

Economics 231 - Government expenditures: public goods and externalities
Fall 2017

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Objective: The principal objective of this course is to provide an understanding of the role of government intervention in the economy in two broad areas of expenditure from both a theoretical and an empirical perspective. The emphasis will be on learning techniques that can be applied to produce original research and to critically analyze existing research in the field of public economics.

Class Meetings: Lectures will meet on Tuesdays from 8:00-10:50am in Sequoyah 244. There will be NO CLASS the week of November 21, and a make-up class will be scheduled.

Office Hours: I will hold office hours on Mondays from 9-10am. I am also available by appointment. See me in person or e-mail to set up a convenient time to meet.

Requirements: There are five sets of requirements for this course:

1. Readings

The required readings are primarily journal articles and these will be made available to you on the class web page: <https://sites.google.com/site/ec231cullen/>.

2. Paper presentation

I will ask each of you to present an assigned paper during one of the regular class periods. The papers will be empirical papers that test theoretical predictions relevant to course material. The presentation should be 30 minutes, including time at the end for questions. You should place the topic within the context of the course, explain the methods, describe the findings, and point out remaining limitations and directions for future research. Please make sure the presentation is organized well and clear. The presentation is worth 10% of your grade.

3. Problem sets

There will be 2 problem sets. The problem sets represent 20% of your grade (each counts 10%). You are welcome to collaborate with others in the class on the problem set, as well as to see me for help working through any trouble spots. DO NOT use solutions for any questions that might overlap with assignments from prior years, if you have access to them. I also ask that what you turn in be your own handwritten or typed work. Working through the problem sets will help give you a better understanding of the applied theoretical tools and will also be valuable preparation for the final exam.

4. Referee report

I will assign a paper for you to referee. The referee report should briefly summarize the paper and then provide a critical discussion. It should be 2-3 single-spaced pages in length. The report will count for 15% of your grade.

5. Final exam

There will be a final cumulative exam administered during final exam week that is worth 55% of your grade.

Seminars: I encourage you to attend as many applied microeconomics (and other field) seminars as you can this quarter. The applied microeconomics seminar meets on Mondays from 2:00-3:30pm in Economics 300. Attending seminars is among the best ways to facilitate the transition from coursework to research.

Course outline:

1. Introduction

2. Public goods

- 2.1 Efficient provision*
- 2.2 Provision with distortionary taxation*
- 2.3 Provision with asymmetric information*
- 2.4 Provision with social choice*
- 2.5 Voluntary private provision*
- 2.6 Subsidizing private provision*

3. Political economy of government

- 3.1 Overview of determinants of government scope*
- 3.2 Median voter demand mechanisms*
- 3.3 Monopoly supply mechanisms*
- 3.4 Comparative and distributive political mechanisms*
- 3.5 Fiscal constraints*

4. Local public goods

- 4.1 Theoretical models*
- 4.2 Empirical evidence*

5. Fiscal federalism

- 5.1 Optimal fiscal federalism*
- 5.2 Intergovernmental grants*

6. Externalities

- 6.1 Theory*
- 6.2 Measuring externalities*
- 6.3 Correcting internalities*