PUBLIC ECONOMICS: ECONOMICS OF THE GOVERNMENT SECTOR: ECON 4211-001 Department of Economics, University of Colorado Spring 2019

Classtime: Professor: Office hours:	M,W,F: 10 - 10:50 am. Charles de Bartolome Mon 1:50 - 2:50 pm; Tu 10:15-11:15 am; Fri 1:50 - 2:50 pm.	Lecture Room: HLMS 267 Office: ECON 203 e-mail: debartol@colorado.edu	
Textbook:	Harvey S. Rosen and Ted Gayer: Public Finance (9th edition). McGraw-Hill Irwin.		
Clickers	The class uses <i>i>clicker</i> s. If you do not already own one, an <i>i>clicker</i> may be purchased at the University of Colorado bookstore. Clickers will be used to give class problems which will be scored. Clickers must be registered at: <u>https://myCUinfo.colorado.edu</u> . Register using your Identity Login not your student ID.		

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 in which use of markets would lead to an inefficient outcome, viz. public goods and externalities. In such situations, a government program may be justified on the grounds that it can improve outcomes. In addition, markets do not always lead to equitable outcomes. In such situations, a government program may be justified if it redistributes resources from rich to poor families. The course discusses how the design of a program is determined by the legislators' objectives and by the extent to which voters are informed. In addition to discussing the justification and design of a government program, the course discusses the financing of the program and the design of the tax structure.

Pre-requisites:

Intermediate Microeconomics, ECON 3070; Introduction to Statistics with Computer Applications, ECON 3818.

Course Assignments and Desire2Learn:

All course assignments, problem sets and some lecture notes are posted on Canvas which may be accessed at <u>http://canvas.colorado.edu</u>

Please note that four pages of each Adobe Acrobat file can be printed on a single sheet by clicking as: Print > Landscape > Multiple > Custom 2 by 2.

Attendance at class:

Woody Allen once remarked: "90% of success 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 two of the first three classes of the term nor gets special permission from me for his/her absence.

Problem Sets:

Problem sets for each topic are listed in the Course Outline. The problems with answers at the back are 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.

Use of clickers:

Clickers will be used near the end of most classes to reinforce the main point of the lecture.

Grading:

There will be a midterm exam, a paper and a final exam. The student's grade will be determined as:

- 41% Midterm,10% Paper41% Final
 - 8%. In-class clicker questions

Concerning in-class clicker questions. Each correct answer will in-q paper anïf eÆl\$¶am. Thig

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 a few 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 summon all group members to my office to discuss. If he/she agrees that he/she is not fully participating, I will give her/him a chance to re-engage with the group and do his/her share. If there is no chang

Failure to be present at an exam:

If you are unable to take an exam because of illness: You must get a medical note from a doctor to confirm your inability to take the exam *and* advise me of your inability *before* the exam. In this case 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 Behavior:

COURSE OUTLINE

<u>Date</u>	<u>Topic</u>	<u>Chapter</u>
	1. INTRODUCTION	
14 Jan	INTRODUCTION Fundamental Question of Public Economics Micro v. Macro Separation of expenditure and taxes	1
16 Jan	Government size	
	FISCAL FEDERALISM Assignment of responsibilities	22 (pp. 506-518)
	Problem Set: Fiscal Federalism	
18 Jan	Normative <i>v</i> . positive	
	POSITIVE ECONOMICS The need for a model	2
23 Jan	NORMATIVE ECONOMICS: THE OBJECTIVE Pareto-efficiency Welfare functions Need for a model	3
	2. BASE CASE: COMPETITIVE MARKETS	
25, 28, 30 Jan 1 Feb	 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)

3. MARKET FAILURE: PUBLIC GOODS

4, 6, 8, 11, 13 FebPUBLIC GOODS4 (omit Appendix)Non-rivalness and non-excludability.
Efficient provision.
Free-rider problem.
Public vs. private provision.4 (omit Appendix)

Problem Set: Why the lights don't get turned off after class. *Problem Set*: Non-excludable public good.

5. MARKET FAILURE: EXTERNALITIES

8,11,13,15, 18 20, 22 Mar, 1 Apr EXTERNALITIES Efficient behavior. Coase theorem. Pigou taxes and subsidies. Regulation.

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

6. INCOME REDISTRIBUTION

3, 5, 8, 10, 12 Apr	INCOME REDISTRIBUTION	12 (pp. 256-268)
	Process or end-state criterion.	13 (pp. 275-287)
	Equity and social welfare f~ 000X'v275-287)	

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