Public Sector Economics
ECON 5330
Spring 2017
6:00-8:50 PM Monday
CBA, Room 330

Instructor: Nathan Ashby, Ph.D.
Office: CBA 222
Office Hours: Monday 2:30-5:30 PM or by appointment
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Phone: 915-747-7791

Required Readings:
Listed under outline. Will be provided on Blackboard

Prerequisites: ECON 5302 or instructor consent

Course Description: Public Sector Economics analyzes the theoretical justification for the public sector including topics such as the provision role of the public sector, the provision of public goods, externalities, regulation, taxation, and expenditure behavior. The current fiscal environment of federal, state, and local governments is analyzed as well.

Course Objective and Expectations: This course will teach you how to public sector decision making using economic techniques. You are expected to carefully read the required readings and understand these as much as is possible. You are expected to be able think critically in analyzing real-world issues as will be demonstrated through five short writing assignments, a paper discussion, and a final exam.

Grades: The class grade will be determined by the following three components:

Final Exam (50%)
Five Short Papers (40%)
Paper Discussion (10%)

Papers
You will be required to write five original papers throughout the course of the semester with an abstract, references, developed thesis statement and support for your argument(s). Each paper will need to be four to five pages long, double spaced in Times New Roman 12 point font. It is expected that you apply the ideas discussed in class to possible thesis topics or a paper that might interest you. I will drop the lowest score. The due dates for these papers are as follows:

February 8 On Sections 1-4
March 1 On Sections 5-8
March 22 On Sections 9-12
April 12 On Sections 13-16
April 26 On Sections 17-19
Final Exam:

There will be one take home final exam. The final exam will be entirely written. I will hand out the final exam at the end of the final class, May 3. You will have until Friday, May 5, at 5:00 PM to deliver the exam to my office.

Paper Discussion

You will be expected to choose any paper published in the year 2012 or after that interests you that was published in Journal of Public Economics. Alternatively, you could choose any article published in American Economic Review, Journal of Political Economy, Quarterly Journal of Economics, Econometrica, Review of Economics Studies, Economic Journal, European Economic Review, Journal of Economic Perspectives, Journal of Urban Economics, or Review of Economics and Statistics as long as the article has a JEL code beginning with H listed. You will need to prepare a ten to fifteen minute discussion in which you briefly summarize the paper, discuss the findings, and shortcomings of the paper. You may also want to provide a few ideas on how the paper could be extended for future research. These presentations will take place on the last day of class. Before your presentation you will need to hand in to me a one-page outline of the points that you will make during your presentation.

Grading Scale:

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<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
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<tr>
<td>A</td>
<td>87.5-100</td>
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<tr>
<td>B</td>
<td>75-87.5</td>
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<tr>
<td>C</td>
<td>62.5-75</td>
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<tr>
<td>D</td>
<td>50-62.5</td>
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<tr>
<td>F</td>
<td>&lt;50</td>
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Course Outline:

Course Outline and Readings List

All readings with an asterisk are required and can be found within the two required texts or by download through Blackboard. All readings without an asterisk are not required but are the sources from which I will take much of my material or may be useful references for topics that you wish to investigate in more depth for this class or in future research. I also provide a lot of sources for the curious mind that wants to dig a little deeper. Please don’t get overwhelmed by the length of the readings list.

Section 1: The Public Sector

No Readings.

Section 2: Principles for Analyzing Government/Economic Role of the State

Holcombe, Public Sector Economics, Chapter 2


Section 3: Public Goods

3.1: Theory of Public Goods


3.2: Public Goods and Private Crowd Out


Section 4: Externalities, Property Rights, and Efficiency


Section 5: An Introduction to Taxation

5.1: Excess Burden


Tresch (2002), Chapter 13, 401-429.

5.2: Welfare Costs of Taxation


Section 6: Optimal Taxation


Tresch (2002), Chapter 13, 429-444; Chapter 14, 461-482.

Section 7: Tax Incidence


7.1. Partial Equilibrium


7.2. General Equilibrium


Tresch (2002), Chapter 16, 549-571.


### 7.3. Lifecycle and Intergenerational Tax Incidence


Tresch (2002), Chapter 17, 606-621.

### 7.4. Applied Incidence Studies


7.5. Open Economy Tax Incidence


Section 8: Taxes and Labor Supply


Section 9: Taxation and Saving

Background: Gruber, Chapter 22


9.1. Household Saving


9.2. Portfolio Composition


9.3. Capital Gains


Section 10: The Government Budgeting Process

None.

Section 11: Social Security


Section 12: Economics of Education


Section 14: Taxation and Fiscal Stimulus


Section 15: Health Care (if time permits)


8.2.4. Health Insurance and Labor Market Outcomes


Section 16: Regression Discontinuity Design and Extensions (if time permits)


Section 17: Public Provision of Private Goods (if time permits)


Section 18: Behavioral Public economics (if time permits)

Background: Tresch (2008), pp. 475-481.


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Paper Requirements:

These papers should not be summaries of the readings. You are expected to have a thesis and support it with facts from readings from class as well as other sources you may find. All sources must be properly cited using APA citation style, and you will need to email me your papers in addition to turning in a hard copy. You should include an introduction with a clear thesis, a brief summary of the issue, a critical analysis of the issue, and a conclusion summarizing your paper. The hard copies and emailed versions of the papers are due at the beginning of class on the due dates listed above. A paper will be docked 10 percentage points for every day it is late. If you feel you have a legitimate reason why you cannot meet a given deadline, let me know, and we can discuss a possible extension. You will be graded in the following areas:

1. **Introduction and Strength and Clarity of Thesis Statement** (15 percent):
   Introduction should provide a good discussion of the paper topic and the thesis should be clearly stated and make sense.

2. **Punctuation, grammar, and structure** (15 percent): The paper shall be double spaced with 12 point Times New Roman Font, 1 inch margins on the top and bottom, and 1.25 inch margins on the left and right. For every five errors, I will take off five percent not to exceed 15 percent of the total paper.

3. **References** (15 percent): There is no minimum amount of sources that you need to include, but you should make sure you are properly giving credit for your ideas. You should use APA citation style throughout the body of your paper when giving credit to your sources and on your works cited page.

4. **Strength and correctness of arguments, depth of critical analysis, and strength of writing** (20 percent): This is the only area that will be somewhat subjective. If I love the paper, you’ll get a better score. This does not mean that I have to agree with your arguments, but that the paper is interesting to read and that the arguments are well-developed.

5. **Originality** (20 percent): You will be required to turn the paper in using Turnitin software. I will be able to easily determine the originality of your paper. Where it is obvious that there is very little originality in your paper, you will be required to rewrite the paper. If the text appears to be original with limited dependence on quotations, you will not be docked any points. If your paper is original, but you depend too much on quotations from other authors, you will receive partial credit. I will turn in obvious cases of plagiarism to the dean of students.

6. **Length** (15 percent): For every page under the minimum requirement, I will take ten percent point off of your total score. In other words, you will have no points
taken off if your paper is at least four pages. If your paper is less than four pages, you will have ten percent deducted. Note that the title page and the works cited page will not count towards the total page count. At my discretion, I will take away points for papers that are much longer than five pages.