Econ 322 (Public Economics)  
Syllabus  
Fall 2010

Course Meets: Tuesdays and Thursdays, 3 – 4.15 pm, King 123

Contact Details
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Office Hours: Wednesdays, 3 – 4.30 pm; Thursdays, 1.30 – 2.30 pm; other times by appointment.

Course Description and Objectives
The public sector accounts for about a third of all economic activity in the United States. Government affects almost everything that we do in our daily lives, sometimes for the better, sometimes for the worse. This course uses tools of microeconomic analysis to study the taxing and the spending activities of government. We will:

- Examine foundations of welfare economics and rationales for the existence of government.  
- Introduce major concepts of public finance: externalities, public goods, voting and redistribution.  
- Explore public policy within two lenses: expenditures (education, health care, welfare, etc.) and revenues (income tax, behavioral responses, property taxes, etc.).  
- Examples of empirical research will be presented to make theory more applied and meaningful.

Prerequisites
The prerequisite for this class is Econ 253, Intermediate Microeconomics. This is very important because we will build directly on concepts that you would have already seen. To avoid redundancy, I will not spend time covering them in detail. As illustration, here are some concepts that are “assumed knowledge” for this class:

- Indifference curves, budget constraints  
- Utility maximization with a budget constraint – will be reviewed  
- Income and substitution effects  
- Univariate calculus (I will introduce multivariate concepts in lecture, if need be)  
- Econometrics/statistics, regression analysis and knowing how to read regression results are extremely useful, but not obligatory.
NOTE: “Assumed knowledge” in a concept does not mean you are 100% proficient, but simply that you’re not a complete stranger to it. I will be doing lots of examples to remind you of the concepts and the theory along the way.

Textbook and Course Materials

Textbook. The required textbook for this course is Harvey S. Rosen & Ted Gayer, Public Finance, 9th edition, McGraw-Hill, 2010. (Older editions are okay.) It is not recommended that you read too much of the textbook in advance; it is dense and we may not cover everything in lectures.

Readings. There will be some additional readings from academic journals and other texts that will supplement our textbook. These will be made available on Blackboard, and I expect you to have read them (not necessarily thoroughly) in preparation for the lecture where we discuss them.

Blackboard. As a registered student, you should be able to view the Blackboard page for this course. This is the site where I will post lecture notes, additional study material and announcements for this course. It is your responsibility to check the site often. Lecture notes will generally be posted a few days before the lecture we cover them in. I recommend that you print them out and bring them to class so that you can take notes on them. Note that the lecture notes are incomplete, as we will fill in the missing graphs, diagrams and equations during the lecture. If you miss a lecture, it is your responsibility to find a classmate who attended class to fill in the blanks.

Grading

There are five components to your course grade.

Participation (10%). I value your participation and expect you to take an active role in this class. This includes attending class, contributing to classroom discussion and reading assigned materials in advance of the lecture. Attendance will factor into your classroom participation grade, but it is not the only factor in its determination. Random attendance checks may be taken at any time.

Assignments (20%). There will be five homework assignments, which will be posted on Blackboard. You will have one week to complete the assignment. You MUST hand in your assignment in the first ten minutes of the class that it is due. Any late assignments will NOT be accepted for any reason. You are permitted to work with at most one other student on assignments; if you do so, you should hand in one assignment with both your names on it. The lowest grade among your assignments will be dropped for the purposes of calculating your final mark.

Policy Briefs (15%). You will explore in more detail two specific government policies of your choosing by writing policy briefs. They should be five or six double-spaced pages, no more, no less. 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. The first policy brief will cover a public expenditure policy, while the second brief will
cover a public 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.

**Midterm** (25%). There will be one in-class midterm exam held on Thursday, 4 November 2010. The exam will be a combination of short-answer problems and short-essay questions. The midterm will last 1 hour and 10 minutes.

**Final Exam** (30%). There will be a cumulative two-hour final exam, which will be from 7 to 9 pm on Tuesday, 21 December 2010. It is up to you to make sure that travel plans do not interfere with your ability to take the final exam.

**Exam Absences**
If you have documented, verifiable and serious reason to miss an exam, you must provide the proof to me within 48 hours of the exam, or you will receive a zero for it. Depending on the severity of your reason for absence, you will either take a make-up exam or the weight of the missed midterm will be shifted to the final exam. An excused absence for the final exam will be made up for according to the policy of the college.

**Honor Code**
The College requires that students sign an "Honor Code" for all assignments. Presenting the work of someone else as your own is a serious affront to the other students in the course and to me. On each assignment and policy brief that you submit, you must write "I have adhered to the Honor Code in this assignment" and sign your name in assent. (If you hand in an assignment with a classmate, you must both write and sign the affirmation.) For further information, please see the student Honor Code, via Blackboard>Lookup/Directories>Honor Code.

**Students with Disabilities**
If you have specific physical, psychiatric or learning disabilities and require accommodations, please let me know early in the semester so that your learning needs may be appropriately met. You will need to provide documentation of your disability to the Office of Disability Services in Peters G-27/G-28.
## Course Outline

<table>
<thead>
<tr>
<th>Week</th>
<th>Core Concepts</th>
<th>Textbook Chapters*</th>
<th>Assignments / Policy Briefs</th>
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<tbody>
<tr>
<td>1</td>
<td>7, 9 Sept.</td>
<td>Public economics; Review of theoretical and mathematical concepts; Tools of positive analysis</td>
<td>1, 2</td>
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<tr>
<td>2</td>
<td>14, 16 Sept.</td>
<td>Tools of normative analysis; Edgeworth boxes; Public goods</td>
<td>3, 4</td>
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<td>3</td>
<td>21, 23 Sept.</td>
<td>Public goods continued; Externalities</td>
<td>4, 5</td>
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<td>4</td>
<td>28, 30 Sept.</td>
<td>Externalities continued; Political economy</td>
<td>5, 6</td>
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<tr>
<td>5</td>
<td>5, 7 Oct.</td>
<td>Political economy continued; Education</td>
<td>6, 7</td>
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<td>6</td>
<td>12, 14 Oct.</td>
<td>Health care</td>
<td>9, 10</td>
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<td>7</td>
<td>19, 21 Oct.</td>
<td>Social security; Income redistribution</td>
<td>11, 12</td>
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<td>8</td>
<td>FALL RECESS</td>
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<tr>
<td>9</td>
<td>2 Nov.</td>
<td>Expenditure programs for the poor</td>
<td>13</td>
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<tr>
<td>10</td>
<td>9, 11 Nov.</td>
<td>Tax incidence; Tax burden; Optimal taxation</td>
<td>14, 15, 16</td>
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<td>11</td>
<td>16, 18 Nov.</td>
<td>Personal income tax</td>
<td>17</td>
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<td>12</td>
<td>23 Nov.</td>
<td>Behavioral responses to taxes</td>
<td>18</td>
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<tr>
<td>13</td>
<td>30 Nov., 2 Dec.</td>
<td>Deficit financing; Tax reform; Consumption taxes</td>
<td>20, 21</td>
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<tr>
<td>14</td>
<td>7, 9 Dec.</td>
<td>Fiscal federalism; Local taxes</td>
<td>22</td>
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<tr>
<td>15</td>
<td>14 Dec.</td>
<td>Flex day</td>
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* Caveat: The course outline and the readings are subject to change. You will not be asked to read everything in the textbook chapters, just what is assigned and is relevant to lecture material.