

THE COLLEGE OF WILLIAM AND MARY

ECONOMICS 321 ECONOMICS OF THE PUBLIC SECTOR Spring 2017

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Introduction:

This course is designed to present 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, 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:

This course is organized in three blocks of twelve lectures followed by a test. Therefore, there will be three fifty-minute tests. The tests are not cumulative. Each will contribute one-third to your final grade.

The first test will be on February 17; the second test will be on March 27; the third test will be on May 5 at 2:00 pm.

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) have to be cleared in advance. All adjustments have to be cleared 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 Papers. Available through Blackboard.

Office hours:

My office hours are Mondays and Wednesdays from 2:00 to 3:00 pm or any other time upon request. You are encouraged to submit questions by email.

Schedule changes:

There will be no lectures on the following dates: April 12 and April 17.

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SYLLABUS AND READINGS

1. Introduction - The Public Sector in the United States

[Book - Chapter 2]

[Lecture Notes – Chapter 1]

Part I – The Case for Government Intervention

1.1 Non-interventionism

[Book - Chapter 3, pages 55-61]

[Lecture Notes – Chapter 2]

1.2 Market Failures

[Book - Chapter 4]

[Lecture Notes – Chapter 3]

1.3 Market Failures: Public Goods

[Book - Chapter 6, pages 127-136]

[Lecture Notes – Chapter 4]

1.4 Market Failures: Externalities

[Book - Chapter 9, pages 214-233]

[Lecture Notes – Chapter 5]

1.5 From Market Failures to Government Intervention

[Book - Chapter 10, pages 247-249]

[Lecture Notes – Chapter 6]

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Part II – Public Expenditures

2.1 Expenditure Theory: Alternative Forms of Intervention

[Book - Chapter 8, pages 136-140]

[Lecture Notes – Chapter 7]

2.2 Policy Evaluation: Efficiency and Equity

[Book - Chapter 10]

[Lecture Notes – Chapter 8]

2.3 Policy Evaluation: Benefit-Cost Analysis

[Book - Chapter 11]

[Lecture Notes – Chapter 9]

2.4 Policy Evaluation: Aggregating over different agents

[Book - Chapter 5, pages 98-104 and 114-116]

[Lecture Notes – Chapter 10]

2.5 Public Choice

[Book - Chapter 7, pages 156-173]

[Lecture Notes – Chapter 11]

2.6 Expenditures in the United States: National Defense

[Book - Chapter 13]

[Lecture Notes – Chapter 13]

2.7 Expenditures in the United States: Education

[Book - Chapter 16]

[Lecture Notes – Chapter 15]

2.8 Expenditures in the United States: Health Care

[Book - Chapter 12]

[Lecture Notes – Chapter 12]

2.9 Expenditures in the United States: Social Insurance

[Book - Chapter 14, 15]

[Lecture Notes – Chapter 14]

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Part III – Taxation

3.1 Theory of Taxation: Preliminary Concepts

[Lecture Notes – Chapter 16]

3.2 Theory of Taxation: Criteria for a Good Tax System

[Book - Chapter 17, pages 456 - 475]

[Lecture Notes – Chapter 17]

3.3 Theory of Taxation: Taxation and Economic Efficiency

[Book - Chapter 19, pages 518 - 528]

[Lecture Notes – Chapter 18]

3.4 Theory of Taxation: Tax Incidence and Fairness

[Book - Chapter 18, pages, pages 482 – 496, 502- 505]

[Lecture Notes – Chapter 18]

3.5 Taxation in the United States: The Personal Income Tax

[Book - Chapter 22, pages 607 - 643]

[Lecture Notes – Chapter 20]

3.6 Taxation in the United States: Tax Reform

[Book - Chapter 25, pages 693 - 710]

[Lecture Notes – Chapter 22]