

**ECON 497A**  
**Public Economics**  
**Spring 2009**

**Monday, Wednesday, & Friday, 10:10am – 11:00am**  
**REDC, Room 105**

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**Instructor:** Dr. Todd M. Nesbit  
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**Office Hours:** MW: 11:00am – 12:10pm  
MW: 5:15pm – 6:05pm  
and by appointment

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**Course Overview:**

This is a course in the economics of the public sector which consists of studying the role of government in the economy and developing tools with which to evaluate government policies. In order to analyze the public sector we must understand not only how government might allocate resources optimally (traditionally known as Public Finance), but also how the political decisions of voters and their elected representatives will tend to be translated into public sector policies (known as Public Choice). By the end of the semester you will have been provided with the tools and institutional knowledge necessary to analyze and evaluate public policy and to draw your own conclusions regarding the proper role of government in the economy.

**Prerequisite:**

The prerequisite for this course is Econ 002.

**Course Materials:**

**REQUIRED MATERIALS:**

Text: *Public Finance* (8<sup>th</sup> Ed.), by Harvey Rosen and Ted Gayer  
(ISBN: 978-0-07-351128-3)

**SUPPLEMENTAL MATERIALS (not required):**

Other Texts: *Public Sector Economics, The Role of Government in the American Economy*  
by Randall Holcombe

*Public Finance and the Price System* (4<sup>th</sup> Ed.), by Edgar Browning and Jacqueline Browning

**Course Websites:**

**TEXTBOOK WEBSITE:**

Your textbook has a companion website that provides chapter highlights and supplementary materials to help you understand the concepts presented in this course. The homepage for the text is: [http://highered.mcgraw-hill.com/sites/0073511285/student\\_view0/index.html](http://highered.mcgraw-hill.com/sites/0073511285/student_view0/index.html)

## ANGEL COURSE WEBSITE:

If there are additional course materials that can be electronically posted, they will be made available on the Penn State ANGEL website for this course. It can be accessed at: <http://cms.psu.edu>. You will need your PSU access account *user name* and *password*.

## **Grade Determination:**

Contrary to what some students may believe, professors do not assign grades; rather, students earn grades based on how well they demonstrate mastery of the subject matter. Those who attend class regularly and those who put forth more effort toward learning the course material will, in general, earn higher grades. You should think of this course as your job. If you do not show up for your job or put forth an acceptable level of effort while on the clock, you will likely be unemployed in the near future and be without an income. Likewise, if you do not show up to class and you do not immerse yourself in the material (both while in class and while studying outside of class), you will likely earn a failing grade in my course.

Each student's final grade will be determined as the average of three equally weighted exams, 3 op-ed assignments, and a set homework assignments. The grading weights appear below:

Exam 1	20%
Exam 2	20%
Exam 3	20%
Op-ed Assignments	30%
Homework & Quizzes	<u>10%</u>
	100%

The tentative outline of the course can be found on the final page of this syllabus.

## EXAMS:

There will be three exams in this course. The exact dates of the exams depend on the pace of the class. I will adjust the pace of the course based on the class' understanding of the material. I will announce the exact exam dates at least 9 days in advance. All students MUST take the last exam at the University scheduled date and time for final exams, which will be announced by the University later in the semester. The final exam is NOT a "cumulative final" exam, per se; however, the material in this course is cumulative in nature. So, if you struggle with a particular concept early in the semester, be sure to see the professor for further clarification, as it will likely impact your performance on future assignments and exams.

The exams will cover only the material discussed in class, although the text will provide additional explanations of the covered topics. If it is in the book but I did not cover it in class, it will not be on the exam. I will cover some material not discussed in the text, and this material will appear on the exam. All illegible answers will be marked incorrect, so it is in your interest to write legibly. Cell phone calculators may NOT be used on exams.

Exams will be essay format. The professor will provide a list of at least seven questions one week prior to the exam. Three to four of the provided questions will appear on the exam; however, you will not know which ones. All questions asked on the exam will come directly from the provided list of questions; there will be no surprise questions. However, given that you know the all

potential questions ahead of time, the professor will expect higher quality answers than otherwise.

It is your responsibility to be present for all exams. If you know that you will not be able to attend class on an exam day, you must notify the professor at least 1 week in advance. In such circumstances when the professor deems appropriate, **arrangements may be made to take the exam PRIOR to the scheduled exam.** To reiterate, make up exams must be completed before the remainder of the class takes the exam on the scheduled exam day. In the event of an emergency, students must contact the professor immediately to notify him of the situation. In such cases, official documentation is required in order to make alternative arrangements for the exam, which may include a 12 page research paper of the professors choosing instead of a make-up exam.

#### OP-ED ASSIGNMENTS:

Each student will be required to write three op-ed pieces commenting on current policy issues. You are to include a short title for the piece, your full name, Penn State Erie, The Behrend College, and the name of your home town. One op-ed is due prior to each of the three exams and the topics should be consistent with the material covered in that third of the course. You can submit your op-ed at any point during the corresponding third of the course such that your topic does not become stale. Topics can be related to international policy, national policy, state policy, or local policy. You can comment on taxes, subsidies, regulations, etc. In other words, you have much flexibility in the chosen topics, so be sure to select ones that truly interest you; your arguments will be much more interesting and convincing if you truly care about the topic.

An op-ed is an opinion piece written by someone not on the newspaper's editorial staff. They are called "op-eds" because they are traditionally printed on the page opposite the editorials, hence "op-ed" for "opposite editorials." The purpose of an op-ed is to express one's opinion on a matter; however, it cannot be entirely opinion. Rather, your argument must be supported by factual information. As such, your topic must be well researched. The most desirable op-eds (from an editor's point of view) comment on something that is current (e.g., it's in the news) and controversial. It might also piggyback off of some new nuggets of information such as the release of new survey results.

Consistent with the requirements of many newspapers, your op-ed must be between 600 – 700 words. Writing a well-structured and convincing argument using fewer than 700 words is extremely difficult. Brevity is a skill that takes years of practice to develop (obviously, I have not mastered it given the length of this syllabus!). I encourage you to regularly read the op-ed section of a newspaper so that you get a better idea of the style and organization.

Submission and grading process for the op-ed assignments: You are to submit your op-ed as an attachment to an email directly to the following address: [tmn11@psu.edu](mailto:tmn11@psu.edu) (do NOT email it through Angel as Angel email does not forward the attachments to my inbox). Once you submit your op-ed piece, the professor will grade it within 24 hours (unless you procrastinate and submit it just before the exam). Those op-ed pieces which the professor deems as being of high quality will be forwarded to the college's Office of Marketing Communication staff who will then review the op-ed. If the Marketing Communication staff determines that the op-ed is of publication quality, they will then send it on to the *Erie Times News* for publication consideration. If you are

commenting on a local public policy issue concerning something in your hometown (other than Erie), the staff will send it to your hometown newspaper instead. One percentage point will be added to the student's final grade for each op-ed published (for a maximum of 3 publications). Thus, if you earned an 89% in the course but published two op-eds, you will end up with a 91% in the course.

Note: if you wish to target your local newspaper and the newspaper has other restrictions on the length of the op-ed, you should write your piece in accordance with that paper's preferences. Please provide the instructor with the newspaper's restrictions when submitting your assignment so that your work can be graded properly.

#### HOMEWORKS & QUIZZES:

There will be numerous homework assignments and quizzes assigned throughout the semester (there will be more if the professor determines that the extra practice is necessary for student comprehension and less if not necessary). Homework assignments will be a mixture of questions assigned from your textbook and questions that your professor has written. Most of the questions will require both a graphical demonstration of the situation and a written description of the intuition behind your answer. **All homework answers MUST BE TYPED; however, graphical responses and mathematical calculations may be hand-written.** If your answer is not typed, it will not be graded and will earn zero credit. All illegible answers will be marked incorrect, so please write and draw legibly for those questions requiring math and graphs. Homework assignments are due at the beginning of class and are considered late once class begins—yes, one minute late is still late. So, you will want to be on time. **Electronic submission of homeworks are NOT accepted.** Late submissions of homework assignments are not accepted.

Quizzes will largely consist of short essay questions with graphical and mathematical components. Students will generally be allowed to pair up with another student to complete the quizzes.

#### Grading Scale:

Final Weighted Average	Course Grade
92.5 – 100%	A
89.5 – 92.49%	A-
86.5 – 89.49%	B+
82.5 – 86.49%	B
79.5 – 82.49%	B-
76.5 – 79.49%	C+
69.5 – 76.49%	C
59.5 – 69.49%	D
<59.5%	F

Under no circumstances will the above grading scale be relaxed or changed.

More directly, **I DO NOT CURVE GRADES.**

### **Grade Discrepancies:**

Students should review each graded assignment thoroughly so that you can both learn from your mistakes and catch any errors that the professor may have made while grading it (this seldom happens, but it is possible). **Students have seven (7) days from the date that an assignment is returned to the class (whether you are present in that classroom session or not) to voice any discrepancies in the grading.** After the seven days have passed, it is understood that the student agrees with the grading of the returned assignment and can no longer voice complaints concerning its grading.

### **Attendance:**

Attendance will not be taken and it will not (directly) count toward your grade. If a student misses a class, it is that student's responsibility to determine what material was covered and what assignments (if any) were issued. If an assignment is due on the day a student misses class, he or she should make arrangements to turn in the assignment early; otherwise, the assignment will be considered late and will be graded at half credit.

### **Academic Integrity Policy:**

The following statement is from the Office of the Chancellor at Penn State Erie:

Penn State Erie puts a very high value on academic integrity, and violations are not tolerated. Academic integrity is one of Penn State's four principles to which all students must abide. This principle states:

*I will practice academic integrity. Academic integrity is a basic guiding principle for all academic activity at Penn State University, allowing the pursuit of scholarly activity in an open, honest, and responsible manner. In accordance with the University's Code of Conduct, I will practice integrity in regard to all academic assignments. I will not engage in or tolerate acts of falsification, misrepresentation, or deception because such acts of dishonesty violate the fundamental ethical principles of the University community and compromise the worth of work completed by others.*

Any violation of academic integrity will receive academic and possibly disciplinary sanctions, including the possible awarding of an XF grade, which is recorded on the transcript and states that failure of the course was due to an act of academic dishonesty. All acts of academic dishonesty are recorded so repeat offenders can be sanctioned accordingly.

More information on academic integrity can be found at the following website:

<http://www.pserie.psu.edu/faculty/academics/integrity.htm>

### **Expectations of the Students:**

Students are expected to follow all university guidelines set forth in the student handbook. Students are also expected to arrive to class on time and to not be disrupting while in class. **Cell phones are to be turned off while in class.** Finally, students are expected to be attentive in class, which includes not doing other coursework during class time.

**Study Tips:**

Look over the material prior to class. If you are not going to read the chapter prior to our covering it, you should at least look at the important points highlighted in the margins. After reading the assigned material, you should attempt to answer some of the questions at the end of the chapter. Studying these questions should be extremely helpful to you as they are very similar to the questions that I ask on exams.

Public Economics, by and large, relates to the major stories you hear on the national nightly news and read in the popular magazines and newspapers (including msnbc.com and the like). I suggest that you stay up to date with the current issues and think about what the theories imply about these situations. This will provide good practice in preparation for the exams. Plus, it can't hurt to know what's happening in the world around you.

Lastly, while I do not take attendance, I can assure you that your final grade will reflect your class attendance (or lack of it). Please note that the test material comes directly from or is an extension of what is covered in class, so your attendance will directly impact your grade.

**Career Development Center:**

The Career Development Center (CDC) can assist students with the process of career and life planning through a full range of programs and services. You may schedule appointments with the CDC staff to discuss issues including interests, skills, values, and goal setting, as well as how to find career information, internships, full-time jobs, and graduate schools. You are encouraged to utilize the services of the CDC every year from your first semester to graduation.

CDC Location:           First Floor – Reed Building  
CDC Phone:             898-6164  
CDC Web Site:         <http://pennstatebehrend.psu.edu/cdc>

## **Tentative Course Outline**

The following list chapters to be covered is just that—a list. The order of chapters covered (excepted for the first 6 chapters) may change depending on current public policy issues in the news. The instructor also reserves the right to modify the list of topics covered.

### 1. Introduction

Chapter 1: Introduction

Chapter 2: Tools of Positive Analysis

Chapter 3: Tools of Normative Analysis

### 2. Public Expenditure: Public Goods and Externalities

Chapter 4: Public Goods

Chapter 5: Externalities

Chapter 6: Political Economy (also known as Public Choice)

Additional discussion of Public Choice Economics to be presented by instructor

### 3. Public Expenditure: Social Insurance and Income Maintenance

Chapter 10: Government and the Market for Health Care

Chapter 11: Social Security

Chapter 13: Expenditure Programs for the Poor

### 4. A Framework for Tax Analysis

Chapter 14: Taxation and Income Distribution

Chapter 15: Taxation and Efficiency

Chapter 16: Efficient and Equitable Taxation

### 5. The U.S. Revenue System

Chapter 17: Expectations: The Basic Tools

Chapter 18: Financial Markets and Expectations

Chapter 19: The Corporation Tax

Chapter 20: Deficit Finance

Chapter 21: Fundamental Tax Reform: Taxes on Consumption and Wealth

### 6. Multigovernment Public Finance

Chapter 22: Public Finance in a Federal System