Economics 321: Economics of the Public Sector
Spring 2011

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Class: MW 3:30-4:50
Morton Hall 302

Course Readings:

You are responsible for readings from the course textbook, Public Finance and Public Policy, Jonathan Gruber (any edition), as well as selections from six journal articles. We will explore one issue in-depth this semester: K-12 education (and reform). Links to the journal articles will be made available through the course blackboard website.

Course Description:

How can we best improve our nationís elementary and secondary schoolsóby investing more money in our current schools or introducing competition, such as charter schools? What is the most desirable way for the government to raise revenueóby taxing labor supply, consumption, or wealth? What is the most effective way to help the pooróby providing earned income tax credits or cash benefit entitlement programs? In this course, you will learn the analytical tools needed to address these questions. You will study criteria to determine the proper role for government intervention in markets, examine different types of taxing and spending programs, and learn how to predict the effects of these programs.

Grading:

Your grade will be comprised of the following:

1. Class Participation (5%)
Students will come to class having read assigned readings and prepared for intelligent discussion on the topic at hand. We will also incorporate current events into our discussion of the course


material, where relevant, so students should be prepared to contribute to
discussion in this way.
There is a difference between attendance and participation; simply being
physically present in the
classroom is not the same as participating and will not be evaluated as
such.

2. Group Presentation on Journal Articles (15%)
In groups of five or six students, you will present one of the six
empirical articles listed below
and lead class discussion on the topic. You will select your paper/group in
class on Monday,
January 31. If you are unable to attend class on Monday, January 31, you
may select the
topic/group you will join on a first come first serve basis.

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Investment in Early Childhood
Magnuson, Katherine A.; Christopher J. Ruhm; and Jane Waldfogel. 2004.
Does Prekindergarten

School Inputs
Rockoff, Jonah A. 2004. The Impact of Individual Teachers on Student
Achievement: Evidence

School Choice: Charter Schools
Abdulkadiroglu, Atila; Joshua D. Angrist; Susan M. Dynarski; Thomas J.
Kane; and Parag A.
Pathak. 2010. Accountability and Flexibility in Public Schools: Evidence
from Bostonís

Read all EXCEPT paragraph 3, 4, 5 on page 9, Robustness and Magnitudes
section pp. 15-18,
Charter and Pilot Compliers pp. 19-22, Ability Interactions and Peer
School Choice: Vouchers


Accountability: Teachers


Accountability: Schools

Dee, Thomas and Brian Jacob. 2009. The Impact of No Child Left Behind on Student Achievement. NBER Working Paper No. 15531.

Each group will have 30 minutes to discuss and present the respective paper. Each presentation must include a discussion of the relevant background, methodology, and results. Each group must then lead a discussion with the class concerning policy implications and relating the findings to the economic theory discussed in class. One week before each group is to present, I must receive a draft version of your slides and meet with at least one member of your group in office hours to discuss your presentation. Students will be asked to evaluate their peers and each studentís grade for this exercise will be comprised of the following:

40% content (background, policy implications, methodology, results)
25% presentation (clarity, organization) and quality of class discussion
25% peer evaluation
10% draft presentation (draft slides due one week before presentation, office hours meeting required)

3. Problem Sets (10%)
Eight problem sets will be assigned. They will be due in class on the assigned date. Electronic submissions will not be accepted.

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4. In-class exam (30%)
You may use calculators on the in-class and final exam.

5. Final exam (40%)
The final exam will take place on Wednesday, May 11 from 9-12. The final will be cumulative.

Course Policies:

If you require accommodation for a disability, please contact the Office of the Dean of Students at the beginning of the semester. Documentation must be submitted to this office before I can legally provide necessary accommodation. Any student with a diagnosed disability requiring special exam procedures must contact me at least one week before the first exam with proper documentation from the Dean of Students Office.

Please turn off cell phones before class. Students using cell phones during class time will be asked to leave because it is disruptive to others.

You must use academic and news sources when providing citations for written assignments (or your slides). That is, Wikipedia or other such cites are not acceptable sources for your final product. However, you may cite relevant newspaper articles, academic journal articles, etc.

Late assignments will be penalized in the following way: if the assignment is due in class, any assignment received after class that same day will lose one letter grade (e.g., an assignment that would have received an A-if submitted on time will receive a B-, instead). Each subsequent day the assignment is late will result in an additional dropped letter grade (e.g., assignment due on Tuesday, received on Wednesday, will lose two letter grades).

There will be no make-ups for missed midterms. Students who do not take a midterm due to attendance at
an off-campus college sponsored event or due to an emergency situation will have the weight of the final increased by the weight of the missed exam.

Students are required to follow the Collegeís Honor Code. Problem set solutions from previous semesters are not to be used in completing the homework. During exams, the use of tests, notes, and assistance from other students are not permitted. Suspected violations of the Honor Code will be pursued with the Honor Council and the Dean of Students Office. Students found guilty will receive an F for the course.

Any request to reschedule a final exam must be made by filing the appropriate form with the Dean of Undergraduate Studies. See the procedures outlined in the College Course Catalog.

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Reading List

January 19: Introduction
Gruber (Chapter 1)

January 24: Review: Theoretical Tools of Public Economics
Gruber (Chapter 2)

January 26: Empirical Tools of Public Economics
Gruber (Chapter 3)

January 31: Public Goods
Problem Set #1 Due (Review Problems)
Gruber (Chapter 7)
***In class, select topics/groups for presentation***

February 2: Externalities
Gruber (Chapters 5 & 6)

February 7: Externalities

February 9: Political Economy

Gruber (Chapter 9)

February 14: Consumer Choice (Review), Intergovernmental Grants and Fiscal Federalism

Problem Set #2 Due (Public Goods and Externalities)

Gruber (Chapter 10)

February 16: Intergovernmental Grants and Fiscal Federalism

Gruber (Chapter 10)

Paper presentation #1: Investments in Early Childhood (Magnuson et al., 2004)

February 21: Education

Gruber (Chapter 11)

February 23: Education

Paper presentation #2: School inputs (Rockoff, 2004)

February 28: Education

Problem Set #3 Due (Education)

March 2: MIDTERM EXAM

March 7: No classóhave a great spring break!

March 9: No classóhave a great spring break!

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March 14: Social Insurance and Income Distribution Programs
Gruber (Chapters 12 & 17)

March 16: Social Insurance and Income Distribution Programs
March 21: Social Security

Problem Set #4 Due (Social Insurance and Income Distribution Programs)

March 23: Health

Gruber (Chapter 15)
Paper Presentation #3: School Choice (Charters) (Abdulkadiroglu et al., 2010)

March 28: Medicare and Medicaid

Gruber (Chapter 16)

March 30: Medicare and Medicaid

Paper presentation #4: School Choice (Vouchers) (Figlio and Hart, 2010)

April 4: Workers' Compensation, Unemployment Insurance, Disability Insurance

Problem Set #5 Due (Health and Social Security)
Gruber (Chapter 14)

April 6: Tax Structure and Tax Incidence

Gruber (Chapters 19 & 20)
Paper presentation #5: Accountability (Teacher) (Kane et al. 2010)

April 11: Tax Structure and Tax Incidence

Problem Set #6 Due (WC, UI, DI)

April 13: Taxes on Labor Supply

Gruber (Chapter 21)
Paper presentation #6: Accountability (School) (Dee and Jacob, 2009)

April 18: Taxes on Labor Supply
Problem Set #7 Due (Tax Structure, Incidence, and Analysis)

April 20: Taxes on Savings and Wealth

Gruber (Chapters 22 & 23)

April 25: Bringing it all together: discussion of education reform

April 27: REVIEW

Problem Set #8 Due (Tax Efficiency, Taxes on Labor Supply and Savings)

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