

UNIVERSITY OF GEORGIA
Department of Economics

Spring Semester 2009

Economics 4300
Public Sector Economics

Prof. Greg Trandel

Journalism 501
Tu, Th at 9:30 a.m.

Office: 527 Brooks Hall

E-mail: trandel@terry.uga.edu (preferred way to communicate)

Telephone: 706-542-3673 (don't use the voice mail) (Economics Dept. office: 706-542-1311)

Office Hours: Monday: 11:00 a.m. – 2:00 p.m.
Wednesday: 1:00 p.m. – 3:30 p.m.
or by appointment if you are not free during the above times

Course Description: This class focuses on government's role in the economy. In a typical semester, that would involve looking at two functions of government: the spending and the revenue-raising sides. In these areas, the class generally asks three types of questions: what is (or isn't) appropriate action for the government to take, what the government actually does, and how do government policies alter people's well-being and behavior.

This semester, the class will also spend some time on a third aspect of government behavior: countercyclical policy.

After some introductory material, the class considers general theoretical justifications, and practical explanations, for government actions. We'll then consider some various actual government spending programs. We'll then turn to a description of the U.S. tax system, its effects, and possible ways in which it could be changed.

When considering government actions (both spending and tax programs), the class will emphasize both how such programs affect individuals, and how they alter the behavior of people and the functioning of the economy. In doing this, the class uses both economic theory and the results of empirical research.

Specifically, the class will consider various changes that have actually occurred in U.S. tax rates, in the "welfare" system, and in the Medicare system, as well as proposed changes in the structure of taxation, in the form of the Social Security system, and in the health-insurance system.

Textbook and Readings: The text for this class is *Public Finance* by Harvey S. Rosen and Ted Gayer (8th ed., 2008, McGraw-Hill/Irwin). Almost all of this book will be assigned, and you should have a copy of it. I think the Rosen and Gayer is an unusually readable textbook. For a few topics, I will simply ask you to read the textbook coverage. Some other topics will be covered only in class. For most of the class topics, both the text and class will be important.

To allow us to address some topics at a greater depth than they are covered in Rosen and Gayer, some additional readings — both newspaper articles and some more "academic" works — will be assigned. Some of the material in these readings may appear on the exams, so you should treat the readings as (at least) equal to the text in importance.

Grading: Your grade for this class will be based on a final exam (worth 140 points, which counts for 35% of your semester grade), two in-class exams (each worth 100 points, or 25% of your grade),

a paper (40 points; 10%), two homework assignments and class participation (a total of 20 points; 5%).

Semester grades will be based on a 90–80–70–60 scale. The plus/minus option will be used at the A/B and the B/C dividing points, but no C– grades will be assigned.

Paper: You will be required to write a (roughly) four-to-six page paper in which you analyze a current economic policy issue. More detailed information about this assignment will be provided in the third or fourth week of the semester. The paper is due the last day on which class meets (Tuesday, April 28th).

Homework: Two homework assignments that count towards your semester grade will be distributed during the semester. These assignments will be due at the beginning of class on the following Thursdays: February 5th and March 26th.

Your grade on a homework assignment will depend (in part) on whether or not your answers are correct and (more importantly) on the amount of effort you put into doing the assignment. Late homework will not be accepted. If, however, you are unable to attend one of the relevant classes, you can hand in your homework early (up to 9:20 a.m. on the day the assignment is due) in my office. Feel free to work together on homework. However, each of you is required to write up and submit an *independent* answer sheet. This means that word-for-word copies will *not* be accepted.

Exams: Tests will be given in class on the following Thursdays: February 12th and April 2nd. These tests will be noncomprehensive and will cover the material presented in class up to and including the class preceding the exam, along with the relevant homework and reading material. The final exam will be given at 8:00 a.m. on Thursday, May 7th and *will be comprehensive*.

Each test will be a mix of objective questions and questions that require written answers.

The objective questions will generally be multiple choice. These questions can come from class alone, from the text alone, or from both sources.

A good answer to a written-answer question will generally be a couple sentences long (longer or shorter answers might sometimes be appropriate). For these questions, partial credit will be given.

To acquaint you with the form of the tests, I will hand out sample questions (generally taken from the exams that I used the last time I taught this class); you will get the first set of these one week before our first exam.

Graded exams should be returned on the Tuesday following each test day. When the exams are returned, some class time will be spent reviewing the test questions.

A student who misses a test without making prior arrangements will receive a grade of zero on that exam. If any circumstances that will prevent you from taking an exam arise, please talk to me as soon as you can. If you have any special problems, such as a potential “incomplete” grade, you may wish to contact the office of the Vice President for Student Affairs, at 542-3564.

Subsidized Lunch: On Wednesday, January 14th, you all are invited (if your schedule permits) to meet me for lunch at Barberitos (259 E. Clayton St.) at 1:30. Obviously, nobody is required to attend this outing, but if anyone does, it will give us a chance to talk outside of a classroom setting. As a small inducement to attend, I’ll contribute \$2 to help pay for the lunch of anybody who shows up.

If any of you would like to attend such a gathering, but can’t make the above time because of class (or work) conflicts, feel free to suggest a time (and place) for a second meeting.

Web Page: The main web page for this class (note: this is *not* a WebCT page) is at <http://www.terry.uga.edu/~gtrandel/econ4300/>. [The page can also be found from the main Department of Economics page by clicking on “Class Schedule”.]

Currently, the page contains a pdf version of this syllabus and a few links to pages that relate to some of the topics this class covers. A page that explains how to find some of the class readings may be posted (readings will be added throughout the semester). Other material may also be added. Any suggestions you have would be most welcome.

Scores and grades will be reported through the UGA WebCT system (<http://webct.uga.edu/>).

ECON 6300: Students who are registered for ECON 6300 rather than ECON 4300 will have to complete an additional assignment. Please talk to me about this fairly early in the semester.

Class vs. Text: The lectures and the reading assignments in this class are designed to complement (rather than duplicate) each other. As a result, to get the full benefit of the class, you must both attend lecture and read the assignments.

The exams will reflect the fact that the lectures and the text are not perfect substitutes. In other words, some test questions will be based on class material that is not found in the textbook. Each exam will also have at least one or two multiple-choice questions that cover topics discussed in the text, but not in class.

I will not record attendance in this class, but the exam format ensures that your test scores (and your class grade) will suffer if you fail to attend class on a regular basis.

Academic Honesty: I will strictly follow UGA's Academic Honesty Policy (see <http://www.uga.edu/honesty/>). Please note that under the policy possible penalties that could be imposed on a student found guilty by the academic-dishonesty panel are: the assignment of an "F" in the relevant class, a notation on the student's transcript, suspension, or expulsion from the University. I will report any violations of the academic honesty guidelines to the Office of the Vice President for Instruction.

Miscellaneous: I know you hear this all the time, but I'm going to repeat it anyway. Please keep up to date — attend class regularly and read the assignments at the appropriate times. If you are having trouble understanding any of the material, come see me in my office hours.

On a related issue, please do not hesitate to ask questions. I know that it is sometimes difficult to speak up during class. However, I need to know when I am going too fast or not being clear. Please ask questions — you'll perform a service for yourself, for your classmates, and for me.

Class Schedule

The following list indicates (approximately) when we will cover various chapters in the Rosen and Gayer text. All the Rosen and Gayer readings are required.

Note that the textbook's Appendix — which largely reviews Intermediate Micro — is not explicitly assigned. I suggest you glance at this material on your own, and read it carefully if any of it looks unfamiliar.

As already noted, other readings will be distributed in class (or perhaps posted on the web page).

The exams will definitely be given on the days indicated. The schedule gives a rough idea of what material each exam will cover, but there is some flexibility in the schedule. As we approach each test, I will make clear exactly what that exam will cover (both in terms of topics and readings).

Jan. 8: First-day questionnaire (and answers); start Markets without Government. *chs. 1, 3.*

Jan. 13, 15: Finish Markets without Government; Empirical Tools; Public Goods. *chs. 3, 2, 4.*

Jan. 20, 22: Externalities; Environmental Policies; Political Economy. *chs. 5, 6.*

Jan. 27, 29: Social Insurance; current Social Security. *ch. 11.*

Feb. 3, 5: Future of Social Security; Income Redistribution. *chs. 11, 12.*
Homework I due Feb. 5.

Feb. 10: Discuss homework.

Feb. 12: EXAM I.

Feb. 17, 19: “Welfare”; Unemployment Insurance; Health Care. *chs. 13, 9.*

Feb. 24, 26: Government and Health Care; Tax Incidence. *chs. 10, 14.*

March 3, 5: Tax Inefficiencies (Excess Burden); start the Design of a Tax System. *chs. 15, 16.*

March 17, 19: finish Tax Design; U.S. Personal Income Tax. *ch. 17*

March 24, 26: Taxes and Behavior (Labor Supply, Saving, ...). *ch. 18.*
Homework II due March 26.

March 31: Discuss homework.

April 2: EXAM II.

April 7, 9: Consumption Taxes and Possible Tax Reform; start Government Budgets and Deficits. *chs. 21, 20.*

April 14, 16: Countercyclical Policy; Corporate Taxes. *ch. 19.*

April 21, 23: Local Governments; Property Taxes; Cost-Benefit Analysis. *ch. 22, pages 320–321, ch. 8.*

April 28: Catch Up.
PAPER due.

Thursday, May 7th: Comprehensive FINAL EXAM at 8:00 a.m..