

Economics of the Public Sector

College of William and Mary

T/TH 9:30-10:50am

Tyler, Room 123

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Office Hours: T/TH 11am-12pm; W 12pm-1:30pm

Objective:

Government is involved in many sectors of the economy either by acting as the provider of the good/service (e.g. education and social security) or through regulation. In this class we will study situations where markets fail to provide the most efficient outcome (given a society's overall goals). These situations are the primary motivation for government intervention as government can often provide a solution to fix market failures. Of course, other solutions exist and so we'll discuss those solutions as well.

Public economics can be rather theoretical (math-based) or rather applied/empirical (data-based). This course will use both sets of tools to study government's actual policies.

Here are some of the questions that we'll look at:

- Why should government have any role in economic decisions?
- When do markets fail?
- How might government (or other actors) attempt to solve market failures?
- How does government decide what to do?
- What are the broader impacts of governments' actions? Does government successfully alleviate market failure?

Textbook:

My lectures loosely follow the 4th edition of "Public finance and public policy" by Jon Gruber. However, the content and emphasis can deviate substantially, and so the textbook should largely be viewed as a recommended reference. Thus, earlier editions or other textbooks can be used as a substitute.

Grading:

- 5% - Quizzes
- 20% - Referee reports
- 35% - Midterm
- 40% - Final

Grades will be curved to match the typical William & Mary grade distribution. (See: <http://www.wm.edu/offices/registrar/studentsandalumni/studentrecords/transcripts/transkey/index.php#stats>). Re-grading of any sort will only be considered during the first week after the assignment/test is returned.

Quizzes: There will be four quizzes throughout the semester (dates listed below). The purpose of these quizzes is to provide you with immediate feedback on your understanding of the mathematical models covered in class. The quizzes are worth 5 points each, and you are guaranteed 4 points for taking the quiz. The final point is awarded for arriving at the correct answer.

Referee reports: There will be two assigned referee reports worth 10% each. A supplemental document on the referee report guidelines is available on blackboard. Essentially a referee report is a short (3 pages double spaced) report that summarizes and constructively critiques an article.

Readings: Both of the articles that you are asked to referee, as well as the other six readings that you are required to read can be downloaded [here](#). It is important to recognize that academic articles are not always accessible to a general audience. The purpose of the in class readings is to prepare you for the referee reports. Some questions you should be ready to answer are: What is the question the authors are looking to answer? What answer do they arrive at? Why is the question important? What kind of variation are they using to answer that question? Are there any concerns with this approach? Feel free to also take notes (and bring up) things that you thought were unclear or not convincing.

Tests: There will be one midterm exam and a final exam. Each test will be administered in class on the dates specified below. Make-up tests are only possible under extreme circumstances (e.g. car accident, imprisonment, health related emergency) and with sufficient proof (e.g. a note from a doctor or sheriff). I reserve the right to determine whether the circumstance and proof are sufficient.

Office hours and other instructor access:

I will be in my office (Tyler 258) from 11am-12pm on Tuesdays and Thursdays as well as 12-1:30pm on Wednesdays. **You do not need to schedule an appointment to see me during these times.** I will also try to answer emails within one business day (meaning not at night or on the weekends).

College Policies:

Students are expected to adhere to the college honor code (see, in particular, Section 7 on honor code violations). Students are encouraged to collaborate with each other throughout the semester. Exams, however, must be completed individually and without aid from other outside resources.

It is the policy of The College of William & Mary to accommodate students with disabilities and qualifying diagnosed conditions in accordance with federal and state laws. **Any student who feels s/he may need an accommodation** based on the impact of a learning, psychiatric, physical or chronic health diagnosis **should contact the Student Accessibility Services staff at 757-221-2509 or at sas@wm.edu.** SAS staff will work with you to determine if accommodations are warranted, and if so, to help you obtain an official letter of accommodation. For more information please see www.wm.edu/sas. **If this applies to you, please do this as soon as possible. The first test is in four weeks and it will take time to approve the request, formulate a plan, and communicate that plan to me.**

Tentative course schedule: The timing of the topics may change, but quiz and exam dates are firm so please plan accordingly.

Week	Date	Topic	Readings	Assignments
1	1/19/17	Syllabus and overview of course		
2	1/24/17	Theory refresher	Ch. 2.1	
2	1/26/17	Empirical refresher	Ch. 3; Angrist and Krueger (2001)	
3	1/31/17	Financing government activity	Ch. 4; Grembi et al. (2016)	
3	2/2/17	Tax incidence and fairness	Ch. 19	Quiz 1
4	2/7/17	Welfare and inequality		
4	2/9/17	Welfare and inequality	Ch 2.2; Ch. 17	
5	2/14/17	Welfare and inequality (empirics)	Hoynes and Schanzenbach (2009)	
5	2/16/17	Externalities	Ch. 5	
6	2/21/17	No class		
6	2/23/17	Externalities		Quiz 2
7	2/28/17	Education	Ch. 11	
7	3/2/17	Education	Hoxby (2000)	Ref report 1 due: Aizer et al (2016)
8	3/7/17	No class -- Spring break		
8	3/9/17	No class -- Spring break		
9	3/14/17	Review		
9	3/16/17	Midterm		
10	3/21/17	Public goods	Ch. 7	
10	3/23/17	Public goods	Gerber, Green, Larimer (2008)	
11	3/28/17	Political economy	Ch. 9	
11	3/30/17	Political economy (empirical)	Beach and Jones (2016)	
12	4/4/17	Insurance primer	Ch. 12	Quiz 3
12	4/6/17	Unemployment insurance	Ch. 14	
13	4/11/17	Worker's compensation and disability		
13	4/13/17	Social security	Ch. 13	
14	4/18/17	Social security		Quiz 4
14	4/20/17	Special topic (decided by class)		
15	4/25/17	Review		
15	4/27/17	No class		
	5/8/17	FINAL EXAM 9AM - 12PM		Ref report 2 due: Card McCall (1996)