

# Economics 4315/7315: Public Economics - Fall 2018

**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 or Econ 4351.

**Time and Place:** Tuesdays and Thursdays, 8am-9:15am, Middlebush 212

**Instructor:**

Saku Aura

Office: Professional Building 232

Office Hours: Mondays 11am-12noon

Phone: 882 6073

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

Webpage: <https://faculty.missouri.edu/~auras/>

**This course uses Canvas**

**Textbook:** Public Finance and Public Policy by Jonathan Gruber, 5th Edition (Worth Publishers). The lectures will cover some material beyond the material covered in the textbook. Note that this additional material is required for the exams.

**Sections:** This class has two sections: a writing-intensive (WI) section and a regular section. The requirements and grading will be different for the two sections.

## Grading

The grading in this course is based on the exams (midterm and a final), writing assignments and problem sets.

Assignment	Writing-Intensive Section	Regular Section
Final exam	35%	45%
Midterm	20%	30%
Term Paper draft	5%	5%
Term Paper final version	15%	15%
Short Writing Assignment 1	10%	
Short Writing Assignment 2	10%	
Problem sets	5%	5%

Note that + and – modifiers will be used for both undergraduate and graduate students.

**Graduate Credit (Econ 7315):** The expectation of performance in the assignments is higher

for graduate students: the grading scale for graduate credit will be separate from the undergraduates. **All graduate students follow the assignments for the regular section.**

## **Exams**

**Midterm Exam** Tuesday 10/9 in class and **Final Exam** Thursday 12/13, 7:30am-9:30am. The final exam is comprehensive.

## **Problem Sets**

I will occasionally assign problem sets based on the material we have learned (most likely 3 or 4 problem sets). 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).

## **Statement regarding extra credit**

There will be no extra credit assignments in this class.

## **Attendance and Participation Policy**

Attendance in class is purely voluntary but strongly recommended. I believe University students should be treated as adults. Past experience tells me that getting a passing grade without a stellar attendance record is very unlikely. If you miss a class for a non-emergency reason it will be solely your responsibility to find out what was covered during that class. Please do not contact me for notes or assignments if you missed a class for a non-emergency reason. For the purpose of this policy participation in a university-sanctioned event such as an intercollegiate athletic event will be treated as an excused emergency.

## **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.

All the dates are still subject to change.

Date	Topic	Chapters	Noteworthy
Tuesday 08/21/18	Introduction	1	
Thursday 08/23/18	Introduction	1	
Tuesday 08/28/18	Theoretical Tools	2	
Thursday 08/30/18	Theoretical Tools	2	
Tuesday 09/04/18	Theoretical Tools	2	
Thursday 09/06/18	Theoretical Tools	2	
Tuesday 09/11/18	Externalities	5,6	Short Writing Assignment 1 due
Thursday 09/13/18	Externalities	5,6	
Tuesday 09/18/18	Externalities	5,6	
Thursday 09/20/18	Public Goods	7	
Tuesday 09/25/18	Public Goods	7	
Thursday 09/27/18	Cost-Benefit Analysis	8	
Tuesday 10/02/18	Cost-Benefit Analysis	8	Short Writing Assignment 2 due
Thursday 10/04/18	Review		
Tuesday 10/09/18	Midterm		
Thursday 10/11/18	Political Economy	9	
Tuesday 10/16/18	Political Economy	9	
Thursday 10/18/18	Political Economy	9	
Tuesday 10/23/18	Income Distribution	17	Term Paper Topics Due
Thursday 10/25/18	Welfare Programs	17	
Tuesday 10/30/18	Taxation: Overview	18	
Thursday 11/01/18	Taxation: Overview	18	
Tuesday 11/06/18	Tax Incidence	19	Term Paper First Drafts Due
Thursday 11/08/18	Tax Efficiency	20	
Tuesday 11/13/18	Tax Efficiency	20	
Thursday 11/15/18	Social Insurance	12	
Tuesday 11/27/18	Social Insurance	12	
Thursday 11/29/18	Social Security	13	
Tuesday 12/04/18	Social Security	13	
Thursday 12/06/18	Review		Term Papers Due
Thursday 12/13/18	<b>Final exam 7:30am-9:30am</b>		

## Writing Requirements

There will be three major writing assignments in this class:

1. Short reaction paper (Writing-intensive section only)
2. Study Guide (Writing-intensive section only)
3. Term Paper

Please refer to the preliminary lecture plan above for deadlines for these assignments. All written assignments must be double-spaced 12-point font format, and with 1-inch margins

and they must be submitted electronically and on paper. More information about the submission will be provided later. The final versions of papers must use a consistent and formal style for acknowledging all sources. Missed or late work will receive the minimum score.

1. Short Reaction Paper (3 pages): You will be asked to write a short essay discussing the economics of a potentially controversial topic assigned by the instructor.
2. Study Guide (3 pages): Your assignment is to summarize and synthesize one of the textbook chapters of your choosing not covered by the syllabus (excluding Chapter 4).
3. Term Paper/Background Memo (9-11 pages): Your goal is to write an informative background memo on a policy topic or a theoretical topic. You are free to choose your topic as long as it falls broadly into the field of public economics as construed in this class. Some potential topics are given below. Your paper will be graded for the clarity exposition, argumentation and the use of sources. The goal of this paper is not necessarily to argue a point but to provide a balanced presentation of a debate. You will be required to submit your topic for approval, as well as submit an (approximately 50% finished) first draft in addition to the final paper. Note that the first draft is worth 5% of the course grade.

**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 a situation like this could be accommodated if the papers are independent enough, however, as a general rule this is not recommended. Writing a paper on the same topic for two classes concurrently or reusing an old paper without these arrangements will be treated as academic dishonesty.

### **Potential Paper topics (You are welcome to choose your own)**

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:

- (a) Costs vs. Benefits
  - (b) Distributional aspects of fundamental tax reform
  - (c) Alternative models of fundamental tax reform
  - (d) US Constitution and Tax reform Options (especially in relation to the 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)
5. Contingent Valuation Analysis
6. Environmental Externalities
- (a) Permit Markets
  - (b) Environmental externalities: market and non-market solutions
7. 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 the 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
8. Welfare System
- (a) The effect of Welfare System on behavior
  - (b) The effects of the Welfare Reform
9. Estate Taxes
10. Dividend Taxes
11. 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 thinktanks/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.

## **Academic Dishonesty**

Academic integrity 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 breaches of the academic integrity rules as extremely serious matters. Sanctions for such a breach may include academic sanctions from the instructor, including failing the course for any violation, to disciplinary sanctions ranging from probation to expulsion. When in doubt about plagiarism, paraphrasing, quoting, collaboration, or any other form of cheating, consult the course instructor.

## **ADA**

Students with Disabilities:

If you anticipate barriers related to the format or requirements of this course, if you have emergency medical information to share with me, or if you need to make arrangements in case the building must be evacuated, please let me know as soon as possible.

If disability related accommodations are necessary (for example, a note taker, extended time on exams, captioning), please register with the [Office of Disability Services](#), S5 Memorial Union, 573-882-4696, and then notify me of your eligibility for reasonable accommodations.

## **Intellectual Pluralism**

The University community welcomes intellectual diversity and respects student rights. Students who have questions or concerns regarding the atmosphere in this class (including respect for diverse opinions) may contact the departmental chair or divisional director;

the director of the [Office of Students Rights and Responsibilities](#); the [MU Equity Office](#), or [equity@missouri.edu](mailto:equity@missouri.edu).

All students will have the opportunity to submit an anonymous evaluation of the instructor(s) at the end of the course.

## **Intellectual Property Notice**

All course materials including but not limited to the syllabus, course assignments, study guides, learning guides, online lecture videos and content, and lab book (i.e. course pack) are property of the instructor and University and may not be shared online or distributed in any manner to others. Students are prohibited from posting course materials or notes online and from selling notes to or being paid for taking notes by any person or commercial firm without the express written permission of the professor teaching this course. Doing so will constitute both an academic integrity violation and a copyright violation. Violations of copyright laws could subject you to civil penalties and criminal liability. Violations of academic integrity may subject you to disciplinary action under University policies.

## **Statement on Recording Classroom Interactions**

University of Missouri System Executive Order No. 38 lays out principles regarding the sanctity of classroom discussions at the university. The policy is described fully in Section 200.015 of the Collected Rules and Regulations. In this class, students may make audio or video recordings of course activity unless specifically prohibited by the faculty member. However, the redistribution of audio or video recordings of statements or comments from the course to individuals who are not students in the course is prohibited without the express permission of the faculty member and of any students who are recorded. Students found to have violated this policy are subject to discipline in accordance with provisions of Section 200.020 of the Collected Rules and Regulations of the University of Missouri pertaining to student conduct matters.