

**UNIVERSITY OF MISSOURI-COLUMBIA**  
**Department of Economics**

**Econ 4315 and Econ 7315-Public Economics**  
**Fall 2009**

**Course Description from the Course Catalogue:** Analyzes economic effects of government expenditures, taxes and debt. Expenditure and taxation principles, tax reform, cost-benefit analysis, fiscal policy. Prerequisite: Econ 3251 (old Econ 251) or Econ 4351 (old Econ 351) .

**Time and Place:** Tuesday-Thursday 9:30-10:45, Strickland Hall 307

**Instructor:**

Saku Aura

Office: Professional Building 232

Office Hours: Wednesday 9:30-10:30 or by appointment

Phone: 882 6073

Email: [auras@missouri.edu](mailto:auras@missouri.edu)

Webpage: <http://web.missouri.edu/~auras>

Course webpage: <http://web.missouri.edu/~auras/Public315>

**Textbook:** Public Finance and Public Policy by Jonathan Gruber (Worth Publishers), Second Edition. The lectures will cover some material beyond the material covered in the textbook. Note that this additional material is required for the exams.

**Grading:** The grading on this course is based on the exams (midterm and a final), term paper and problem sets. The relative weights of these for the final grade are:

Final exam	35%
Midterm	20%
Term Paper	40% (First Draft 10% and Final Version 30%)
Problem sets	5%

**Graduate Credit (Econ 7315):** The expectations for the quality of the required term paper are higher for Graduate Students.

**Exams:**

**Midterm Exam:** Thursday 10/15 during regular class time.

**Final Exam:** Monday 12/14/09, 1pm-3pm. The final exam is comprehensive.

**Term Paper:**

You should provide me with a **one-page plan** of the term paper by **Thursday 9/24**. Early submission of the plan is encouraged. **The first draft of the paper is due on Tuesday 11/3**. This draft does not have to be 100% complete, but it must show significant effort toward the paper (at

least 50% of the final length and substance of the paper). The first draft is worth 10% of the course grade.

The final version of the paper is due on **Tuesday 12/8**. The appropriate length for the final draft of the term paper is anywhere between 8 to 14 pages (not counting figures, tables etc). The papers will be graded for the understanding and presentation of the underlying economic (and in some cases legal and political) issues. Each student is required to write an individual paper.

**To ease the handling of the term papers, electronic submissions via email to auras@missouri.edu is preferred although you should give me also a paper copy.** The deadlines for the assignments mean always “paper copy due in the beginning of class”.

Below are examples of possible topics for the term paper (both broad categories and more narrowly focused questions). Coming up with your own topic is allowed and even encouraged. In any case, please discuss your chosen topic with before submitting the proposal.

1. Social Security Crisis and Pension Reforms:
  - a. Current US crisis and policy options
  - b. Privatization: Risk and rewards
  - c. Privatization: Distributional consequences
  - d. Privatization: Costs and Benefits
  - e. Paternalism and Pension reforms
  - f. International Pension Crisis: solutions/lessons from abroad
2. Fundamental Tax reform: Costs vs. Benefits
  - a. Distributional aspects of fundamental tax reform
  - b. Alternative models of fundamental tax reform
  - c. US Constitution and Tax reform Options (especially in relation to Value Added Tax)
3. Sales Taxes and the Internet
4. Cost-Benefit Analysis:
  - a. Dynamic vs. Static Scoring of budget Laws: Pros and Cons
  - b. Discounting and time perspective in Cost-Benefit Analysis
  - c. Valuing life in Cost-Benefit analysis: Economics and Ethics
  - d. Uncertainty in Cost-Benefit Analysis (e.g. Global Warming)
  - e. Contingent Valuation Analysis
5. Environmental Externalities
  - a. Permit Markets
  - b. Environmental externalities: market and non-market solutions
6. Health Care Reform
  - a. US model of Health Care in the international perspective: Lessons for the United States from abroad (or alternatively: What can other countries learn from US Health Care System).
  - b. Health Care Cost: Economics, Ethics and Policy Questions
  - c. Private vs. Public Solutions to Health Care: Incentives and Insurance market problems
7. Welfare System
  - a. The effect of Welfare System on behavior

- b. The effects of the Welfare Reform
- 8. Estate Taxes
- 9. Dividend Taxes
- 10. 401ks and IRAs: Effects on Personal and National Savings

You are welcome to use as sources academic journals, working papers, newspapers/magazines, policy papers by think-thanks/governmental agencies/international agencies and other sources (such as books). Most sources are available online. Do not rely solely on newspaper/magazine commentary as sources; the goal is to write about the economics of the question, so it is important to relate to some of the economic analysis underlying the question. When citing information from a source, please try to keep in mind the underlying policy stand taken by the author/the publishing entity and try to present a balanced view on the topic. This does not mean that you are not allowed to take a particular point-of-view on the topic, but your paper should not present only one side of the argument.

**NOTE:** If you are planning to write a paper on a topic that you have already written a paper for another class or are concurrently writing for another class, please talk to me about it before starting. Sometimes situation like this could be accommodated if the papers are independent enough, however as a general rule this is not recommended. Writing paper on a same topic for two classes concurrently or reusing an old paper without these arrangements will be treated as academic dishonesty.

**Problem Sets:**

I will occasionally assign problem sets based on the material we have learned (approximately 2 problem sets). While satisfactory completion of the problem sets can have a marginal effect on the grade (5%), the main purpose of the problem sets is to provide practice material for the exams and a to improve your understanding of the material.

Please return an original (handwritten or typed up) problem set solution on the due date. You may cooperate with your classmates on the problem sets (work in groups, discuss the solutions), but each student should return their own individual answers to problems (do individual write-ups).

**Preliminary Lecture Plan:**

Reading relevant chapters from the textbook before the lecture will make the classroom discussion more interesting. The following is a rough guide on how the course will proceed.

Date	Topic	Chapter	Noteworthy
08/25/09 Tuesday	Introduction	1	
08/27/09 Thursday	Theoretical Tools	2	
09/01/09 Tuesday	Theoretical Tools	2	
09/03/09 Thursday	Theoretical Tools	2	
09/08/09 Tuesday	Empirical Tools	3	
09/10/09 Thursday	Externalities	5	
09/15/09 Tuesday	Externalities	5,6	
09/17/09 Thursday	Public Goods	7	
09/22/09 Tuesday	Public Goods	7	
<b>09/24/09 Thursday</b>	<b>Cost-Benefit Analysis</b>	<b>8</b>	<b>Term Paper Proposal Due</b>
09/29/09 Tuesday	Political Economy	9	
10/01/09 Thursday	Political Economy	9	
10/06/09 Tuesday	State and Local	10	
10/08/09 Thursday	Taxation: Overview	18	
10/13/09 Tuesday	Taxation: Overview	18	
<b>10/15/09 Thursday</b>	<b>Midterm</b>		
10/20/09 Tuesday	Tax Incidence	19	
10/22/09 Thursday	Taxation and Efficiency	20	
10/27/09 Tuesday	Taxation and Efficiency	20	
10/29/09 Thursday	Taxes on Labor Supply	21	
<b>11/03/09 Tuesday</b>	<b>Taxes on Savings</b>	<b>22</b>	<b>First Draft of Term Paper Due</b>
11/05/09 Thursday	Taxes and Risk Taking	23	
11/10/09 Tuesday	Corporate Taxation	24	
11/12/09 Thursday	Social Insurance	12	
11/17/09 Tuesday	Social Security	13	
11/19/09 Thursday	Social Security	13	
11/24/09 Tuesday	Thanksgiving break – no class		
11/26/09 Thursday	Thanksgiving break – no class		
12/01/09 Tuesday	Health Insurance	15	
12/03/09 Thursday	Health Insurance	15,16	
<b>12/08/09 Tuesday</b>	<b>Income Distribution</b>	<b>17</b>	<b>Term Paper Due</b>
<b>12/10/09 Thursday</b>	<b>Reading Day</b>		<b>No class</b>
<b>12/14/09 Monday</b>	<b>Final Exam 10:30-12:30</b>		

### Academic Integrity Policy

Academic honesty is fundamental to the activities and principles of a university. All members of the academic community must be confident that each person's work has been responsibly and honorably acquired, developed, and presented. Any effort to gain an advantage not given to all students is dishonest whether or not the effort is successful. The academic community regards

academic dishonesty as an extremely serious matter, with serious consequences that range from probation to expulsion. When in doubt about plagiarism, paraphrasing, quoting, or collaboration, consult the course instructor.

Academic Dishonesty includes but is not necessarily limited to the following:

- A. Cheating or knowingly assisting another student in committing an act of cheating or other academic dishonesty.
- B. Plagiarism which includes but is not necessarily limited to submitting examinations, themes, reports, drawings, laboratory notes, or other material as one's own work when such work has been prepared by another person or copied from another person.
- C. Unauthorized possession of examinations or reserve library materials, or laboratory materials or experiments, or any other similar actions.
- D. Unauthorized changing of grades or markings on an examination or in an instructor's grade book or such change of any grade report.

Academic Integrity Pledge: "I strive to uphold the University values of respect, responsibility, discovery, and excellence. On my honor, I pledge that I have neither given nor received unauthorized assistance on this work." Students are expected to adhere to this pledge on all graded work whether or not they are explicitly asked in advance to do so.

The University has specific academic dishonesty administrative procedures. Although policy states that cases of academic dishonesty must be reported to the Office of the Provost for possible action, the instructor may assign a failing grade for the assignment or a failing grade for the course, or may adjust the grade as deemed appropriate. The instructor also may require the student to repeat the assignment or to perform additional assignments. In instances where academic integrity is in question, faculty, staff and students should refer to Article VI of the Faculty Handbook. Article VI is also available in the M-Book. Article VI provides further information regarding the process by which violations are handled and sets forth a standard of excellence in our community.

### **ADA Statement**

If you need accommodations because of a disability, if you have emergency medical information to share with me, or if you need special arrangements in case the building must be evacuated, please inform me immediately. Please see me privately after class, or at my office.

Office location: Professional Building 232 Office hours : Thursdays 9:30-10:30am

To request academic accommodations (for example, a note taker or extended time on exams), students must also register with the Office of Disability Services (<http://disabilityservices.missouri.edu>), S5 Memorial Union, 882-4696. It is the campus office responsible for reviewing documentation provided by students requesting academic accommodations, and for accommodations planning in cooperation with students and instructors, as needed and consistent with course requirements. Another resource, MU's Adaptive Computing Technology Center, 884-2828, is available to provide computing assistance to students with disabilities. For other MU resources for students with disabilities, click on "Disability Resources" on the MU homepage.

**The department of Economics Exam accommodation procedure for Students with Disabilities:**

1. A disabled student who wants accommodations for an exam in Economics course must present the course instructor with a Letter of Accommodation from the Office of Disability Services (ODS) that documents the accommodations the student is entitled to receive. This should be done as early in the semester as possible.
2. For each accommodated exam, the student should bring the course instructor an Adaptive Examination Request Form from ODS. The course instructor is not required to accept such a request unless the student has first provided you with a Letter of Accommodation. ODS policies require that this form be provided to you at least 7 business days in advance for hourly examinations and by Thanksgiving Break (Spring Break) for fall (spring) final examinations.
3. The student section of the form must be properly filled out (including consistency with the Letter of Accommodation regarding the accommodations) and signed by the student. The course instructor must fill out the instructor portion including a note in the SPECIAL INSTRUCTIONS box and sign the form.
4. The white and pink copies of the form are given back to the student and the student must submit the white copy to ODS.

### **Intellectual Pluralism Statement (from Office of the Provost)**

The University community welcomes intellectual diversity and respects student rights. Students who have questions concerning the quality of instruction in this class may address concerns to either the Departmental Chair or Divisional leader or Director of the Office of Students Rights and Responsibilities (<http://osrr.missouri.edu/>). All students will have the opportunity to submit an anonymous evaluation of the instructor(s) at the end of the course.

### **University of Missouri-Columbia Notice of Nondiscrimination**

The University of Missouri System is an Equal Opportunity/ Affirmative Action institution and is nondiscriminatory relative to race, religion, color, national origin, sex, sexual orientation, age, disability or status as a Vietnam-era veteran. Any person having inquiries concerning the University of Missouri-Columbia's compliance with implementing Title VI of the Civil Rights Act of 1964, Title IX of the Education Amendments of 1972, Section 504 of the Rehabilitation Act of 1973, the Americans With Disabilities Act of 1990, or other civil rights laws should contact the Assistant Vice Chancellor, Human Resource Services, University of Missouri-Columbia, 130 Heinkel Building, Columbia, Mo. 65211, (573) 882-4256, or the Assistant Secretary for Civil Rights, U.S. Department of Education.

### **Grievance Policy**

Information concerning student grade appeal procedures and non-academic grievances and appeals may be found in the Student Handbook.