

UNIVERSITY OF VIRGINIA

Department of Economics

Economics 4310: Economics of the Public Sector

Fall 2023

Professor: Lee Lockwood (leelockwood@virginia.edu)

Teaching Assistants:

- Anderson Frailey (af3wt@virginia.edu)
- Tommy Willingham (tiw5ue@virginia.edu)

Course Description and Purpose

This course analyzes the role of government in the economy. It applies the core tools of microeconomics to analyze several important government taxation and expenditure policies, including social insurance programs such as Social Security and Medicare and programs that target the poor such as Medicaid and the Earned Income Tax Credit.

Students taking this course can expect to:

- Learn the core tools that economists use to analyze government policies and develop the ability to apply these tools to new situations.
- Learn about how economists analyze the most important tax and expenditure policy issues facing the US today and the evidence about the effects of these policies.

The emphasis is on *developing students' ability to apply economic reasoning to public economics issues*. Public economics is applied economics at its best: economics applied to many of the most important policy issues of the day.

Prerequisite

Econ 3010 or 3110

Course Meeting Times and Office Hours

Note: I am teaching two sections of Economics 4310 this semester. You are only expected to attend your single assigned set of lectures and TA session each week.

Lectures (attend your single assigned set of lectures each week):

- Mondays and Wednesdays 2:00–3:15pm in Monroe Hall 116
- Mondays and Wednesdays 3:30–4:45pm in Monroe Hall 134

TA sessions (attend your single assigned session each week):

- Mondays 5–5:50pm in Monroe Hall 122
- Mondays 5–5:50pm in John W. Warner Hall 113
- Mondays 6–6:50pm in John W. Warner Hall 113
- Mondays 7–7:50pm in John W. Warner Hall 113

Office Hours:

- Lee Lockwood: Mondays 12:45–1:45pm in Monroe Hall 339
- Anderson Frailey: Thursdays 1:15–3:15pm in the basement of Monroe Hall
- Tommy Willingham: Mondays 10am–12pm in the basement of Monroe Hall

Requirements and Grading

There are three sets of requirements for the course:

- Problem sets: 25%

There will be five problem sets throughout the quarter. These will consist of mathematical exercises and open-ended questions. Problem sets are due in hard copy at the beginning of the TA session on the due date. **Late problem sets will not be accepted for any reason.** Your overall grade will be based on your best four problem sets; the problem set with the lowest grade will be dropped. You may complete these problem sets in groups of up to four students and turn in a single copy if you wish. List all students you worked with, and any artificial intelligence

software you used, on what you hand in. To maximize the learning value and best prepare for the exams, I recommend that you attempt to answer all problems yourself before working with other students and/or artificial intelligence software.

- Midterm exam: 35%

The midterm will be in class on Wednesday, October 4th. Books, notes, calculators, and other electronic devices are prohibited.

- Final exam (cumulative): 40%

The final exam will be:

- Saturday, December 9th from 2–5pm if you are in the MW 2–3:15pm lectures
- Tuesday, December 12th from 2–5pm if you are in the MW 3:30–4:45pm lectures

Books, notes, calculators, and other electronic devices are prohibited.

Dutch knockout: Your grade for the course is based on the higher of the following: 1) the percentage distribution above from the entire semester's work or 2) the final exam only.

Re-grading: If you think there has been a grading error, you can request to have your exam re-graded by promptly submitting a written request together with your unaltered exam to the TA. Please note that such a request triggers a re-grading of the entire exam, so it is possible that the corrected grade will be lower than the original.

Poll Everywhere: This course will utilize Poll Everywhere software to enable real-time polling during lectures. Please answer all questions, including when you don't know the answer. Your responses will not count toward grades except in borderline cases, in which case *participation matters but accuracy does not*: Incorrect responses, like correct ones, can increase your grade and will never decrease it. More important, your participation will increase how much you and your fellow students learn.

Expectations

Classroom conduct: Your classmates and I will appreciate your good citizenship in producing public goods and refraining from imposing negative externalities on your peers. Doing your best on the Poll Everywhere questions and asking clarifying questions confer positive benefits on your fellow students. Noisily packing up your things before the end of class or using electronic devices for purposes other than taking notes or answering Poll Everywhere questions imposes costs on others, a classic negative externality.

Academic integrity: I trust every student to fully comply with all provisions of the honor code. On every assignment and exam, submitting it in your name implies that you have “Pledged”: It is expected that you have followed the relevant rules. On exams, this means neither receiving nor giving aid, nor using prohibited materials or devices. On assignments, it means listing everyone you worked with and citing all sources appropriately (including ChatGPT and other AI systems). If, in my judgment, it is beyond a reasonable doubt that a student has committed an honor violation, that student will receive a zero for that exam or assignment and will be ineligible for the Dutch knockout, regardless of any ruling of the Honor Committee. The TAs and I will do our best to detect violations in order to be fair to the vast majority of students who follow the rules.

Lectures and readings: Be sure to attend lectures and review the assigned readings. This is important because some material is covered only in the lectures and other material is covered only in the readings. Although the lectures and readings cover similar topics, the lectures focus more on conceptual ideas and tools while the readings focus more on institutional details and empirical evidence. So, in the production of public economics-related knowledge, the lectures and readings are complements, not substitutes. If something comes up and you cannot attend a lecture, borrow notes from a trusted classmate.

Special accommodations: Students with special needs requiring accommodations must present the appropriate paperwork from the Student Disability Access Center (SDAC) within the first two weeks of class. It is the student’s responsibility to present this paperwork in a timely fashion and to follow up with the instructor about the accommodations being offered.

Readings

Required readings: The textbook is *Public Finance and Public Policy*, by Jonathan Gruber, 7th ed. (2022), ISBN: 9781319281106. This is an excellent book (see, for example, Alex Tabarrok’s review [“one of the best textbooks I’ve read in any field”]¹). I hope you enjoy it and learn a lot from it. All enrolled students will have immediate access to this book on the class Canvas website under the UVA Bookstore Inclusive Access tab. Access during the first two weeks of class is free of charge. On September 6th, your student account will be charged \$80.86 for 180-day access unless you already opted out.² If you

¹http://marginalrevolution.com/marginalrevolution/2005/03/public_finance_.html

²You can opt out from the UVA Inclusive Access tab on Canvas or by going to the student portal link in the emails sent by UVAInclusiveAccess@virginia.edu. Students who opt out will lose access to the materials.

would prefer a hard-copy instead, feel free to use an earlier edition of the textbook if you can find a cheap copy. Most of the material is very similar, including virtually all of the material you will be responsible for knowing in this course.

If you have any questions regarding the program, email UVAInclusiveAccess@virginia.edu.