Economics of the Public Sector

Course Content: This course will cover the major topics in public finance. We will examine the theoretical and empirical issues concerning the provision and allocation of public goods and services, positive and normative aspects of taxation, and fiscal federalism. This course is taught with the expectation that students have completed Economics 201.

Office Hours: Office hours will be held in Vollum 227 on Mondays and Wednesdays from 1:30-2:30pm and on Thursdays from 4-5pm. Students who are unable to come during these times are encouraged to make an appointment.

Text and Required Reading: The principal text for this course is *Public Finance* (10th edition) by Harvey S. Rosen and Ted Gayer. In addition to the text, students are responsible for the required readings and for additional readings that will occasionally be announced in class. Students are expected to contribute by integrating, when appropriate, current public finance issues drawn from the business, financial, and general press into class discussions and by posting relevant articles on the appropriate Moodle forum. *Congressional Quarterly*, *The Wall Street Journal*, *The New York Times*, and *The Economist* are highly recommended. Every student should be prepared to contribute meaningfully to every class session.

Evaluation: Evaluation will be based on the following assignments and on your participation in class discussions and Moodle postings:

- Problem sets: February 14th, March 7th, and April 18th
- Conferences: February 24th (education reform), March 5th (social security reform) and April 25th (carbon tax in Oregon)
- Midterm: March 14th
- Final exam: Date and time to be confirmed by the Registrar’s Office

Materials on Reserve: The following books are on 2-hour reserve. Required readings are available on the course Moodle page. Supplementary readings (marked with a *) provide more detailed information about a topic.


**Outline and Reading List**

**I. Introduction and Methodology**

*January 27: Introduction*

Rosen and Gayer, Chapter 1


*January 29: Positive Analysis*

Rosen and Gayer, Chapter 2


*January 31: Normative Analysis*

Rosen and Gayer, Chapter 3
February 3: Cost-Benefit Analysis

Rosen and Gayer, Chapter 8


February 5: Applications of Cost-Benefit Analysis


II. Public Goods

February 7 and 10: Public Goods

Rosen and Gayer, Chapter 4


Coyle, Diane. 2013. The Economics of Enough The Milken Institute Review (First Quarter) 73-90.

**III. Theory of Externalities**

*February 12 and 14: Theory and Applications*

Rosen and Gayer, Chapter 5.


**IV. Education**

*February 17: Education Policy*

Rosen and Gayer, Chapter 7


**V. Collective Choice and Voting**

*February 19 and 21 (out of town at a conference, classes to be rescheduled): Collective Choice and Voting*

Rosen and Gayer, Chapter 6.


February 24: *Education Policy Debate: Public school reform - is competition the answer?*


VI. Health Care

*February 26: Health Care Market*

Rosen and Gayer, Chapter 9


*February 28: Health Care Reform*

Rosen, Chapter 10


The Urban Institute Health Policy Center's Health Care Reform Webpage


**VII. Social Security**

*March 3*

Rosen and Gayer, Chapter 11.


*March 5: Social Security Reform Debate: Major reform or minor tweaks?*


* Special Issue on Social Security *The Economists’ Voice* Volume 2 (1).
VIII. Income Transfer Programs

March 7: Income Distribution

Rosen and Gayer, Chapter 12 (through page 263).


March 10: Income Redistribution

Rosen and Gayer, Chapter 12 (page 263 to end).


March 12: Expenditure Programs for the Poor: Past and Future

Rosen and Gayer, Chapter 13.


*Holt, Steve. 2006. The Earned Income Tax Credit at Age 30: What We Know The Brookings Institution Research Brief (February)


**IX. Principles of Taxation**

March 24, 26, 28, 31, April 2 and 4: Incidence and Excess Burden of Taxation

Rosen and Gayer, Chapters 14, 15 (and appendices) and 16.


IX. The United States Tax Structure

April 7 and 9: Individual Income Tax

Rosen and Gayer, Chapter 17.


April 11 and 14: Personal Taxation and Behavior

Rosen and Gayer, Chapter 18.


April 16: Corporate Taxation

Rosen and Gayer, Chapter 19.


April 18: Deficit Finance

Rosen and Gayer, Chapter 20.


April 21 and 23: Tax Reform

Rosen and Gayer, Chapter 21.


Slemrod, Joel. 2011. How I Learned to Stop Worrying and Love the VAT The Milken Institute Review (First Quarter) 16-25.


April 25: Carbon Tax Debate: Should Oregon impose a carbon tax?


X. Fiscal Federalism

April 28, 30 and May 2

Rosen and Gayer, Chapter 22.


Gordon, Tracy. 2013. The Downside of States as Laboratories for Tax Reform Brookings (February 5)


Assignment List, Due Dates, and Exam Schedule

The following is a list of assignments and due dates. All assignments are due in class on the date listed below. In fairness to other students, late assignments will be penalized 1 grade for each day or partial day past the due date. Assignments handed in more than 3 days after the due date will not be accepted.

Collaboration, Citations and the Honor Principle
All work submitted during this course is expected to reflect the effort of the individual whose name appears on top of the page. You are encouraged to work with friends, tutors and instructors on assignments. However, when the time comes to write up your work for submission, it must be your work written in your own words. The Economics Department Citation Guide (available on the class Moodle page) should be used for citations in problem sets and the conference brief. All exams are to be taken closed book, closed notes and without any collaboration.

Examinations
The midterm exam is on Friday, March 14th. The comprehensive final exam will be given during finals week. The exact date and time of the final will be confirmed in the second part of the semester by the Registrar’s Office.

Problem Set Due Dates:

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<thead>
<tr>
<th>Problem Set</th>
<th>Date Distributed</th>
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<tbody>
<tr>
<td>Problem Set 1</td>
<td>February 7</td>
<td>February 14</td>
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<td>Problem Set 2</td>
<td>February 28</td>
<td>March 7</td>
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<tr>
<td>Problem Set 3</td>
<td>April 4</td>
<td>April 11</td>
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Conferences
Students will be divided into six groups with approximately three people in each group. Each group will be responsible for one presentation – I recommend using PowerPoint. The presentations will be approximately 15 minutes long allowing 20 minutes for rebuttal and discussion; it is expected that all group members will participate in the research, creation, and presentation of the topic to the class. Presentations should be informative, practiced, and clear.

In addition to the presentation, each group should write a “brief” of 5 pages that summarizes the main arguments and evidence in a clear and well-documented fashion. The brief should be in outline form where the main points of the argument are given and briefly discussed. Citations should use the format detailed in the Economics Department citation guide. This brief should be posted on Moodle no later than noon on the day before the conference.

Evaluation will be based on the brief, presentation, and your thoughtful participation in discussions for your conference and the other two conferences.