

UNIVERSITY OF VIRGINIA

Department of Economics

Economics 4310: Economics of the Public Sector

Fall 2018

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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 government policies, the most important tax and expenditure policy issues facing the US today, and the evidence about the effects of these policies.

The emphasis of the course 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. Fully engaging in this course should improve your life on a daily basis—as you read the newspaper, say, or discuss current events—by improving the quality of your thinking about the economy in general and government policies in particular.

Prerequisite

Econ 3010 or 3110

Course Meeting Times and Office Hours

Lectures: Mondays and Wednesdays 3:30–4:45pm in Monroe Hall 130

TA sessions (each student attends one of these sessions each week):

- Tuesdays 5–5:50pm in New Cabell Hall 207
- Tuesdays 6–6:50pm in New Cabell Hall 207
- Tuesdays 7–7:50pm in Wilson Hall 214

Office Hours:

- Lee Lockwood: Wednesdays 2:15–3:15pm in Monroe Hall, room 248
- Yiyu Xing: Tuesdays 9:30–11:30am in Monroe Hall, basement

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 more open-ended questions. Problem sets are due in hard copy at the beginning of class or the TA session on the due date. **Late problem sets will not be accepted for any reason.** Grading will be based on the top four grades (your lowest homework 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.

- Midterm exam: 35%

The midterm will be in class on Monday, October 15th. Books, notes, calculators, and other electronic devices are prohibited.

- Final exam (cumulative): 40%

The final exam will be on Saturday, December 15th from 2–4pm. Books, notes, calculators, and other electronic devices are prohibited.

Re-grading: Occasionally a student finds or suspects a grading error and wishes to have his or her exam be re-graded. To request a re-grading, submit a written request together with your unaltered exam promptly to the TA. Please note that such a request triggers a re-grading of the entire exam. As a result, it is possible that the corrected grade will be lower than the original.

Clickers: This course will utilize clickers regularly. Please bring your clicker to each lecture. Clicker responses will not count toward grades except in borderline cases, in which case participation matters and accuracy does not (incorrect responses, like correct ones, can increase your grade and will never decrease it).

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 clicker questions and asking clarifying questions confer positive benefits on your fellow students. Noisily packing up your things before the end of class or using laptops or cell phones imposes costs on others, a classic negative externality. **The use of laptops, tablets, and cell phones during lectures and TA sessions is prohibited.** (If this creates a great hardship for you, please come talk to me.)

Academic integrity: I trust every student to fully comply with all provisions of the honor code. On every exam, having your name implies that you have “Pledged”: It is expected that you will neither receive nor give aid, nor use prohibited materials or devices. Alleged honor violations brought to my attention will be forwarded to the Honor Committee. 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, regardless of any subsequent action taken by the Honor Committee. The TA and I will do our best to detect violations in order to protect the vast majority of students who play by 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 main textbook is *Public Finance and Public Policy*, by Jonathan Gruber, 4th ed. (2013), Worth, ISBN: 9781464153501. 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. If you can find a good deal on an earlier version of the textbook, feel free to use that. Most of the material is very similar, including virtually all of the material you will be responsible for knowing in this course.

¹See http://marginalrevolution.com/marginalrevolution/2005/03/public_finance_.html for the full review.