goods	7	2	
5	February 6	02/06	Mon				
		02/08	Wed				Prob. Set 2
6	February 13	02/13	Mon				
		02/15	Wed	<b>Mid-Term Exam</b>			<b>Exam</b>
7	February 20	02/20	Mon	Mid-Term Exam Review			
		02/22	Wed	Public Choice: Voting & Tiebout Sorting	8 & 9	3 & 5	
Helpful note: the last day to drop a class without receiving a grade is traditionally at the end of the 7th week.							
8	February 27	02/27	Mon				
		03/01	Wed				
9	March 6	03/06	Mon	Externalities	5 & 6		
		03/08	Wed				
	March 13	03/13	Mon	<b>Spring Break – No Class</b>			
		03/15	Wed	<b>Spring Break – No Class</b>			
10	March 20	03/20	Mon				
		03/22	Wed				Prob. Set 3
11	March 27	03/27	Mon	Asymmetric Info	12		
		03/29	Wed				
12	April 3	04/03	Mon				
		04/05	Wed				Prob. Set 4
13	April 10	04/10	Mon	Unemployment Insurance	13		
		04/12	Wed	<b>Mid-Term Exam</b>			<b>Exam</b>
14	April 17	04/17	Mon	Mid-Term Exam Review			
		04/19	Wed				
15	April 24	04/24	Mon				
		04/26	Wed	General Taxation: Incidence & Efficiency	19	12	Prob. Set 5
Final	May 1	05/01	Mon	<b>Comprehensive final exam from 5:30-7:30pm</b>			<b>Final</b>