

ECONOMICS OF THE PUBLIC SECTOR: ECON 4211-001  
Department of Economics, University of Colorado  
Fall 2013

Class time: M, W, F: noon - 12:50 pm. Room: MUEN E417  
Professor: Charles de Bartolome Office: ECON 203  
Office hours: M 4:00-5:00 pm; Tu 9:00-10:00 am; e-mail: debartol@colorado.edu  
Fri 2:15 - 3:15 pm.

Textbook Harvey S. Rosen and Ted Gayer Public Finance (9<sup>th</sup> edition). McGraw-Hill Irwin.

Clickers Each student must buy a clicker. If you do not already own one, a clicker may be purchased at the University of Colorado bookstore. Clickers will be used in class problems which will be scored.

Clickers should be registered at [myCUinfo.colorado.edu](http://myCUinfo.colorado.edu)

Course description:

The benchmark model of economics is that markets are 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 of market failures, 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 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 Desire2Learn which may be accessed at <http://learn.colorado.edu>.

Please note that pages of each Adobe Acrobat file can be printed on a single sheet by clicking as: Print>Properties>Multiple pages

## Attendance at class

Woody Allen once remarked "90% of life 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 expected, I will drop from the class any student who neither attends one of the first three classes of the term nor requests special permission from me for his/her absence.

## Problem Sets

Problem sets with answers will be 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.

In addition, there are many questions at the end of each chapter in the book. I encourage you to work through the questions which relate to the material covered in class (I will post a list of these questions on Desire2Learn).

## Grading

There will be a midterm exam, a paper and a final exam. The student's grade (before any adjustment for non-attendance) will be determined as:

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

Concerning in-class clicker questions, I will use clicker questions to reinforce the main point of a lecture. Each correct answer will receive 1 point and an absence or an incorrect answer will receive zero points. In calculating your total score for all in-class clicker questions, I will sum your scores for all days, omitting your three lowest daily scores.

### 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, our maximum score for the paper will be lowered from 10 to 5 points. If the paper is not handed in 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 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 forward this email to the member asking for his/her comment. If he/she agrees that he/she is not fully participating I will increase the scores of the participating members to reflect the fact that they are doing more work and reduce the score of the other member to reflect the level of his/her participation. If he/she disagrees and claims to be participating I will summon all group members to my office to discuss.

### Exams:

Because this is an advanced course, there is only one midterm. The midterm and final will be given as:

MIDTERM: Tuesday 15 October 7:00 p.m. - 9:00 pm.  
in EDUC 220

FINAL: Wednesday 18 December 4:30 p.m. - 7:00 p.m.  
in MUEN E417

You must bring a blue-book to each exam.

Because this is a 4000-level class, there will not just repeat material covered in class. Some questions will closely follow the material covered in class and in the problem sets, but some will ask you to apply the material in a different environment.

### Failure to be present at an exam

If you are unable to take an exam because of illness and have a medical note from your doctor to confirm this, 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.



## Religious Observances

Campus policy regarding religious observances requires that faculty make every effort to reasonably and fairly deal with all students who, because of religious obligations, have conflicts with scheduled exams, assignments or required attendance. In this class, please let me know in a timely manner if one of the exam dates falls on a religious holiday you intend to observe and I will arrange for you to take a make-up. See policy details at:  
[http://www.colorado.edu/policies/fac\\_relig.html](http://www.colorado.edu/policies/fac_relig.html)

## Classroom Behavior

Students and faculty each have responsibility for maintaining an appropriate learning environment. Students who fail to adhere to such behavioral standards may be subject to discipline. Professional courtesy and sensitivity are especially important with respect to individuals and topics dealing with differences of race, color, culture, religion, creed, politics, veteran's status, sexual orientation, gender, gender identity and gender expression, age, disability and nationalities. Class rosters are provided to the instructor with the student's legal name. I will gladly honor your request to address you by an alternate name or gender pronoun. Please advise me of this preference early in the semester so that I may make appropriate changes to my records. See policies at  
<http://www.colorado.edu/policies/classbehavior.html> and  
[http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student\\_code](http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student_code)

## Academic Integrity

All students of the University of Colorado at Boulder are responsible for knowing and adhering to the academic integrity policy of this institution. Violations of this policy may include: cheating, plagiarism, aid of academic dishonesty, fabrication, lying, bribery, and threatening behavior. All incidents of academic misconduct shall be reported to the Honor Code Council ([honor@colorado.edu](mailto:honor@colorado.edu), 303-735-2273). Students who are found to be in violation of the academic integrity policy will be subject to both academic sanctions from the faculty member and non-academic sanctions (including but not limited to university probation, suspension, or expulsion). Other information on the Honor Code can be found at:  
<http://www.colorado.edu/policies/honor.html> and  
<http://www.colorado.edu/academics/honorcode/>

## COURSE OUTLINE

<u>Date</u>	<u>Topic</u>	<u>Chapter</u>
1. INTRODUCTION		
26 Aug	INTRODUCTION The Four Questions of Public Finance Separation of expenditure and taxes Government size. Normative v. positive	1
28 Aug	FISCAL FEDERALISM Assignment of responsibilities  Problem Set Fiscal Federalism	22
30 Aug	POSITIVE ECONOMICS The need for a model	2
4 Sept	NORMATIVE ECONOMICS: THE OBJECTIVE Pareto-efficiency Welfare functions Need for a model	3
2. BASE CASE: COMPETITIVE MARKETS		
6, 9, 11 Sept	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)







	Problem Set Social security and saving.	
	Problem Set Demographic issues	
18, 20, 22 Nov 2 Dec	TAXATION: PRODUCT AND INCOME TAXES Do sales taxes reduce consumption Do labor taxes reduce effort? Do capital taxes reduce saving? Excess Burdens	15
	Problem Set Setting the product tax rate.	
	Problem Set Product tax excess burden.	
	Problem Set Setting the income tax rate.	
	Problem Set Income tax excess burden.	
4, 6, 9, 11, 13 Dec	TAXATION: NORMATIVE RULES FOR SETTING TAX RATES Tax rules Tax reform	16
	Problem Set Tax Reform	
18 Dec	FINAL EXAM (4:30 p.m. - 7.00 p.m. in MUEN E417)	