

PUBLIC ECONOMICS: ECONOMICS OF THE GOVERNMENT SECTOR: ECON 4211-001
Department of Economics, University of Colorado
Fall 2015

Class time: M,W,F: noon -12:50 pm. Room: ECON 119
Professor: Charles de Bartolome Office: ECON 203
Office hours: Mon 2:15 - 3:15 pm; Tu 9:15-10:15 am; e-mail: debartol@colorado.edu
Fri 2:15 - 3:15 pm.

Textbook: Harvey S. Rosen and Ted Gayer: *Public Finance* (9th edition). McGraw-Hill Irwin.

Clickers Each student must buy a *i>clicker*. If you do not already own one, an *i>clicker* may be purchased at the University of Colorado bookstore. Clickers will be used to give class problems which will be scored.

Clickers must be registered at: <https://myCUinfo.colorado.edu>.
Register using your Identity Login not your student ID.

I will consider your PC or Mac for class use.

Course description:

The benchmark model of economics is that markets are “good” at producing and allocating most commodities. However, there are instances when markets do not work well. This is termed market failure, and the course will discuss two classic examples of market failures, viz. public goods and externalities. In such situations, a government program may be justified on the grounds that it can improve outcomes. In addition, markets do not always lead to equitable outcomes. In such situations, a government program may be justified if it redistributes resources from rich to poor families. The course discusses how the design of a program is determined by the legislators’ objectives and by the extent to which voters are informed. In addition to discussing the justification and design of a government program, the course discusses the financing of the program and the design of the tax structure.

Pre-requisites:

Intermediate Microeconomics, ECON 3070;
Introduction to Statistics with Computer Applications, ECON 3818.

Course Assignments and Desire2Learn:

All course assignments, problem sets and some lecture notes are posted on Desire2Learn which may be accessed at <http://learn.colorado.edu> .

Please note that six pages of each Adobe Acrobat file can be printed on a single sheet by clicking as: Print>Properties>Multipage>6

Attendance at class:

Woody Allen once remarked: "90% of success is just turning up". The best way to learn the material is to attend class. Reading the lecture notes posted on the web is not a good substitute for attendance. Attendance at class is expected and required.

Administrative Drop:

Because attendance is important and is expected, I will drop from the class any student who neither attends one the first three classes of the term nor gets special permission from me for his/her absence.

Problem Sets:

Problem sets with answers will be posted for each topic. The problem sets are an integral part of the course. They are designed to help you use the material and a significant part of the exams will loosely follow their format.

In addition, there are many questions at the end of each chapter in the textbook. I encourage you to work through the questions which relate to the material covered in class (I will post a list of these questions on Desire2Learn).

Grading:

There will be a midterm exam, a paper and a final exam. The student's grade (before any adjustment for non-attendance) will be determined as:

41% Midterm,
10% Paper
41% Final
8%. In-class clicker questions

Concerning in-class clicker questions. I will use clicker questions to reinforce the

main point of a lecture. Each correct answer will receive 1 point, and an absence or an incorrect answer will receive zero points. In calculating your total score for all in-class clicker questions, I will sum your scores for all days, omitting your three lowest daily scores.

Paper timeliness:

It is important that the paper is handed in on the date due (to be announced). If the paper is not handed in by the date due, your maximum score for the paper will be lowered from 10 to 5 points. If the paper is not handed in by the day of the exam, your score for the paper will be 0.

Contributing to the group in the creation of the paper:

There have been instances in the past when a member of a group does not fully participate in the creation of the paper. If this happens, the members of the group who are participating should email me noting that the member of the group is not fully participating in the creation of the paper. I will then forward this email to the member asking for his/her comment. If he/she agrees that he/she is not fully participating, I will increase the scores of the participating members to reflect the fact that they are doing more work and reduce the score of the other member to reflect the level of his/her participation. If he/she disagrees and claims to be participating, I will summon all group members to my office to discuss.

Exams:

Because this is an advanced course, there is only one midterm. The midterm and final will be given as:

MIDTERM: Monday 12 October 7:00 - 9:00 pm.
in

FINAL: Tuesday 15 December 4:30 - 7:00 pm.
in ECON 119

You must bring a blue-book to each exam.

Because this is a 4000-level class, the exams will not just repeat material covered in class. Some questions will follow the material covered in class and in the problem sets, but some will ask you to apply the material in a different environment

Failure to be present at an exam:

If you are unable to take an exam because of illness *and* have a medical note from your doctor to confirm this, you may take a make-up. Otherwise, unless you have obtained my prior permission to take the make-up, failure to be present for an exam will cause your score to be 0 for that exam.

Using Clickers:

I consider it cheating

2127 or the Office of Student Conduct (OSC) at (303) 492-5550. Information about the ODH, the above referenced policies, and the campus resources available to assist individuals regarding discrimination or harassment can also be found on the ODH website. The ODH can also assist individuals

COURSE OUTLINE

<u>Date</u>	<u>Topic</u>	<u>Chapter</u>
	1. INTRODUCTION	
24 Aug	INTRODUCTION Fundamental Question of Public Economics Micro v. Macro Separation of expenditure and taxes	1
26 Aug	Government size	
	FISCAL FEDERALISM	22

5. MARKET FAILURE: EXTERNALITIES

14, 16, 19, 21, 23, 26 Oct	EXTERNALITIES Efficient behavior. Coase theorem. Pigou taxes and subsidies. Regulation. <i>Problem Set:</i> the Coase theorem. <i>Problem Set:</i> Pigou tax. <i>Problem Set:</i> Permit sales. <i>Problem Set:</i> Regulation	5
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4. INCOME REDISTRIBUTION

28, 30 Oct 2, 4, 6 Nov	INCOME REDISTRIBUTION Process or end-state criterion. Equity and social welfare functions. Utilitarianism. Max-min and the original position. The shrinking pie. The equity v. efficiency trade-off. Public provision of private goods. <i>Problem Set:</i> Social welfare and income redistribution. <i>Problem Set:</i> Redistribution Program <i>Problem Set:</i> Okun's Bucket: Cost of Redistributing Income	12, 13
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5. TAX ANALYSIS

9, 11, 13 Nov	PUBLIC FINANCE: TAX OR DEFICIT FINANCING Ricardo equivalence. Keynes view. Overlapping-generation model. Traditional argument. Crowding-out of capital. Social Security	20 11
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Problem Set: Tax Product and Income Taxes

Problem Set: Bonds crowd out capital

Problem Set: Social security and savings.

Problem Set: Demographic issues

16, 18, 20, 30 Nov

TAXATION: PRODUCT AND INCOME TAXES

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Do sales taxes reduce consumption

Do labor taxes reduce effort?

Do capital taxes reduce savings?

Excess Burdens

Problem Set: Setting the product tax rate.

Problem Set: Product tax: excess burden.

problem Set: Product Tax: short-run and long-run

Problem Set: Setting the income tax rate.

Problem Set: Income tax - excess burden.

Problem Set: Okun's bucket: cost of redistributing income

2, 4, 7, 9 Dec

TAXATION: NORMATIVE RULES FOR SETTING TAX RATES

Tax rules

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