

# UNIVERSITY OF OREGON

## Department of Economics

Economics 340

Spring 2017

Issues in Public Economics

Tuesday Thursday 8:30-9:50AM room 129 MCK

Instructor: Erin Cottle Hunt

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## Textbook

Joseph Stiglitz and Jay Rosengard, *Economics of the Public Sector*, 4th ed. (Norton)

E-book and digital content available at <https://digital.wwnorton.com/publicsector4>

## Course Description

This is a course devoted to the economics of the public sector. That is, the economics of government intervention in the economy. We will begin by considering the case where no government intervention is desirable, the competitive market case, to develop the concept of Pareto efficiency. Then we will consider deviations from competitive markets (externalities and public goods), how government interventions might be welfare improving, and, crucially, whether these benefits are worth the cost of intervention. The second part of the course will consider a second justification for government intervention - redistribution. We will consider issues in the measurement of inequality and poverty, and the means available to governments to reduce both. The second part of the course will also consider classic Public Choice Theory (also called Social Choice). We will examine how groups make decisions and how various political processes impact policy. The third part of the course will focus on two main public policy areas: social insurance and taxation. We will consider detailed examples of social insurance and taxation in the U.S. using both theory and examples. By the end of the quarter, you should be able to think critically about public issues from an economic perspective and improve your ability to analyze policy.

## Prerequisites

This course builds on the microeconomics tools and intuition from EC 201 (Principles of Microeconomics). It is also much more math intensive than the Principles level courses you may have taken. You will need to solve models using both algebraic and graphical methods. Many students struggle with algebra as they transition to upper level Economics courses. If you are having difficulties, feel free to come to me for assistance.

## Grading

You will choose between two grading schemes for this class. If you choose Option A, your grade will be based on: participation (5%), three longer problem sets, to be handed in weeks 4, 7 and 10 (15%), two midterms (25% each) and a cumulative final (30%). If you choose Option B, you complete a Policy Paper (due March 13) that will count for 15% of your total grade. The rest of your grade will depend on participation (5%), problem sets (15%), two midterms (20% each) and the final exam (25%). The midterms will be during Weeks 4 and 7 (April 27 and May 18) during normal class time. The Final will be held on Thursday June 15 at 8:00AM (note the early time).

Option A		Option B	
Participation/Quizzes	5	Participation/Quizzes	5
Problem Sets	15	Problem Sets	15
Midterm 1	25	Midterm 1	20
Midterm 2	25	Midterm 2	20
Final	30	Final	25
<i>Total</i>	<i>100</i>	Policy Paper	15
		<i>Total</i>	<i>100</i>

## Participation

Students may earn up to five percentage points of credit by participating in class discussions or completing online quizzes. To receive credit for class participation, students must ask or answer a question in class, and then tell me their name at the end of class (so I can mark their participation in the roll). Each participation day is worth one percentage point.

Students may also earn participation points by completing weekly quizzes in Canvas. Each quiz will be worth one percentage point (if answered correctly). Reading quizzes will generally be based on assigned chapters of the textbook. Each quiz will be due by Sunday at 11:59 p.m. of the week in which cover the relevant material (i.e., the quiz for week one will be due Sunday night before week two begins on Monday). A schedule of the quizzes is available in Canvas on the “syllabus” tab.

## Problem Sets

There are three problem sets for this course. Each problem set is worth five percentage points, and is due at the *beginning* of class the day of an exam. Due dates will be printed on the problem sets and will be posted in Canvas. Students are expected to turn in their own work. Copying from another classmate, the internet, or any other source will not be tolerated.

## Midterm Exams

Exams will not be rescheduled. Do not enroll unless you can take the exams at the scheduled time. Almost surely no make-up exams will be given. If a make-up is granted, the process will be arduous and ultimately result in the final exam counting for a larger portion of the grade. You do not want to go through this process.

## Final Exam

The final exam will not be rescheduled. Do not enroll unless you can take the final at the scheduled time. The final exam will be comprehensive and will be given on **Thursday, June 15, 2017 at 8:00AM in MCK 129**. A missed final due to an unanticipated, verifiable emergency will be handled with an incomplete for the course.

## (Optional) Policy Paper

If you choose Grading Option B, you will complete a policy paper, due June 6 at 8:30AM. If you hand in a paper, you will be graded according to option B. If you don't hand in a paper, you'll be graded according to Option A. Your paper will focus on a specific U.S. public policy. You should cover the economic motivation and brief history of the policy; the political and economic factors in its design; the implementation, successes/failures and winners/losers; and any prescription for altering the policy in the future. You may choose an expenditure or revenue policy. You may choose a federal, state or local policy. More information will be given to you about this requirement, including sample topics, later.

## Academic Dishonesty

Any form of cheating, including plagiarism, will be dealt with severely. At best, any student caught cheating will receive no credit for the assignment (or exam). At worst, the student will be referred to the Office of Student Conduct for further disciplinary action. Possible outcomes include failing the course and being expelled from the university. Takeaway: the expected benefit from cheating is far outweighed by the expected loss from cheating. So be a rational economic agent and don't cheat.

## Special Accommodations

If you require special accommodations of any kind due to a documented disability, you will need to provide a letter from the Accessible Education Center (164 Oregon Hall) verifying your need and detailing the appropriate accommodations.

## Expected Student Engagement

Under the UO quarter system, each undergraduate credit reflects approximately thirty hours of student engagement. Therefore, a 4-credit course should engage students for approximately 120 hours total. My expectation is that students will complete 120 hours of engagement through the activities listed below.

Course attendance	30
Assigned readings and Policy Paper	50
Problem Sets	15
Additional studying for exams (including quizzes)	35
<i>Total hours:</i>	<i>120</i>

## Class Schedule

The course will closely follow the textbook. Reading should be completed *before* attending lecture to maximize your own understanding. In addition to the textbook, any additional readings will be available on Canvas. Chapters below refer to chapters in the Stiglitz textbook.

<b>Preliminary Schedule, Subject to Change</b>	
Week 1	Introduction to Public Economics & Size and Role of Government <i>Chapters 1-2</i>
Week 2	Market Efficiency and 1st Fundamental Welfare Theorem (FFWT) <i>Chapter 3</i>
Week 3	Market Failure, Public Goods, Externalities <i>Chapters 4-6</i>
Week 4	Externalities, <b>Midterm 1 (April 27)</b> <i>Chapter 6</i>
Week 5	Efficiency and Equity <i>Chapter 7</i>
Week 6	Public Choice <i>Chapters 9</i>
Week 7	Public Choice, <b>Midterm 2 (May 18)</b> <i>Chapter 9</i>
Week 8	Social Insurance, Tax design <i>Chapters 16-17</i>
Week 9	Taxation <i>Chapters 18-19</i>
Week 10	More Taxation, <b>Policy Paper due (June 6)</b> <i>sections of 21-23</i>
June 15	<b>Final Exam (8:00AM)</b>