ECON 440-01 Public Economics

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SYLLABUS

Economics 440-01 – Public Economics

Spring 2012

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Office Hours: Monday: 3:30-5:50PM
Tuesdays: 2:30-4:00PM
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Williams College of Business Mission Statement

“We educate students of business, enabling them to improve organizations and society, consistent with the Jesuit tradition.”

Course Description

In the course, (1) we will review competitive market outcome and study social welfare maximization. (2) discuss externalities and market failures, and then provide some reasonable solutions to these problems. (3) examine rationale for government intervention in the market place. (4) study how people choose (or elect) their government under a democratic system, and (5) discuss the ways that government raises its revenue and some of the consequences of it.

Course Material


Supplemental Materials: I will occasionally provide lecture notes on the topics that are not covered in your textbook.

Assignments and Grading Policy

Homework Assignments: Weekly homework assignments will be given to you on (almost every) Thursday, and they are due the following Tuesday in class. These assignments may be problems from the text or other materials that I prepare. Points will be deducted from any assignments turned in after they are due unless prior arrangements with the instructor have been made. An assignment will not be accepted for a late grade once that assignment has been graded and returned to the class. To be redundant, this policy means that if you miss a class, it is YOUR responsibility to check with a classmate to determine what, if any, assignments were made. Not being able to reach me personally concerning assignments because you missed class is NOT a legitimate excuse for late homework. If you know you will be missing the class in which a homework assignment
is due, you can send the assignment with a classmate, turn in the assignment to me in advance, have it placed in my box (during normal business hours), or email the assignment to me attached as a Word document. Homework must be in my box or received as email by the end of the class period.

**Attendance and Class Participation:** I believe class attendance and participation are closely linked with how well students learn and perform on exams. All students will be expected to participate fully in the discussion of materials. In other words, I expect you to be present in mind as well as body when you come to class. Students routinely will be called upon to provide definitions of terms, examples for theories under consideration, and theories for examples under discussion. This is non-punitive behavior—it merely enhances the learning environment. Cardinal rule: never, never, never cut class because you are unprepared: such behavior will only compound how far behind you are.

**Midterm Exams:** There will be two midterm exams given in class during the semester. Each exam will be worth 100 points, and each will count as 20% of your final semester grade. The tentative exam dates are **Exam #1: Thursday, Feb 16 and Exam #2: Tuesday, April 03.** There will be **NO make-up exams** in this class regardless of circumstances. If you elect not to take one of the two in-class exams, the comprehensive final exam will take on the additional weight of the missed exam. Exam questions will stress analysis including short essay questions, numerical problem solving, and defining economic terms or concepts. Using graphs to illustrate your reasoning is a critical part of answering most short essay questions. **Any written answer that cannot be deciphered due to handwriting illegibility will be counted as a wrong answer.** Exams will be based on the material covered in class. You may use a basic, non-programmable calculator on exams. Cell phones should be turned off and put away before any exam begins. Once the exam is handed out, you will not leave the room until you are ready to hand in the exam.

**Final exam:** The final exam will be comprehensive, covering all of the course material for the whole semester. The final exam will count as 25% of your final semester grade. Again, exam questions will stress analysis including short essay questions, numerical problem solving, and defining economic terms or concepts. Using graphs to illustrate your reasoning is a critical part of answering most short essay questions. **Any written answer that cannot be deciphered due to handwriting illegibility will be counted as a wrong answer.** Exams will be based on the material covered in class. You may use a basic, non-programmable calculator on exams. Cell phones should be turned off and put away before any exam begins. Once the exam is handed out, you will not leave the room until you are ready to hand in the exam. Unless alternative arrangements are made before the final exam, a score of zero will be entered in my grade sheet for the final exam if you do not show up in the correct room and at the correct time for the final exam.

**Paper requirement:** This research paper will be a 6-8 page (or 8-10 pages for capstone course paper) - double spaced, 12 point font text, plus extra for references, tables, etc. The paper should be on some topic in public economics. You have lots of freedom to develop your topic and be creative – but it must be a public economics topic.
**Extra-credit:** Under **NO** circumstances will I give extra-credit work to individual students. However, during the semester, class exercises for which extra-credit points can be earned may be offered. Offering extra-credit is subject to my discretion.

**Summary of grading:**

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<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Paper</td>
<td>10%</td>
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<tr>
<td>Homework</td>
<td>20%</td>
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<tr>
<td>Exam #1</td>
<td>20%</td>
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<td>Exam #2</td>
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<tr>
<td>Final exam</td>
<td>30%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
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**Tentative Grading scale:** The standards are based on the below percentage distribution. Changes to the distribution may be made at the instructor’s discretion, but any changes will be strictly in your favor in terms of expanding the ranges to include lower grade percentages. A: 90 - 100%, A-: 89%, B+: 88%, B: 80 - 87%, B-: 79%, C+: 78%, C: 70 - 77%, C-: 69%, D: 60 - 68%, F: < 60%.

**Integrity:** I follow the policy outlined in the Xavier University Academic Integrity Policy and Procedures with regard to cheating and academic dishonesty.

**Class Policy**

1. Attend class.

2. Be on time for your own benefit and out of consideration for others—the disruptions you cause by coming in late affect everyone (in economics, we call such impacts negative externalities).

3. If you know you will have to leave before class ends, then sit by the door to minimize disruptions and interruptions for your classmates that will occur if you don’t sit near the door and have to stomp over the top of them and/or parade across the front of the room as you exit (furthermore, I would appreciate if you would kindly mention your need to leave to me before class starts).

4. Having to get up and leave in the middle of class in the case of an emergency is one thing, but DO NOT make it a habit to wander into and out of lecture—this is rude and disruptive behavior causing a NEGATIVE impact on your fellow classmates and instructor.

5. Just as you expect to be treated with respect, remember to treat your fellow students and me with the same high level of respect.
Some tips on how to be successful in this course

1. KEEP UP—the materials build as the semester progresses—very few students can succeed by just studying the night before the exam.

2. Take excellent class notes—write out explanations and examples of the concepts covered rather than just copying down the definitions or graphs—this will help you immensely as you work on assignments and as you study for quizzes and exams.

3. Look over your class notes and text readings before (yes, I said before!) coming to class—for each section of notes, go back and think how you can reorganize them so they make sense to you (students have found that making flow diagrams can help connect the material in a personally meaningful way).

4. Make use of office hours—clear up questions as they arise and are fresh on your mind... generally students find I am friendly and helpful in office hours, and the additional one-on-one attention does wonders for truly comprehending the material.

5. Many students may find it beneficial to discuss the course material with one another. You are encouraged to share helpful suggestions for studying and mastering the material. There is an underlying principle of learning when working together in small groups like this—you can determine what you know as you are forced to explain the concepts and problem solutions to one another.

6. You may wish to bring colored pens/pencils with you to class. For some graphical analyses, I will use colored chalk in my presentation. Some students have expressed that having colors of their own greatly enhances their ability to understand their notes.

7. This class will require much more than basic memorization and regurgitation of definitions. This class has the reputation of being “hard” for a reason. Merely showing up every day for class is likely to be insufficient to secure an “A” or even a “B” or even a “C” letter grade. Expect that, generally speaking, we will stay the entire length of class. Class time is a mixture of lecture/note taking, in-class practice problem solving, and peer discussion.
Course Outline (Tentative)

Jan 10, 12
Ch 1: What is Public Economics and Why study public Economics?
Some basic math review (Calculus Review)
Review of microeconomic theory: Utility maximization

Jan 17, 19, 24, 26
Ch 3: Theoretical tools of public economics
Exchange economy: Pareto optimality, Competitive equilibrium
Welfare Economics; Pure Exchange Economy; Fundamental Theorems of Welfare Economics I and II; Efficiency vs. Social welfare

Jan 31, Feb 2, 4, 7
Ch 5: Externalities—Positive and Negative; Market failures and solutions; Market Solutions to Market Failure; Coase Theorem. Policies toward externalities.

Feb 9, 14, 16
Ch 4: Public goods; Efficient Provision of Public Goods; Private Provision of Public Goods;

Exam #1: Feb 16 Thursday (Exam will cover the materials discussed up to Feb 14 (i.e. including Feb 14))

Topics in Public Economics

Feb 21, 23, Feb 28
Ch 6: Political economy; Economics and politics; Median Voter Theorem, Public Choice Theorem; Voting in Democratic Regime.

March 1-11 Spring Break: No classes

March 13, 15, 20, 22, 27, April 3
Ch 7: Education; Should government intervene in Education?
Ch 11: Social Security: Why have social security?
Ch 12: Expenditure programs for the poor

Exam #2: April 3 Tuesday (Exam will cover the materials discussed up to March 27 (i.e. including March 27))

April 10, 12, 17 (No Class on April 5-Easter Break)
Ch 14, 15: Taxation and Income Distribution: State and local government expenditure; Taxation; Tax Incidence; Partial Equilibrium Model; General Equilibrium Model;
Welfare cost of tax interactions; Efficient taxation.
Note: April 10 is the final day for withdrawal from full-term classes for Undergraduate students.

April 19, 24, 26

Final Exam: May 3 Thursday at 10:30-12:20.