

**Economics 231**  
**Government expenditures: public goods and externalities**  
Winter 2014

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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 Wednesdays from 8:00-10:50am in Economics 200.

Office Hours: I will have a regularly scheduled office hour on Monday starting at 10:00am. I am available by appointment as well. 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: <http://dss.ucsd.edu/~jbcullen/econ231/econ231.html>.

2. Paper presentation

I will ask each of you (in small groups) 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 20 minutes. 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. 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%). I will ask you to cooperate in groups of 2-4 on the problem sets, and to turn in a single copy of your joint typed (or very clearly handwritten) assignment with the names of the group members at the top. No late assignments will be accepted.

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 1-2 single-spaced pages in length. The report will count for 10% of your grade.

## 5. Final exam

There will be a final cumulative exam administered during final exam week that is worth 60% of your grade.

Seminars: I encourage you to attend as many job market seminars as you can this quarter, as well as the applied microeconomics seminar (which meets on Mondays from 2:00-3:30pm in Econ 300 after the job market seminars wrap up). Attending seminars is among the best ways to facilitate the transition from coursework to research.

## Course outline:

### 1. Public goods

- 1.1 Efficient provision*
- 1.2 Provision with asymmetric information*
- 1.3 Provision with social choice*
- 1.4 Voluntary private provision*

### 2. Political economy of government

- 2.1 Government size and growth*
- 2.2 Bureaucrats and elected officials*
- 2.3 Role of institutional constraints*

### 3. Local public goods

- 3.1 Theoretical models*
- 3.2 Empirical evidence*

### 4. Fiscal federalism

- 4.1 Optimal fiscal federalism*
- 4.2 Tax competition, overlap and exporting*
- 4.3 Intergovernmental grants*

### 5. Externalities

- 5.1 Theory*
- 5.2 Measuring externalities*
- 5.3 Correcting internalities*