ECONOMICS OF THE PUBLIC SECTOR: ECON 4211-001
Department of Economics, University of Colorado
Fall 2014

Classtime: M,W,F: noon -12:50 pm.   Room: MUEN E431
Professor: Charles de Bartolome   Office: ECON 203
Office hours: M 4:00-5:00 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 should be registered at: myCUinfo.colorado.edu

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 ex

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 life 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 13 October in EDUC 220	7:00 p.m. - 9:00 pm.
FINAL:	Monday 15 December in MUEN E431	10:30 a.m. - 1:00 p.m.

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 closely follow the material covered in class and in the problem sets, but some will ask you to apply the material in a different environment
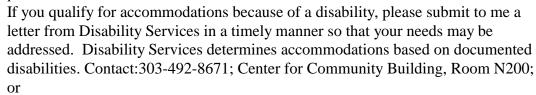
Failure to be present at an exam:

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.

Classroom courtesy:

Please turn your cell 'phone off prior to the start of class.

I believe that learning is enhanced if there is full concentration by both the instructor and the student. To facilitate this, laptops may only be used in the front two rows of the classroom and usage of laptops in class is restricted to following the course notes.

Students with Special Needs:

If you qualify for accommodations because of a disability, please submit to me a letter from Disability Services in a timely manner so that your needs may be addressed. Disability Services determines accommodations based on documented disabilities. Contact:303-492-8671; Center for Community Building, Room N200; or _____

http://www.colorado.edu/policies/classbehavior.html and at
http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student_code

Academic Integrity:

All students of the University of Colorado at Boulder are responsible for knowing and adhering to the academic integrity policy of this institution. Violations of this policy may include: cheating, plagiarism, aid of academic dishonesty, fabrication, lying, bribery, and threatening behavior. All incidents of academic misconduct shall be reported to the Honor Code Council (honor@colorado.edu ; 303-735-2273). Students who are found to be in violation of the academic integrity policy will be subject to both academic sanctions from the faculty member and non-academic sanctions (including but not limited to university probation, suspension, or expulsion). Other information on the Honor Code can be found at: http://www.colorado.edu/policies/honor.html and at http://www.colorado.edu/academics/honorcode/

Discrimination and Harassment Policy:

The University of Colorado at Boulder is committed to maintaining a positive learning, working, and living environment. The University of Colorado does not discriminate on the basis of race, color, national origin, sex, age, disability, creed, religion, sexual orientation, or veteran status in admission and access to, and treatment and employment in, its educational programs and activities. (Regent Law, Article 10, amended 11/08/2001). CU-Boulder will not tolerate acts of discrimination or harassment based upon Protected Classes or related retaliation agb rdiscž or)PÀ±D2±D2@Ñ6€PÒÂ0À6FVÖ–6W&×2À

Date	*Topic*	*Chapter*

1. INTRODUCTION

Date	*Topic*	*Chapter*
25 Aug	INTRODUCTION The Four Questions of Public Finance Separation of expenditure and taxes Government size. Normative *v.* positive	1
27 Aug	FISCAL FEDERALISM Assignment of responsibilities *Problem Set:* Fiscal Federalism	22
29 Aug	POSITIVE ECONOMICS The need for a model	2
3 Sept	NORMATIVE ECONOMICS: THE OBJECTIVE Pareto-efficiency Welfare functions Need for a model	3

2. BASE CASE: COMPETITIVE MARKETS

Date	*Topic*	*Chapter*
5, 8, 10 Sept	PRIVATE GOODS Competitive outcome. First fundamental welfare theorem. Second fundamental welfare theorem. *Problem Set*: First Fundamental Welfare Theorem *Problem Set*: Public Provision of Private Goods *Problem Set*: Second Fundamental Welfare Theorem	3 (cont)

12, 15, 17, 190,   PUBLI

5. MARKET FAILURE: EXTERNALITIES

15, 17, 20, 22, 24, 27 Oct	**EXTERNALITIES** Efficient behavior. Coase theorem. Pigou taxes and subsidies. Regulation.	5

Problem Set: the Coase theorem.
Problem Set: Pigou tax.
Problem Set: Permit sales.
Problem Set: Regulation

4. INCOME REDISTRIBUTION

29, 31 Oct 3, 5, 7 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.	12, 13

Problem Set: Social welfare and income redistribution.
Problem Set: Redistribution Program

5. TAX ANALYSIS

10, 12, 14 Nov	**PUBLIC FINANCE: TAX OR DEFICIT FINANCING** Ricardo equivalence. Keynes view. Overlapping-generation model. Traditional argument. Crowding-out of capital. Social Security	20 11

Problem Set: Tax or deficit financing.

Problem Set: Social security and savings.
Problem Set: Demographic issues

| 17, 19, 21 Nov | TAXATION: PRODUCT AND INCOME TAXES | 15 |

17, 19, 21 Nov   TAXATION: PRODUCT AND INCOME TAXES   15
1 Dec   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: Setting the income tax rate.
                  Problem Set: Income tax - excess burden.
                  Problem Set: Okun's bucket: cost of redistributing income

3, 5, 8, 10 Dec   TAXATION: NORMATIVE RULES FOR SETTING TAX RATES
                  Tax rules   16
                  Tax reform

                  Problem Set: Tax Reform

12 Dec   Review