

THE COLLEGE OF WILLIAM AND MARY

ECONOMICS 321 ECONOMICS OF THE PUBLIC SECTOR Fall 2021

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Introduction:

This course presents a comprehensive overview of the field of economics of public sector. It covers both conceptually and at a more practical level the general areas of government expenditures, taxation, as well as deficits and debt, all mostly at the federal level. It provides the tools necessary to better understand and to critically think about the information around us pertaining to the public sector.

Course requirements and grading policy:

The course is organized in three modules of lectures followed by a test.

There will be three take-home non-cumulative tests. Each test contributes to one-third of the final grade. The first test is on October 4; the second test on November 6; and the third test/final exam on Dec 15 for the MWF 11.00 am section and on Dec 16 for the MWF 9.00 am section.

Re-grades on each test will be considered during the first week after the test is returned. Deviations from these guidelines (i.e., missing tests, changing weights) must be cleared in advance.

Retakes of the first two tests for extra credit are available to those with grades lower than 70%. All adjustments must be completed by the last day of classes.

Recommended course materials:

Economics of the Public Sector, by Joseph Stiglitz, Norton, 3rd Edition.

Lecture Notes - available through Blackboard

Miscellaneous Readings - available through Blackboard.

Office hours:

My office hours will be MWF from 10.00 to 11.00 am or any time by appointment. You are encouraged to submit questions by e-mail.

Schedule changes and other important dates:

Fall Break: October 18.

Thanksgiving Break: November 24 and 26.

Add/Drop deadline: September 10.

Withdraw deadline: November 1.

Classes cancelled for personal reasons:

Sept 8, 22, 29 and, possibly, a very limited number of other dates.

Recorded lectures may be assigned for some of these dates.

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LIST OF TOPICS AND READINGS

MODULE ONE – The Public Sector in the United States

1.1 An overview of the public sector in the US

[Lecture Notes – 2]

1.2 Different levels of public sector in the US

[Lecture Notes – 3]

1.3 On the revenue side: federal level

[Lecture Notes – 4]

1.4 On the revenue side: state and local levels

[Lecture Notes – 5]

1.5 On the expenditure side: federal level

[Lecture Notes – 6]

1.6 On the expenditure side: state and local levels

[Lecture Notes –7]

1.7 On the federal public debt

[Lecture Notes – 8 and 9]

1.8 Problems with deficits and debt

[Lecture Notes – 10]

1.9 Federal budget outlook

[Lecture Notes – 11]

1.10 Problems with taxes and focus of public sector

[Lecture Notes – 12]

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SYLLABUS AND READINGS

MODULE TWO – PART 1: Public Intervention: When and How?

2.1 Non-interventionism

[Book - Chapter 3, pages 55-61]

[Lecture Notes - 15]

2.2 Market Failures: general concept, no equilibrium, merit goods

[Book - Chapter 4]

[Lecture Notes –16]

2.3 Market Failures: monopolies, imperfect information, incomplete markets

[Book - Chapter 4]

[Lecture Notes –17]

2.4 Market Failures: Externalities

[Book - Chapter 9, pages 214-233]

[Lecture Notes – 18 and 19]

2.5 Market Failures: Public Goods

[Book - Chapter 6, pages 127-136]

[Lecture Notes – 20]

2.6 Alternative Forms of Intervention: public provision and its problems

[Lecture Notes – 21]

2.7 Alternative Forms of Intervention: public production and its problems

[Lecture Notes – 22 and 23]

2.8 Alternative Forms of Intervention: public controls, vouchers

[Lecture Notes – 24]

2.9 Alternative Forms of Intervention: private contracting

[Lecture Notes – 24 and 25]

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MODULE TWO – PART 2: Public Intervention: Policy Evaluation

2.10 Policy Evaluation: Efficiency and Equity Trade off

[Book - Chapter 10]

[Lecture Notes – 28]

2.11 Policy Evaluation: Efficiency

[Book - Chapter 10]

[Lecture Notes – 29]

2.12 Policy Evaluation: Incidence

[Book - Chapter 10]

[Lecture Notes –30]

2.13 Policy Evaluation: Introduction to Benefit-Cost Analysis

[Book - Chapter 11]

[Lecture Notes – 31 to 33]

MODULE THREE – Financing Public Intervention: Taxation

3.1 Theory of Taxation: Preliminary Concepts

[Lecture Notes – 34 and 35]

3.2 Theory of Taxation: Criteria for a Good Tax System - Simplicity

[Book - Chapter 17, pages 456 - 475]

[Lecture Notes 36]

3.3 Theory of Taxation: Criteria for a Good Tax System – Efficiency and Fairness

[Book - Chapter 17, pages 456 - 475]

[Lecture Notes 37]

3.4 Taxation in the United States: On the Need for Tax Reform

[Book - Chapter 25, pages 693 - 710]

[Lecture Notes - 38]