

Economics 151
Fall 2002

Professor Nora Gordon
Office: Economics 328
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Office hours: Wednesday 4:00-5:00

ECONOMICS OF THE PUBLIC SECTOR: EXPENDITURE

MWF 11:00-11:50, Warren Lecture Hall 2207

<http://econ.ucsd.edu/faculty/negordon/econ151.html>

This course examines the role of government expenditure in the economy. We will begin with considering when government intervention is optimal, and then will study some specific government expenditure programs and their effects. We will discuss theoretical and empirical issues in policy areas including the environment, education, income redistribution, social security, and health care.

PREREQUISITES:

Econ 100A, Econ 170A, Econ 100AH, or Econ 170AH.

READINGS:

The textbook for this course is *Public Finance*, 6th edition, by Harvey S. Rosen (McGraw-Hill, 2002). The text is available at the bookstore. Other short readings, typically from newspapers or magazines, will be distributed in class. You are responsible for these materials as well.

COURSE REQUIREMENTS:

There will be four problem sets, a midterm exam, and a cumulative final exam. Problem sets are due at the beginning of class on their due dates. They will be available in class and on the web one week before they are due. The problem sets will be graded 0, 1, or 2, and solutions will be distributed in class the day they are due. You are encouraged to work on problem sets in groups, but each student must turn in his own *handwritten* (see me if this is a problem) assignment, and must *list all names* of collaborators on each assignment. Late problem sets will not be accepted. The problem sets count for 20% of the grade.

The midterm exam, in class on Monday, October 28, counts for 30% of the grade. The cumulative final exam will be held Friday, December 13, from 11:30-2:30, and counts for 50% of the grade.

Note: there will be no class on Monday, October 7.

COURSE OUTLINE

I) Introduction (Rosen, Ch. 1)

- A. What is public economics?
- B. A brief overview of the U.S. public sector

II) Review of micro theory (Rosen, Ch. 3 and Appendix)

III) Externalities (Rosen, Ch. 5)

IV) Public goods

- A. Theory (Rosen, pp. 55-68)
- B. Policy example: education (Rosen, pp. 69-74)

V) Social choice and political economy (Rosen, Ch. 6)

VI) Cost-benefit analysis (Rosen, Ch. 11)

VII) Fiscal federalism

- A. Tiebout model (Rosen, pp. 475-478)
- B. Optimal federalism (Rosen, pp. 478-487)
- C. Intergovernmental grants (Rosen, pp. 495-505)

VIII) Redistribution

- A. Overview (Rosen, Ch. 7)
- B. Policy examples: anti-poverty programs (Rosen, Ch. 8)

IX) Social insurance

- A. Overview and theory (Rosen, pp. 178-181)
- B. Policy examples
 - 1. Social Security (Rosen, pp. 181-195)
 - 2. Unemployment insurance (Rosen, pp. 195-198)
 - 3. Health care (Rosen, Ch. 10)
 - 4. Others: disability insurance, workers' compensation insurance

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Monday	Wednesday	Friday
		Sept. 27 first class
Sept. 30	Oct. 2 Office hours 4-5	Oct. 4
Oct. 7 no class	Oct. 9 Office hours 4-5	Oct. 11
Oct. 14	Oct. 16 Office hours 4-5	Oct. 18 PS 1 due 11:00 a.m.
Oct. 21	Oct. 23 Office hours 4-5	Oct. 25 PS 2 due 11:00 a.m. Office hours 3-5
Oct. 28 MIDTERM (in class)	Oct. 30 Office hours 4-5	Nov. 1
Nov. 4	Nov. 6 Office hours 4-5	Nov. 8
Nov. 11 Veteran's Day no class	Nov. 13 Office hours 4-5	Nov. 15 PS 3 due 11:00 a.m.
Nov. 18	Nov. 20 Office hours 4-5	Nov. 22
Nov. 25	Nov. 27 class will meet no office hours	Nov. 29 day after Thanksgiving no class
Dec. 2 PS 4 due 11:00 a.m.	Dec. 4, last class will be REVIEW FOR FINAL Office hours 4-5	
Dec. 9, 10, 12 Office hours by appt.	Dec. 11 (no class) Office hours 10-12; 2-5	Dec. 13, 11:30-2:30 FINAL EXAM

Office hours are in 328 Economics as listed, and by appointment (negordon@ucsd.edu).