

Economics 151
Fall 2004

Professor Nora Gordon
Office: Economics 328
Email: negordon@ucsd.edu
Office hours: Wednesday 3:00-4:00

ECONOMICS OF THE PUBLIC SECTOR: EXPENDITURE

MWF 2:00-2:50, Center Hall 113

<http://weber.ucsd.edu/~negordon/econ151.html>

This course examines the role of government expenditure in the economy. We will study the theory of externalities and public goods, which inform when government should intervene in the economy, as well as considering actual policy applications of these interventions. We will explore political economy explanations of how decisions about government expenditures are made in practice, and how cost-benefit analysis suggests decisions should be made. The section on fiscal federalism focuses on how best to divide tasks among federal, state, and local governments. Finally, we conclude with a section on education which brings together the themes of the course through a policy example.

PREREQUISITES:

Econ 100A or Econ 170A.

READINGS:

The textbook for this course is *Public Finance and Public Policy*, preliminary class-test edition, by Jonathan Gruber (Worth Publishers, 2004). The text is available at the UCSD bookstore for \$33. Because it is a class-test edition, you will not be able to find the text through other vendors. Additional shorter readings will be assigned throughout the quarter and posted on the website. You are responsible for all assigned readings, even if they are not discussed in class.

COURSE REQUIREMENTS:

There will be three problem sets, two midterm exams, and a cumulative final exam. The course grade will be determined as follows:

5%	Problem set 1 (due at 2:00 Oct. 13)
5%	Problem set 2 (due at 2:00 Nov. 3)
5%	Problem set 3 (due at 2:00 Dec. 1)
35%	Midterm (the higher score of the two midterms, Oct. 15 and Nov. 5, will be used)
50%	Final exam (Dec. 6)

Problem sets are due at the beginning of class on their due dates. They will be available on the course website above one week before they are due. The problem sets will be graded 0, 1, or 2, and solutions will be posted on the web immediately after they are due. Late problem sets will not be accepted. You are encouraged to work on problem sets in groups, but each student must turn in his own handwritten assignment, and must list all names of collaborators on each assignment.

The two midterm exams will be given in class on Friday, October 15 and Friday, November 5. No make-up midterms will be given. The lower of the two grades will be dropped. If you miss both midterms, you will have zero for 35% of your grade. The *cumulative* final exam will be held Monday, December 6, from 3:00-6:00.

Note: there will be no class on Monday, October 11, or Wednesday, November 24.

TEACHING ASSISTANTS:

Karmen Suen, ksuen@weber.ucsd.edu
Patricia Tong, pktong@ucsd.edu

ECONOMICS 151 COURSE OUTLINE

UNIT I: Covered on problem set 1 (due Oct. 13), midterm 1 (Oct. 15), and final exam

Introduction to public economics (Gruber, Ch. 1)
Theoretical and empirical tools of public economics (Gruber, Chs. 2 and 3)
Understanding budgets (Gruber, Ch. 4)
Externalities: theory (Gruber, Ch. 5)
Externalities: policy examples (Gruber, Ch. 6)

UNIT II: Covered on problem set 2 (due Nov. 3), midterm 2 (Nov. 5), and final exam

Public goods (Gruber, Ch. 7)
Cost-benefit analysis (Gruber, Ch. 8)
Political economy and social choice (Gruber, Ch. 9)

UNIT III: Covered on problem set 3 (due Dec. 1) and final exam

Fiscal federalism (Gruber, Ch. 10)
Education (Gruber, Ch. 11)

Note: Midterm 1 covers only Unit I, Midterm 2 covers only Unit II, and the final exam covers Units I, II, and III.