

The University of Tennessee

Department of Economics

Economics 371

Instructor: Martin Tackie

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Class Location & Time: MTWRF in HH 209 from 1:30 p.m. - 3:00 p.m.

Office: Aconda Court 306 D

Office Hours: 10:00 a.m. - 11:00 a.m. (or by appointment)

Class Webpage: <http://web.utk.edu/~mtackie/econ371>

Course Description: Public finance is the branch of economics that analyzes the role of government in the economy. This course will use the basic tools of economics to analyze competing views of what government does and what it ought to do. This course will provide extended coverage of the expenditure side of government budgets, including spending on education, health care, and social security. The main purpose of this course is to familiarize students with the fundamental theories that justify the existence of government and to use these theories to evaluate spending programs at the national, state, and local levels of the United States government. Other major themes include when government should intervene in the economy, how government should intervene in the economy, and the effects of government intervention on individuals and the economy.

Course Format: The course will be evaluated according to performance on two exams, three quizzes, a mini course paper and presentation, and class participation involving in-class discussion and exercises. Although none of the exams or quizzes will be cumulative in general subject matter, students must build on all techniques and course material covered throughout the semester. Attendance at lectures is **strongly** recommended and class participation is encouraged. You will be responsible for all material presented in class. **There will be no make up exams, or quizzes, for any reason.** If you miss an exam due to a documented excuse consistent with University policy, such as medical or family emergencies, then that particular exam will not count towards your final grade. That is, the missed exam will neither hurt nor benefit you. If you miss any assignment and do not have a valid, documented excuse, you will receive a 0% for that assignment. Please note the tentative dates of the exams and plan around them accordingly.

Exams: One in-class midterm exam will be administered. The final exam will be a take-home exam. The instructor will email the final exam to all students at a specified time. Each student will have exactly 24 hours to complete the final exam. Final exams must be emailed to the instructor as an attached Microsoft Word document. Students must work alone on the final exam or else a 0% grade will be assigned.

Quizzes: Three quizzes will be administered over the course of the semester. Quiz dates will be announced at least one class period in advance. Quizzes will be administered promptly at the beginning of class, so it is important to arrive to class on time. The quizzes will be reviewed in class after they have been graded.

Grades: Grades will be based on a midterm exam (30 percent), final exam (30 percent), in-class quizzes (20 percent), and a mini course paper and presentation (20 percent). The final grading scale is as follows: A (90%-100%), B+ (85%-89%), B (80%- 84%), C+ (75%-79%), C (70%-74%), D (60%-69%), F (0%-59%). Each student should be able to calculate his/her current course grade at any point in time during the semester. If there are any questions or problems with a particular grade, they should be taken up immediately with the instructor.

Term Paper Option: Students may write a paper that contains *original* research on a topic in public economics. The term paper replaces the final exam. I *must* approve the term paper proposal by 06/13/08 if this option is to be pursued.

Readings: The required textbook is *Public Finance*, by Harvey Rosen and Ted Gayer. Chapters in the reading list refer to Version 8, though you may purchase an older edition (back to edition 5) if you like (in prior editions, Harvey Rosen was the sole author). The assigned chapters are required readings. I will expect that you have read them prior to class and that you participate based on these readings.

Other Required Items: You will need a **non-programmable** calculator for the course. You may not use programmable calculators, financial calculators, cell phones, or any other electronic device during quizzes or exams. You may not share calculators or pencils during quizzes or exams.

Students with Disabilities: If you have a documented disability and need special accommodations, please see me as soon as possible. I will handle special accommodations as discretely as possible.

Academic Dishonesty: All graded work in this course should be your own work. I reserve the right to take appropriate actions, as mandated by University policies, in the event of suspected cheating or plagiarism.

Course Outline

Week 1	June 2	Review
	June 3	Review
	June 4	Introduction to Public Finance (Appendix, Chapters 1-3)
	June 5	Public Goods (Chapter 4)
	June 6	Public Goods (Chapter 4)
Week 2	June 9	Externalities (Chapter 5)
	June 10	Externalities (Chapter 5)
	June 11	Political Economy & Public Choice (Chapter 6)
	June 12	Political Economy & Public Choice (Chapter 6)
	June 13	Education
Week 3	June 16	Education (Chapter 7)
	June 17	Midterm Exam
	June 18	Healthcare (Chapters 9 & 10)
	June 19	Healthcare (Chapters 9 & 10)
	June 20	Social Security (Chapter 11)
Week 4	June 23	Income Redistribution (Chapter 12)
	June 24	Welfare (Chapter 13)
	June 25	Other Expenditure Programs for the Poor (Chapter 13)
	June 26	Cost-Benefit Analysis (Chapter 8)
	June 27	Fiscal Federalism (Chapter 22)
Week 5	June 30	Fiscal Federalism (Chapter 22)
	July 1	Take-Home Final
	July 2	NO CLASS (Attending a Conference)
	July 3	Take-Home Final Due
	July 4	NO CLASS (Independence Day)

Mini Paper and Presentation Overview

Economists use research as their main tool to provide support for or against specific policies within the realm of public finance. I have chosen a list of studies and articles that fill a very narrow crevice on the expenditure side of government. It is your duty to thoroughly read the study that you are assigned to and summarize the study's main contributions. Note that some of the articles and studies include graduate-level theory and empirical techniques that are not required for this course. These details can be ignored as your objective is to clearly explain the main purpose of the study along with the important results that stem from the study. In addition you are required to discuss how the study that you are assigned to relates to the course. The mini paper and presentation should be very similar.

Mini Paper Format

The mini papers should be 2-3 double-spaced pages and typed in 12 point Times New Roman font. The margins must be 1" on the top and 1.25" on the left and right margins. The paper must be turned in at the beginning of class on the day of your presentation.

Presentation Format

Presentations should last between 5-7 minutes. The content of the presentation should follow a similar structure to your paper (a general summarization of the study will do). However, simply reading your paper out loud is not recommended. The purpose of the presentation is to give you experience presenting in front of your peers, and more importantly, to generate class discussion. After presentation, the topic at hand will be open to class discussion for 3-5 minutes. Note that presentations will occur at different times during the class, so you should be prepared to present at the beginning of class on your assigned presentation date.

Grading Criteria

Your completed mini paper and presentation will be graded according to your ability to summarize and present the basic concepts of the study, your ability to make connections between classroom material and the study at hand, and your ability to follow the formatting requirements.

Tentative Presentation Schedule:

Week 1

June 6

- Bradford D. F., R.A. Malt, and W.E. Oates (1969). "The Rising Cost of Local Services: Some Evidence and Reflections," *National Tax Journal* 22 (2): 185-202.
- Andreoni, James (1995). "Cooperation in Public Goods Experiments: Kindness or Confusion?" *The American Economic Review* 85 (4): 891-904

Week 2

June 9

- Sigman, Hillary (2002). "International Spillovers and Water Quality in Rivers: Do Countries Free Ride?" *The American Economic Review* 92 (4): 1152-1159.

June 10

- Laux, Fritz L. (2000). "Addiction as a Market Failure: Using Rational Addiction Results to Justify Tobacco Regulation," *Journal of Health Economics* 19 (4): 421-437.
- Bohnet, Iris (2006). "What to do when They Say 'Not in My Backyard!' When Disputes Arise Between Organizations and Local Communities, Carefully Planned Talks can Repair Strained Relations," *Negotiation Newsletter*, Harvard Law School (August 2006): 6-9.

June 11

- Borchering, Thomas E. and Robert T. Deacon (1972). "The Demand for the Services of Non-Federal Governments," *The American Economic Review* 62 (5): 891-901.

June 13

- Angrist, Joshua D. and Kevin Lang (2004). "Does School Integration Generate Peer Effects?" *The American Economic Review* 94 (5): 1613-1634.
- Ladd, Helen F. (2002) . "School Vouchers: A Critical View," *Journal of Economic Perspectives* 16 (4) 3-24.

Week 3

June 18

- Center for Business and Economic Research (2007). "Education Crossroads: Opportunity for You, Me, Tennessee and Society," Prepared for the Comptroller of the Treasury, State of Tennessee (December 2007). Retrieved June 1st, 2008.
<http://educationcrossroads.com/Chapters/Family.pdf>.
- Graves, John A. and Sharon K. Long (2006). "Why Do People Lack Health Insurance?" Health Policy Center: Timely Analysis of Current Trends and Policy Options. The Urban Institute, No. 14. Retrieved June 1st, 2008.
http://www.urban.org/UploadedPDF/411317_lack_health_ins.pdf.

June 23

- Pfau, Wade D. (2006). "Comparing the Impacts of Social Security Benefit Reductions on the Income Distribution of the Elderly:," *National Tax Journal* 59 (2): 195-210.

Week 4

June 24

- Michello, Franklin A. and William F. Ford (2006). "The Unemployment Effects of Proposed Changes in Social Security's Normal Retirement Age," *Business Economics* 41 (2): 38-46.

June 25

- Grogger, Jeffrey (2003). "The Effects of Time Limits, the ETIC, and Other Policy Changes on Welfare Use, Work, and Income Among Female-Headed Families," *The Review of Economics and Statistics* 85 (2): 394-408.