

# Economics 4315/7315: Public Economics - Spring 2025

**Course Description from the Course Catalogue:** This course explores the role of government in a market economy. The role of government is analyzed through the concepts of market efficiency, market failures, political economy and government failures. Policy topics discussed include taxation, income and wealth redistribution, social policy and environmental policy. Empirical methods and results, institutional description and economic theory are covered in this class. Prerequisite: Econ 3251 or Econ 4351.

**Credit Hours:** 3 credit hours.

**Time and Place:** Tuesdays and Thursdays, 12:30pm-1:45pm, Thomas & Nell Lafferre W0013

**Instructor:**

Saku Aura

Office: E233, Locust Street Building

Office Hours: Mondays 11 a.m.-12 noon

Phone: 882 6073

Email: [auras@missouri.edu](mailto: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	23%
Midterm II	23%
Short Writing Assignment	10%
Short Writing Assignment	10%
Term Paper draft	5%
Term Paper final version	25%
Problem sets	4%

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.

**Grading Scales:** The following standard grading scale is used for undergraduates.

Letter Grade	Range
A	100% to 94%
A-	< 94% to 90%
B+	< 90% to 87%
B	< 87% to 84%
B-	< 84% to 80%
C+	< 80% to 77%
C	< 77% to 74%
C-	< 74% to 70%
D+	< 70% to 67%
D	< 67% to 64%
D-	< 64% to 61%
F	< 61% to 0

Grading scale for graduate students:

Letter Grade	Range
A	100% to 94%
A-	< 94% to 90%
B+	< 90% to 87%
B	< 87% to 84%
B-	< 84% to 80%
C+	< 80% to 77%
C	< 77% to 74%
C-	< 74% to 70%
F	< 70% to 0

## Exams

**Midterm Exam I** Tuesday 3/11 in class and **Midterm Exam II** Monday 5/12, 12:30pm-2:30pm during the exam period.

## **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.

## **Late work policy**

No late work will be accepted without prior approval or documentation of an unexpected emergency situation.

## **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	01/21/25	Introduction	1
Thursday	01/23/25	Introduction	1
Tuesday	01/28/25	Theoretical Tools	2
Thursday	01/30/25	Theoretical Tools	2
Tuesday	02/04/25	Theoretical Tools	2
Thursday	02/06/25	Theoretical Tools	2
Tuesday	02/11/25	Externalities	5,6 Short Writing Assignment 1 due
Thursday	02/13/25	Externalities	5,6
Tuesday	02/18/25	Externalities	5,6
Thursday	02/20/25	Public Goods	7
Tuesday	02/25/25	Public Goods	7
Thursday	02/27/25	Cost-Benefit Analysis	8
Tuesday	03/04/25	Cost-Benefit Analysis	8 Short Writing Assignment 2 due
Thursday	03/06/25	Review	
Tuesday	03/11/25	Midterm	
Thursday	03/13/25	Political Economy	9
Tuesday	03/18/25	Political Economy	9
Thursday	03/20/25	Political Economy	9 Term Paper Topics Due
<b>Spring Break</b>			
Tuesday	04/01/25	Income Distribution	17
Thursday	04/03/25	Welfare Programs	17
Tuesday	04/08/25	Taxation: Overview	18
Thursday	04/10/25	Taxation: Overview	18
Tuesday	04/15/25	Tax Incidence	19 Term Paper First Drafts Due
Thursday	04/17/25	Tax Efficiency	20
Tuesday	04/22/25	Tax Efficiency	20
Thursday	04/24/25	Social Insurance	12
Tuesday	04/29/25	Social Insurance	12
Thursday	05/01/25	Social Security	13
Tuesday	05/06/25	Social Security	13
Thursday	05/08/25	Review	Term Papers Due
Monday	5/12/25	Midterm 12:30pm-2:30pm	

## 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. 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 or the [Office of Academic Integrity](#).

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."

### **Academic Inquiry, Course Discussion, and Privacy**

When students 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, the 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 an instructor allows recordings and when they do not.

In this class, students may make audio or video recordings of course activity unless specifi-

cally 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 who violate 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.

## **FERPA**

The [Family Educational Rights and Privacy Act](#) (FERPA) of 1974 is a federal law designed to protect the privacy of educational records; to establish the rights of students to inspect and review their education records; and to provide guidelines for the correction of inaccurate and misleading data through informal and formal hearings. The law applies to any individual who is or has been in attendance at an institution *and* regarding whom the institution maintains educational records. Once students have matriculated to the University of Missouri, i.e. enrolled in course work, FERPA rights transfer to the student, regardless of the student's age.

Students can enable certain individuals to have access to their education records by signing a [FERPA waiver](#). The consent must specify records to be disclosed, state the purpose of the disclosure and identify the party or class of parties to whom the disclosure must be made.

## **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 [Office of Academic Integrity](#), or the [MU Equity Office](#).

## **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.

## **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 standards.

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.

## **Nondiscrimination Policy (Prohibited Discrimination)**

The University of Missouri does not discriminate on the basis of race, color, national origin, ancestry, religion, sex\* (including gender), pregnancy, sexual orientation, gender identity, gender expression, age, disability, protected veteran status, and any other status protected by applicable state or federal law. Discrimination includes any form of unequal treatment such as denial of opportunities, harassment, and violence. \*Sex discrimination includes rape, sexual assault, sexual harassment, unwanted touching, stalking, dating/domestic violence, stalking,

and sexual exploitation. Retaliation for making or supporting a report of discrimination or harassment is also prohibited.

If you experience discrimination or sexual violence, you are encouraged (but not required) to report the incident to the MU Office of Institutional Equity. Learn more about your rights and options at [equity.missouri.edu](http://equity.missouri.edu) or call 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.

## **Students with Disabilities**

The goal of the University of Missouri is to ensure an inclusive learning environment for all students. [The University of Missouri Disability Center](#) provides services and accommodations for students to participate fully in the learning experience and to experience equitable evaluation of their performance. Students (including online students) with a documented disability can contact the Disability Center to establish an [Accommodation Plan](#). Documented disabilities include *hearing, vision, mobility, learning and attention, psychological health, and physical health*. Students' accommodations are implemented with the input of students to maximize the learning experiences. The MU Disability Center keeps information about a student's disability confidential.

Please notify me of your eligibility for accommodations as soon as possible. Additionally, if there are aspects of the course that present as barriers, such as inaccessible course content (e.g., learning assessments, PowerPoints, non-captioned videos, images, tables, PDFs) or if you need an immediate accommodation due to an injury, please contact me or the Disability Center as soon as possible.

## **AI use in this class**

In this course, AI software is permitted solely for brainstorming and idea generation purposes. Students are allowed to use AI tools to explore creative concepts, develop outlines, and generate initial ideas for their writing assignments. However, the actual writing, drafting, and

editing processes must be completed without AI assistance to ensure that the final product reflects the individual student's skills and understanding. Note that the use of a grammar checker such as Grammarly or the built-in grammar checker in Word is allowed.

### **Statement for Face-to-Face Courses**

This course is listed in the course catalog as a face-to-face course. The instructional activities planned for this course are designed for face-to-face interactions with your classmates and instructors. These activities often do not translate well over online video platforms. Because of this, it is up to instructor discretion whether asynchronous instruction or recordings of class activities are an appropriate substitute for regular classroom attendance. For specifics regarding excused absences or disabilities accommodations, please see the relevant section of this syllabus.