Boston College  
Department of Economics

Public Sector Economics  
ECON 365 01  
Autumn 2016  
Class Schedule T/Th 10:30-11:45  
Location: Gasson 210

ECON 365 01 Public Sector Economics  
This is a course in the microeconomics of the public sector. We will discuss the rationale for the government's role in a market economy, the theory major expenditure programs, and the theory and structure of the tax system. The focus will be on the federal (as opposed to state and local) government's expenditure and tax programs, with special attention given to topics of current concern. We will study both normative, and positive analysis of the public sector. Microeconomic Theory is a prerequisite.

Required Readings:

We will have required readings from all three of the texts listed below. There is one copy of each of the textbooks on reserve in the library.

Required Readings

1. Richard W. Tresch, Public Sector Economics, Palgrave Macmillan. Approximately six chapters from this text are required reading (depending upon semester).

2. Public Finance, and Public Policy by Jonathan Gruber, 4th ed. Approximately ten chapters from this text are required reading (depending upon semester).

3. Public Sector Economics by Rosen, and Gayer, 9th ed. Approximately three chapters from this text are required reading (depending upon semester).

Required Supplementary Readings:

In addition to the readings from the text, you must follow current events on the decision making process of federal, state and local government, local businesses (small and large), local community groups, and the interaction and motivation of these decisions. E.g.-- decisions on business location, health care funding (Medicare, Medicaid, and the new ACA issues) transportation and education funding, externality concerns, minimum wage legislation, rent control, etc. It is also interesting and important to follow national policy issues on output, employment, inflation, fiscal and monetary policy, the budget deficit, the trade deficit, and other issues of macroeconomic policy. These macroeconomic policies often influence microeconomic public sector decisions. Additional readings will be posted on Canvas, or passed out in class from other sources.
Grading

Grading will be based upon:

Two Midterms 20% each: 1) Thursday, October 6. 2) Thursday, November 17.

Assignments and Class Participation 10%.

Research Paper (Due Thursday Dec. 8) and Research Presentation (Dec. 6, and Dec. 8) 20%

Final Exam 30%. Date: Wednesday, Dec 14 12:30 p.m.

There are no make up exams for any person for any reason for any exam. If there is an *excused* absence from a test, i.e. documentation from a dean, the following exam(s) will be weighted more heavily.

Comments: 

Come to class regularly since most of my exam questions will be based on topics we discuss in class. Many of these topics are covered in the text, yet some are not. Please ask questions early and often. If you are confused about an issue, the odds are that many other people are confused also. Questions spur interesting discussions. I encourage everyone to participate in class discussions.

Exams: (70%)

There will be three exams, two midterms accounting for 40% (20% each) and a final exam which will account for 30% of your final grade. There are no make-up exams. All students are required to take exams as scheduled. No early or late exams are given. If there is an *excused* absence from an exam, i.e. documentation from a dean, the following exam(s) will be weighted more heavily.

ALL exams MUST be done individually and independently with full respect and abidance of the College’s Academic Integrity Policy and Procedures. I strongly urge all of you to review this at: http://www.bc.edu/publications/ucatalog/policy.shtml#integrity

Research Paper (20%)

Assignments and Class Participation: (10%)

During the semester there will be a number of assignments given which may be an analysis of an economic or statistical release, a written summary of an outside readings, or a problem to solve or a question to discuss in class. This will account for 10% of your grade. For you to get the full 10% for the assignments segment of your grade, you must deliver assignments that are prepared at an exceptional level. Turning in anything else gains you a grade that corresponds to your level of work only. As a rule assignments are due in the following class, unless I mention otherwise. Missing class *does not* waive or extend the deadline for submitting an assignment.
You will be graded on your in class performance which makes 10% of your total grade as follows: First, your class preparedness is an essential part of your responsibility in this course. This requirement can be satisfied by reading the assigned chapters of your books in advance of my lectures on those topics. Second, you will be graded on your active participation in class discussions. I strongly encourage you to ask questions as your questions will first help clarify issues for you and possibly some of your classmates, as well as generate further and more interesting discussions in the classroom. Only your exceptional preparedness and participation in class wins you the 10% of your grade set aside for this. Your presence in class is my absolute and minimum expectation of all of you.

**Grading Details**

A letter grade based on the weighted sum of above will be assigned as follows:

- **A:** A total grade of at least 95% or higher
- **A-:** A total grade of above 90% and below 95%
- **B+:** A total grade of above 86% and below 90%
- **B:** A total grade of above 84% and below 86%
- **B-:** A total grade of above 80% and below 84%
- **C+:** A total grade of above 76% and below 80%
- **C:** A total grade of above 74% and below 76%
- **C-:** A total grade of above 70% and below 74%
- **D+:** A total grade of above 66% and below 70%
- **D:** A total grade of above 64% and below 66%
- **D-:** A total grade of above 60% and below 64%
- **F:** A total grade of less than 60%

The undergraduate grading system consists of twelve categories: A (4.00), A- (3.67), excellent; B+ (3.33), B (3.00), B- (2.67), good; C+ (2.33), C (2.00), C- (1.67), satisfactory; D+ (1.33), D (1.00), D- (.67), passing but unsatisfactory; F (.00), failure; I (.00), incomplete; F (.00), course dropped without notifying office; W (.00), official withdrawal from course. The graduate grading system is A (4.00), A- (3.67), Excellent; B+ (3.33), B (3.00), good; B- (2.67), C (2.00), passing but not for degree credit; F (.00), failure.

Grade Reports. All students are required to log into the web through Agora to access their semester grades. Students must utilize their BC username and password to log on. If your username or password is not known the HELP Desk located in the Campus Technology Resource Center (CTRC) in O’Neill Library will issue a new one. The CTRC requires a valid picture ID (a BC ID, driver’s license or passport) to obtain your password.

**Boston College Mission Statement**

Strengthened by more than a century and a half of dedication to academic excellence, Boston College commits itself to the highest standards of teaching and research in undergraduate, graduate and professional programs and to the pursuit of a just society through its own accomplishments, the work of its faculty and staff, and the achievements of its graduates. It seeks both to advance its place among
the nation’s finest universities and to bring to the company of its distinguished peers and to contemporary society the richness of the Catholic intellectual ideal of a mutually illuminating relationship between religious faith and free intellectual inquiry.

Boston College draws inspiration for its academic societal mission from its distinctive religious tradition. As a Catholic and Jesuit university, it is rooted in a world view that encounters God in all creation and through all human activity, especially in the search for truth in every discipline, in the desire to learn, and in the call to live justly together. In this spirit, the University regards the contribution of different religious traditions and value systems as essential to the fullness of its intellectual life and to the continuous development of its distinctive intellectual heritage.

**Written Work**

Graduate and undergraduate students are expected to prepare professional, polished written work. Written materials must be typed in the format required by your instructor. Strive for a thorough, yet concise style. Cite literature appropriately, using APA, MLA, CLA format per instructors decision. Develop your thoughts fully, clearly, logically and specifically. Proofread all materials to ensure the use of proper grammar, punctuation, and spelling. You are encouraged to make use of campus resources for refining writing skills as needed [http://www.bc.edu/libraries/help/tutoring.html].

**Scholarship and Academic Integrity**

It is expected that students will produce original work and cite references appropriately. Failure to reference properly is plagiarism. Scholastic dishonesty includes, but is not necessarily limited to, plagiarism, fabrication, facilitating academic dishonesty, cheating on examinations or assignments, and submitting the same paper or substantially similar papers to meet the requirements of more than one course without seeking permission of all instructors concerned. Scholastic misconduct may also involve, but is not necessarily limited to, acts that violate the rights of other students, such as depriving another student of course materials or interfering with another student’s work.

I strongly urge all of you to review the College’s Academic Integrity Policy and Procedures at: [http://www.bc.edu/publications/ucatalog/policy.shtml#integrity](http://www.bc.edu/publications/ucatalog/policy.shtml#integrity)

**Request for Accommodations**

If you have a disability and will be requesting accommodations for this course, please register with either Dr. Kathy Duggan (dugganka@bc.edu), Associate Director, Connors Family Learning Center (learning disabilities or AHD) or Dean Paulette Durrett, (paulette.durrett@bc.edu), Assistant Dean for students with disabilities, (all other disabilities). Advance notice and appropriate documentation are required for accommodations. [http://www.bc.edu/content/bc/libraries/help/tutoring/specialservices.html](http://www.bc.edu/content/bc/libraries/help/tutoring/specialservices.html).

**Attendance**

Class attendance is an important component of learning. Students are expected to attend all classes and to arrive by the beginning of and remain for the entire class period. When an occasion occurs that prevents a student from attending class, it is the student’s obligation to inform the instructor of the conflict before the class meets. The student is still expected to meet all assignment deadlines. If a student knows that he or she will be absent on a particular day, the student is responsible for seeing the instructor beforehand to obtain the assignments for that day. If a student misses a class, he or she is
responsible for making up the work by obtaining a classmate's notes and handouts and turning in any assignments due. Furthermore, many instructors give points for participation in class. If you miss class, you cannot make up participation points associated with that class. Types of absences that are not typically excused include weddings, showers, vacations, birthday parties, graduations, etc. Additional assignments, penalties and correctives are at the discretion of the instructor. If circumstances necessitate excessive absence from class, the student should consider withdrawing from the class. In all cases, students are expected to accept the decision of the instructor regarding attendance policies specific to the class.

Consistent with our commitment of creating an academic community that is respectful of and welcoming to persons of differing backgrounds, we believe that every reasonable effort should be made to allow members of the university community to observe their religious holidays without jeopardizing the fulfillment of their academic obligations. It is the responsibility of students to review course syllabi as soon as they are distributed and to consult the faculty member promptly regarding any possible conflicts with observed religious holidays. If asked, the student should provide accurate information about the obligations entailed in the observance of that particular holiday. However, it is the responsibility of the student to complete any and all class requirements for days that are missed due to conflicts due to religious holidays.

There may be circumstances that necessitate a departure from this policy. Feel free to contact the Dean’s office for consultation.

**Deadlines**

Assignments are due at the beginning of the class period on the specified dates. Late assignments will be graded accordingly.

**Reading outline:**

Most readings below refer to the three texts listed above: 1. Gruber, 2. Tresch, and 3. Rosen. Additional readings will be posted on Canvas, or passed out in class from other sources.

I  **Weeks 1 – 3** (Six class meetings:  August 30 - Sept. 15)

A. Why Study Public Finance?   \(\text{Gruber Ch 1}\)
B. The Foundations of Public Sector Theory   \(\text{Tresch Ch 1}\)
C. Market Failures   \(\text{Tresch Ch 2}\)
D. Theoretical Tools of Public Finance  \(\text{Gruber}\)   \(\text{Gruber Ch 2}\)
E. The Fundamental Theorems of Welfare Economics   \(\text{Tresch Ch 3}\)

II  **Weeks 4 – 6** (Five class meetings:  Sept. 20 – Oct. 4)

F. Empirical Tools of Public Finance  \(\text{Gruber Ch 3}\)
G. Tools of Budget Analysis  

**III Week 6 (Thursday, Oct. 6 Midterm #1)**

**IV Week 7 – 12 (Ten class meetings: Oct. 11 – Nov. 15)**

**No Class Thursday October 13**

H. Externalities: Problems and Solutions/Theory  
   *Gruber Ch 5, Tresch Ch 6*

I. Externalities in Action: Environmental and Health Externalities/Policy Considerations  
   *Gruber Ch 6, Tresch Ch 7*

J. Public Goods  
   *Gruber Ch 7, Tresch Ch 8*

K. Political Economy  
   *Gruber Ch 9*

L. State and Local Government Expenditures  
   *Gruber Ch 10*

M. Education  
   *Gruber Ch 11*

N. Social Insurance: The New Function of Government  
   *Gruber Ch 12*

**V Week 12 (Nov. 17 Midterm #2)**

**VI Week 13 - 15 (Five class meetings: Nov. 22 – Dec. 8)**

**No Class Thursday Nov. 24 – Thanksgiving**

O. Health Insurance  
   *Gruber Chs 15, 16*

P. Income Distribution and Welfare Programs  
   *Tresch Ch 4, Ch 5, and Gruber Ch 17*

Q. Taxation in the US and the World  
   *Gruber Ch 18*

R. Equity Implications of Taxation: Incidence  
   *Gruber Ch 19*

S. Tax Inefficiencies  
   *Gruber Ch 20*

**VII Week 15 (Dec. 6, Dec 8)**

   **Research Presentations**