

Economics 4315/7315: Public Economics - Spring 2023

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:

Section 1: Tuesdays and Thursdays, 8 a.m.-9:15 a.m., Arts & Science 234.

Section 2: Tuesdays and Thursdays, 9:30 a.m. - 10:45 a.m., Arts & Science 234.

Instructor:

Saku Aura

Office: E233, Locust Street Building

Office Hours: By appointment

Phone: 882 6073

Email: auras@missouri.edu

This course uses Canvas

Textbook: Public Finance and Public Policy by Jonathan Gruber, 7th Edition (Worth Publishers). All enrolled students will have access to an electronic version of the book via Canvas.

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

Assignment	
Midterm I	25%
Midterm II	25%
Short Writing Assignment	10%
Short Writing Assignment	10%
Term Paper draft	5%
Term Paper final version	20%
Problem sets	5%

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

Exams

Midterm Exam I Tuesday 3/7 in class and **Midterm Exam II** Thursday 5/4 in class.

Problem Sets

I will occasionally assign problem sets based on the material we have learned (most likely 2 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. 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 01/17	Introduction	1	
Thursday 01/19	Introduction	1	
Tuesday 01/24	Theoretical Tools	2	
Thursday 01/26	Theoretical Tools	2	
Tuesday 01/31	Theoretical Tools	2	
Thursday 02/02	Theoretical Tools	2	
Tuesday 02/07	Externalities	5,6	Short Writing Assignment 1 due
Thursday 02/09	Externalities	5,6	
Tuesday 02/14	Externalities	5,6	
Thursday 02/16	Public Goods	7	
Tuesday 02/21	Public Goods	7	
Thursday 02/23	Cost-Benefit Analysis	8	
Tuesday 02/28	Cost-Benefit Analysis	8	Short Writing Assignment 2 due
Thursday 03/02	Review		
Tuesday 03/07	Midterm		
Thursday 03/09	Political Economy	9	
Tuesday 03/14	Political Economy	9	
Thursday 03/16	Political Economy	9	
Tuesday 03/21	Income Distribution	17	Term Paper Topics Due
Thursday 03/23	Welfare Programs	17	
Tuesday 04/04	Taxation: Overview	18	
Thursday 04/06	Taxation: Overview	18	
Tuesday 04/11	Tax Incidence	19	Term Paper First Drafts Due
Thursday 04/13	Tax Efficiency	20	
Tuesday 04/18	Tax Efficiency	20	
Thursday 04/20	Social Insurance	12	
Tuesday 04/25	Social Insurance	12	
Thursday 04/27	Social Security	13	
Tuesday 05/02	Review		
Thursday 05/04	Midterm		Term Papers Due

Writing Requirements

There will be three major writing assignments in this class:

1. Short reaction paper
2. Study Guide
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 via Canvas. 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: 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
 12. A case study of either a US state or a foreign country. More details about the case study option will be given later.

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 the 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.

ADMINISTRATIVE MATTERS

Academic Integrity

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.

Standard of Conduct for Academic Integrity

In addition, students are expected to adhere to this honor pledge on all graded work whether or not they are explicitly asked in advance to do so: "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 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 establish an accommodation plan with the [MU Disability Center](#), S5 Memorial Union, 573- 882-4696, and then notify me of your eligibility for reasonable accommodations. For other MU resources for persons with disabilities, click on "Disability Resources" on the MU homepage.

Acceptable Use

The University of Missouri's Acceptable Use Policy (AUP) for information technology applies to Mizzou websites. The AUP addresses federal and state laws, university regulations, intellectual-property rights, software-licensing requirements and prohibitions against plagiarism and obscenity. This policy applies to all users including faculty, staff, students, and guest users of University of Missouri computer networks, equipment, or connecting resources.

[UM System Acceptable Use Policy](#)

Copyright

This section helps you understand copyright in course materials, student work and pages published on Mizzou websites.

[UM System Copyright Information](#)

Executive Order No. 38

When you record something that happens in a course (a lecture, class discussions, meetings, etc.) it has an impact on the rights of the people captured in that recording. For example, your instructor and the University may have rights to the intellectual property contained in that recording. At the same time, another student who may have been recorded has the right to privacy. In order to protect these rights, MU employs a policy (called "Executive Order No. 38") to govern both situations you may encounter while taking a course—when your instructor allows recordings and when he or she does not allow them.

[Executive Order No. 38](#)

FERPA

The University of Missouri maintains educational records of students in accordance with the Family Educational Rights and Privacy Act of 1974 (FERPA). Related topics include privacy policies at MU, display of student directory information, and details about how MU manages FERPA-protected information.

[Family Educational Rights and Privacy Act \(FERPA\)](#)

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, or the MU Equity Office.

Statement on Intellectual Pluralism

Statement of Nondiscrimination

The University of Missouri does not discriminate on the basis of race, color, religion, national origin, sex, sexual orientation, gender identity, age, genetics information, disability, or status as a protected veteran.

MU Statement of Nondiscrimination

If you experience discrimination or sexual violence, you are encouraged (but not required) to report the incident to the Office of Institutional Equity. Learn more about your rights and options at the [Office of Institutional Equity](#) or by calling 573-882-3880. You also may make an anonymous report online.

If you are a survivor, or someone concerned about a survivor, and need immediate information on what to do, see [RSVP resources page](#). Both the Office of Institutional Equity and the RSVP Center can provide assistance to students who need help with academics, housing, or other issues.

In the event that you choose to write or speak about having experienced any of these forms of prohibited discrimination or harassment, Mizzou policies require that, as your instructor, I share this information with the MU Office of Institutional Equity. They will contact you to offer information about resources, as well as your rights and options as a member of our campus community.

Mental Health

The University of Missouri is committed to supporting student well-being through an integrated network of care, with a wide range of services to help students succeed. The MU Counseling Center offers professional mental health care, and can help you find the best approach to treatment based on your needs. Call to make an appointment at 573-882-6601. Any student in crisis may call or go to the MU Counseling Center between 8:00-5:00 M-F. After hours phone support is available at 573-882-6601.

Visit our website at <https://wellbeing.missouri.edu/> to take an online mental health screening, find out about workshops and resources that can help you thrive, or learn how to support a friend. Download Sanvello, a phone app that teaches skills and strategies to help you maintain good mental health. Log in with your Mizzou e-mail to unlock all the tools available through Sanvello at no additional cost to you.

Last date of attendance and impact on financial aid

Federal regulations for financial aid require the student financial aid office to document the attendance of students who have received federal financial aid if they do not successfully complete any courses during the term. As a result, the last day of attendance (or activity) for any student receiving an F, U, or FN in this course will be recorded in the grade roster and reported to the financial aid office. Based on the last day of attendance, students may be required to repay a portion of their financial aid award for the semester.

A student's last day of attendance (or activity) is the last day on which a student participates in an academically-related activity at the University. These include:

- Attendance in class, lab, or an instructor's office hours
- The completion of an assignment or examination
- An appointment with a professor or e-mail correspondence regarding course material
- (Online courses only) For online courses, the last day a student submits an assignment or exam. Only logging into an online class without participating is *not* acceptable for last day of attendance

Please note that discussing a course withdrawal or notifying the instructor of an absence in class does not constitute participation for financial aid purposes. Moreover, any office hour visits or email correspondence must be related to the course material.

Netiquette

Your instructor and fellow students wish to foster a safe online learning environment. All opinions and experiences, no matter how different or controversial they may be perceived, must be respected in the tolerant spirit of academic discourse. You are encouraged to comment, question, or critique an idea but you are not to attack an individual. Our differences, some of which are outlined in the University's nondiscrimination statement, will add richness to this learning experience. Please consider that sarcasm and humor can be misconstrued in online interactions and generate unintended disruptions. Working as a community of learners, we can build a polite and respectful course ambiance.

Religious Holidays & Accommodations

Many religious faiths are represented in the student body. The University of Missouri does not restrict student free exercise of religion, unless 1) the restriction is in the form of a rule of general applicability, and does not discriminate against religion or among religions; and 2) it can be demonstrated that the application of the restriction is essential to furthering a compelling university interest, and is not unduly restrictive considering the relevant circumstance. The policy of the University attempts to strike a reasonable balance between accommodating the religious practice of students and meeting academic needs and standard.

Consult IDE's [Guide to Religions](#) for the form that can be used to notify an instructor of an absence associated with religious practice. Students are expected to notify their instructor(s) by completing and submitting this form in a manner that is consistent with the procedure outlined in the university's policy on student religious accommodation. Providing false information regarding sincerely held religious practice is a violation of the university's Standard of Conduct and will not be tolerated.

Decreasing the Risk of COVID-19 in Classrooms and Labs

If you have tested positive for COVID-19 or have been identified as someone who needs to quarantine, do not attend class in person until the mandated period for isolation or quarantine has passed. Your instructor will work with you on arrangements to access class material while you are in isolation or quarantine.

Additionally, if you are experiencing any COVID-related symptoms, or are otherwise feeling unwell, do not attend in-person classes and contact your health care provider and/or student health immediately. COVID symptoms include: fever greater than 100.4 or chills; cough, shortness of breath or difficulty breathing; fatigue; unexplained muscle or body aches; headache; new loss of taste or smell; sore throat; congestion or runny nose; nausea or vomiting; diarrhea.

Please consult [Show Me Renewal](#) for further guidelines. This statement will be updated as information changes. Last updated August 9, 2022.