

**Economics 151
Spring 2006**

Professor Nora Gordon
Office: Economics 328
Email: please send all email via WebCT
Office hours: Thursdays 3:00-4:00

ECONOMICS OF THE PUBLIC SECTOR: EXPENDITURE

Tues/Thurs 9:30-10:50, Center Hall 113

<http://webct.ucsd.edu>

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*, first edition, by Jonathan Gruber (Worth Publishers, 2005). The textbook is available at the UCSD bookstore and is on reserve for this class at Geisel Library. You are responsible for all assigned readings, even if they are not discussed in class. The textbook has a companion website with additional materials, such as self-quizzing, that you may find useful. The website is: <http://bcs.worthpublishers.com/gruber>. It requires you to register and choose a password.

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 9:30 Apr. 20)
- 5% Problem set 2 (due at 9:30 May 11)
- 5% Problem set 3 (due at 9:30 June 6)
- 35% Midterm exam (the higher score of the two midterms, Apr. 25 and May 18, will be used)
- 50% Final exam (June 15)

Problem sets are due at the beginning of class on their due dates. They will be available on WebCT at least one week before they are due. The problem sets will be graded 0, 1, or 2, and solutions will be posted on WebCT 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 or her own handwritten assignment, and must list all names of collaborators on each assignment.

The two midterm exams will be given in class on Tuesday, April 25 and Thursday, May 18. No make-up or early midterms will be given. The lower of the two grades will be dropped. If you miss both midterms without a documented medical or legal excuse *for both dates*, you will have zero for 35% of your grade. The *cumulative* final exam will be held Thursday, June 15, from 8:00-11:00 a.m.

TEACHING ASSISTANTS (office hours listed on WebCT class calendar):

Yi Zhang, y9zhang@ucsd.edu
Ben Gilbert, btgilber@ucsd.edu

ECONOMICS 151 COURSE OUTLINE

- Week 1: Introduction to public economics (Gruber, Ch. 1)
Theoretical tools of public economics (Gruber, Ch. 2)
- Week 2: Empirical tools of public economics (Gruber, Ch. 3)
Begin Externalities: theory (Gruber, Ch. 5)
- Week 3: *Continue* Externalities: theory (Gruber, Ch. 5)
Externalities: policy examples (Gruber, Ch. 6)
- Week 4: 1st midterm exam in class Tuesday April 25
Begin Public goods (Gruber, Ch. 7)
- Week 5: *Continue* Public goods (Gruber, Ch. 7)
- Week 6: Cost-benefit analysis (Gruber, Ch. 8)
Begin Political economy and social choice (Gruber, Ch. 9)
- Week 7: *Continue* Political economy and social choice (Gruber, Ch. 9)
2nd midterm exam in class Thursday May 18
- Week 8: Fiscal federalism (Gruber, Ch. 10)
- Week 9: Education (Gruber, Ch. 11)
- Week 10: Catch up on remaining topics
In-class review on June 8 for final exam.

The final exam will cover all course material (including that covered on the midterm).