

Econ 322 – Public Economics

Syllabus

Fall 2024

Course Meets: Mon., Wed. and Fri. 1:30 – 2:20 pm, King 239

Contact Details

Instructor: Prof. Ron Cheung [he/him]

E-mail: rcheung@oberlin.edu → Please put “ECON 322: [subject of email]” in the subject line!

Office: Rice Hall 229

Office Hours:

- Drop-in (no appointment necessary): Mondays, 2:30 – 3:30 pm; Tuesdays, 11 am – 12 pm; Thursdays, 10 am – 11 am
- By appointment: email me and I'll be happy to work with you to find a time to meet.

Course Description

The public sector accounts for a third of all economic activity in the United States. Government affects almost everything that we do in our daily lives. This course uses tools of microeconomic analysis to study the taxing and the spending activities of government.

Learning Goals

By the end of the course, you will be able to:

- Examine theoretical foundations of welfare economics and rationales for government.
- Focus on the efficiency and equity of allocations with and without government intervention.
- Use analytic tools from calculus and from intermediate microeconomics in building models and deriving implications.
- Explore topics in public economics under two lenses: expenditures and revenues.
- Discuss examples of academic research to apply in context the models presented.
- Apply models to real-world public policy by writing policy briefs on the effectiveness and the consequences of expenditure and revenue policies of your choice.

QFR Goals

This course is designated QFR (Quantitative & Formal Reasoning). This course will focus on the following goals as a way to hone your quantitative and formal reasoning skills:

- Interpretation - Explain information presented in mathematical forms and/or within a formal reasoning system.
- Representation - Translate information into a formal system or mathematical model; translate real world phenomena into formal/mathematical symbols.
- Implementation - Use formal reasoning/mathematical methods, tools, technology, and calculation to solve problems.
- Application / Analysis - Make judgments and draw appropriate conclusions based on the quantitative and/or formal analysis of data.

Remote Accessibility

Lectures

- The course is a traditional class with in-person attendance expected. If we ever have to have a virtual class, you will be given the appropriate link.

Submitted Work

- Assignments & Policy Brief
 - Your problem sets and the policy brief will be submitted electronically via Gradescope, which is connected through Blackboard. Some of you may have used the platform for another course; if so, you'll see this course on your dashboard as long as you used your Oberlin email to register.
 - I will be providing a separate tutorial on how to use Gradescope. You will need either (1) a smartphone (preferred) or (2) access to a scanner. If you have neither, please talk to me.
- Exams
 - The exams will be conducted in person. After you complete them on paper, I will scan them into Gradescope where you will be able to review grading.

Prerequisites

The prerequisite for this class is **Econ 253**, Intermediate Microeconomics. Having this prerequisite is very important because we will build directly on concepts that you have already seen. As illustration, here are some concepts that are “**assumed knowledge**” for this class:

- **Calculus** (calculus in one variable; partial derivatives for functions of 2 or more variables)
- Indifference curves, budget constraints
- Utility maximization with a budget constraint
- Income and substitution effects (conceptual, but we will refresh)
- Econometrics, regression analysis and knowing how to read regression results are useful, but not obligatory. You'll be shown how to read tables in papers if you don't know.

It will help you to have your intermediate micro notes or text handy for reference.

Textbook and Course Materials

Textbook. There is no required textbook for this course. However, the following book is recommended if you want a concise reference to the theoretical concepts from class:

- Richard W. Tresch, *Public Sector Economics*, Palgrave-MacMillan, 2008. [Electronic copy available from library; physical copy on reserve.]

The following are less rigorous textbooks that give better coverage of the policy implications of models.

- Harvey S. Rosen & Ted Gayer, *Public Finance*, 10th edition, McGraw-Hill, 2013. [Physical copy on reserve at the library.]
- Jonathan Gruber, *Public Finance and Public Policy*, 6th edition, Worth, 2019. [Physical copy on reserve at the library.]

Readings. Required readings from academic journals and other texts will be posted on Blackboard.

Blackboard. You should be able to view the Blackboard page for this course. This is the site where I will post notes, study material and announcements. 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 Scale

There is no set grading scale for the class. This means two things:

- I don't have a preset formula that translates percentages to a letter grade (e.g., "97% gets an A+; 92-97% gets an A; etc.").
- I don't have a preset notion that only X% of the class gets an A, Y% of the class gets a B, and so on.

At the end of the semester, I look for breaks in the final grade distribution and assign grades that way. As a rule of thumb, if you end the semester with 90% or greater, you will probably get a grade in the A band (A-/A/A+). On the other hand, ending the semester with 55% or less will likely get you a D or an F.

Grading

Attendance (5%). Attendance plays an essential role in learning; you are warmly invited, encouraged, and expected to attend all class meetings. Your presence in class matters.

I'll be taking attendance in this class beginning in Week 2. Your attendance grade is determined like this:

Number of unexcused absences	Attendance grade
0 or 1 or 2	100%
3	50%
4	25%
5 or more	0%

Is my absence excused? There are extenuating reasons why an absence can be excused: illness, medical emergencies, personal or family emergencies. I encourage you to let me know of these absences in advance, if possible. Obviously, sometimes that is impossible, and it is understandable that you may need to contact me after your absence. In summary, prompt communication is the key to ensuring that you are not penalized for an unexcused absence.

If an absence does not rise to the level of an extenuating circumstance (e.g., you're studying for an exam in another class, you have a job interview, etc.), you may use a Flexibility Token (described in the next section) to offset your absence.

Write-ups (5%). A key of this class is to learn how to read academic papers thoughtfully. I have chosen several articles that I feel are accessible, informative and interesting. I expect you to read the papers and come to class with a short "write-up" that answers these questions:

1. In your words, what was the main question that this paper addressed?
2. Describe one thing you found interesting about the reading.
3. What was one question that arose as you read the reading?
4. How can the results of the paper help policy makers?

The write-up should be completed *before* the class and uploaded to Gradescope. In our discussion of the paper, I may ask you to share your answers to these questions, so please bring a copy of your write-up in for reference. Write-ups are graded for completion.

Assignments (15%). There will be about six homework assignments, which will be posted on Blackboard. You will have at least one week to complete the assignment. Please be aware that assignment problems can be mathematically challenging and time-consuming; please don't wait until the last minute to start.

You are permitted to work with one or two other students on assignments; however, *you must each hand in your own work*. This is especially important in essay or written questions. Assignments can consist of short answer questions, graphical or mathematical problems or short essays.

Gradescope will allow you to hand in an assignment up to 24 hours late, but late assignments incur a penalty of 25%. Exceptions can be made for documented and extenuating reasons. If you don't have a documented or extenuating reason, you can use a Flexibility Token (see below) to get an extension. If you do use a Token, please email me your assignment if Gradescope doesn't allow you to upload.

Policy Brief (20%). You will explore a specific government policy of your choosing by writing a policy brief. It should be six to eight double-spaced pages.

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 cover either an expenditure or a revenue policy. You may choose a US federal, state or local policy. More information will be given to you about this requirement, including sample topics, later. There will be opportunities to obtain feedback throughout the semester.

The deadline for the policy brief is **9 pm, Monday, Dec. 16, 2024**. A Flexibility Token may not be used to extend this deadline; see below.

Midterm Exams (25% each). There will be two midterm exams held in class on **Monday, 7 October 2024** and **Monday, 25 November 2024**. I will post study guides with sample problems beforehand. It is *your responsibility* to ensure you can be present for both exams. *I will not move exam dates to accommodate travel.*

Final Exam. There is no final exam for this class.

Departmental Final Project Policy

Courses in the Department of Economics have a common final project policy. It is the default policy that if a course has no final exam but has a final project, it is **due at the official time and day set by the registrar for a final exam in that class**. It is your responsibility to make sure you know the designated exam date for this class by going to <https://www.oberlin.edu/registrar/final-exams> before you continue with this class. The dates and times are provided so you have ample time to plan travel accordingly.

Rescheduling a final project due date is reserved for students facing extenuating circumstances. The department's policy is that you **must** seek an emergency or educational incomplete from the Academic Advising Resource Center (AARC).

This policy aims to accommodate genuine cases of need while maintaining the integrity and fairness of the assessment process.

Flexibility Tokens

You will each be credited with one Flexibility Token immediately, and another one after Fall Break. You may use a Flexibility Token to do any of the following **with no penalty**:

- Be absent from class, no questions asked; or
- Get a 48-hour extension on any assignment, writeup or on the policy brief, no questions asked.

Although advance notice is preferred, you can tell me you're using a Token after the absence or the assignment deadline. Unused Flexibility Tokens can be traded at the end of the semester for **a half percentage point extra credit on your final grade for each token**.

Exam Absences

If you have documented, verifiable and serious reason to miss an exam, you must provide proof to me within 48 hours, 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

At Oberlin, the Honor Code provides the foundation for the intellectual freedom that is encouraged and shared by all members of the academic community and embodies the belief that true academic freedom and discourse can only exist within a framework of honesty, integrity, and responsibility. It is expected that the core values inherent to the Honor Code will be adopted, upheld, and adhered to by all members of the Oberlin College community. See the [Academic Integrity Policy for more information](#).

The College requires that students sign an honor pledge for all turned-in work. On each item that you submit for grading, you must write "I have adhered to the Honor Code in this assignment" and sign your name. Here are examples of situations in which the Honor Code runs the risk of being violated:

- Sharing answers for homework assignments is dishonest. If you copy another student's answer or if you willingly let another student copy your answer, it is very dishonest. However, talking through a problem with someone or explaining to another student how you arrived at an answer is generally *not* dishonest.
- If you are working on an assignment with one or two other students (as permitted by the syllabus), but you divide up the questions so that each of you does different questions and then pool your answer together, that is dishonest.
- Plagiarizing in writing your policy brief is extremely dishonest.
- Using an unauthorized device or communicating with anyone else during an exam is extremely dishonest.

All suspected violations of the Honor Code will be investigated, reported and taken seriously. If you believe you have witnessed an Honor Code violation by another student, you are reminded of your responsibility to file a report with the Student Honor Committee.

Use of AI in the Class

I, along with the rest of the College faculty, am developing policy for the use of ChatGPT and other artificial intelligence (AI) tools. The speed of evolution in the technology means that policy may need to be tailored and altered dynamically. The following is the default policy; I may alter as necessary.

You **do not** have my permission to use AI software and tools in my class. This applies to all submitted work: write-ups, assignments, exams, and policy brief.

Please note that the Student Honor Committee recently updated the Honor Code Charter (found [here](#)), which now includes the following as an example of cheating (see B.2.vii on page 3): Utilizing artificial intelligence software or other related programs to create or assist with assignments on the behalf of a student unless otherwise specified by the faculty member and/or the Office of Disability & Access.

In-Class Ethics

- Please use technology as needed for your success in this class. This means that laptops in the class are allowed for the purposes of note-taking and to reference slides and articles.

- Please also keep in mind the limits of technology use. Avoid technology when it distracts yourself and others from an engaging learning experience.
- Please contribute to classroom discussion, but try not to disrupt other students' learning by arriving late, leaving the classroom frequently, going off-topic, interrupting others, etc.
- If you must arrive late or leave early, I would appreciate it if you let me know.

Disability and Access

It is the policy and practice of Oberlin College and Conservatory to create inclusive learning environments. If there are aspects of the instruction or design of this course that present barriers to your inclusion or an accurate assessment of your needs to best complete course requirements, please communicate this with me and contact the [Office of Disability and Access \(ODA\)](#) to request accommodations. Office: Mudd Center 205.

Office of Equity, Diversity, and Inclusion

Oberlin College supports equal opportunity for all persons and prohibits discrimination or harassment on the basis of race, color, sex, religion, national origin, disability, age, genetic information, military or veteran status, ancestry, marital status, sexual orientation, gender identity, gender expression in employment, educational programs and activities, and admissions. If you have questions or concerns related to discrimination or harassment please contact Rebecca Mosely, Title IX and ADA Coordinator and Director of Equity, Diversity, and Inclusion at rmosely@oberlin.edu or 440-775-8555. For more information and to review a full list of policies that address discrimination and harassment, visit the [Office of Equity, Diversity, and Inclusion](#).

Counseling and Psychological Services (CAPS)

Counseling and Psychological Services (CAPS) provides short-term therapy, psychiatry, group programming, consultation, and community referrals. Services are free and confidential. To schedule an appointment please call 440-775-8470. If you are in crisis, call their 24/7 counseling line, 855-256-7160. For more information, visit [Counseling and Psychological Services \(CAPS\)](#).

Academic Advising

The Academic Advising Resource Center (AARC)/Office of the Registrar supports academic advisors and students on issues related to academic success, progress toward degrees, courses, grading, and academic standing. Within the AARC are assistant deans who are responsible for meeting with and advising students on academic policies, grading questions, and departures from Oberlin (personal leaves or withdrawals.) For more information, visit [Academic Advising Resource Center \(AARC\)/Office of the Registrar](#).

Religious Holiday Observance

The General Faculty has approved the following regulations: i) Students wishing to observe recognized religious holidays are excused automatically from classes that occur on these dates, and ii) Faculty are to make it possible for students observing recognized holidays to make up any work they miss, provided arrangements have been made in advance.

It is imperative that students notify their professors as far in advance as possible to provide ample time to make up any missed work, and no later than one week in advance of the holiday. For more information, visit the [Office of Religious and Spiritual Life](#).

Course Outline & Readings

Textbook chapters from the optional Tresch book are given in brackets.

Caveat: The course outline and readings are tentative and subject to change.

Part I: Public Economic Theory

Week 1 (8/30)

Fri.: Syllabus run-through; Foundations of public economics

Week 2 (9/4, 9/6)

Wed.: The Efficiency-Equity Trade-off; The Size of Government [Ch 1]

Fri.: Welfare economics; Edgeworth boxes. [Ch. 2, 3]

Assignment 1 out about this week.

Week 3 (9/9, 9/11, 9/13)

Mon.: Welfare economics continued.

Wed.: Externalities; Pigouvian taxes. [Ch 7]

Fri.: Externalities continued. Quantity regulation. Tradable permits.

Read and do write-up for Ayres & Levitt article next week.

Week 4 (9/16, 9/18, 9/20)

Mon.: Discussion of measuring externalities.

- Ayres, Ian, and Steven D. Levitt. "Measuring Positive Externalities from Unobservable Victim Precaution: An Empirical Analysis of Lojack," *Quarterly Journal of Economics* 113:1 (1998): p. 44-77.

Wed.: Public goods. [Ch 8]

Fri.: Public goods continued.

Assignment 2 out about this week.

Week 5 (9/23, 9/25, 9/27)

Mon.: Public choice; bureaucracy.

Wed.: Voting.

Fri.: Voting.

Part II: Expenditures

Week 6 (9/30, 10/2, 10/4)

Mon.: Social welfare function; measuring income inequality. [Ch 4, 5 – parts]

Wed.: Transfer programs in the U.S. [Ch 10-11 – parts]

Fri.: Transfer programs continued; issues in implementation. [Ch 10-11 – parts]

Assignment 3 out about this week.

Study guide for Midterm 1 out.

Read and do write-up for Hoynes et. al. article after the exam.

Week 7 (10/7, 10/9, 10/11)

Mon.: **MIDTERM EXAM 1**

Wed.: Poverty alleviation; the Iron Triangle.

Fri.: Discussion on poverty.

- Hoynes, Hilary, Marianne Page and Ann Huff Stevens, "Poverty in America: Trends and Explanations," *Journal of Economic Perspectives* 20(1), 2006, p. 47-68.
-

Week 8 (10/14, 10/16, 10/18)

Mon.: Social insurance theory. [Ch 12]

Wed.: Health insurance.

Fri.: Social Security.

Assignment 4 out about this week.

Fall Break (10/21)

Week 9 (10/28, 10/30, 11/1)

Mon.: Social Security continued.

Wed.: Education and the public rationale.

Fri.: Education continued.

Part III: Taxation

Week 10 (11/4, 11/6, 11/8)

Mon.: Goals of tax policy. [Ch 13]

Wed.: Personal income tax. [Ch 14]

Fri.: Personal income tax continued.

Assignment 5 out about this week.

Read and do write-up for Kleven article next week.

Week 11 (11/18, 11/20, 11/22)

Mon.: Optimal taxation.

Wed.: Discussion on progressivity.

- Kleven, Henrik Jacobsen, "How Can Scandinavians Tax So Much?" *Journal of Economic Perspectives* 28(4), 2014, p. 77-98.

Fri.: Excess burden of taxation [Ch 15]

Study guide for Midterm 2 out.

Week 12 (11/25)

Mon.: **MIDTERM EXAM 2**

Wed. and Fri.: *Thanksgiving, no class*

Week 13 (12/2, 12/4, 12/6)

Mon.: Excess burden of taxation continued.

Wed.: Consumption taxation.

Fri.: Consumption taxation continued.

Assignment 6 about this week.

Week 14 (12/9, 12/11)

Mon.: Tax evasion. [Ch 17]

Wed.: Behavioral public finance.

Policy Brief due: 9 pm, Monday, 16 Dec. 2024