

INTRODUCTION TO PUBLIC FINANCE THEORY

POLS 6330

Fall Semester, 2018

COURSE MEETS: WEDS 7:15—9:00 (see Class Blog below)

CONTACT DETAILS

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Course Description and Objectives:

This course serves as a broad introduction to both the theory and practice of public finance at the federal, state, and local levels of government in the United States.

Public economics (also public finance) is the study of the role of government in the economy. It is defined around four questions: When should governments intervene? How should governments intervene? What is the impact of government intervention on the economy? And why do governments intervene in the way that they do?

Government accounts for nearly a third of all economic activity in the United States. While this proportion seems large, it is actually smaller than the government's share of Gross Domestic Product (GDP) in other economically developed countries. Nonetheless, our government affects nearly everything that ordinary citizens do, in ways both good and bad. The primary focus of the course will be on the taxing and the spending activities of government. In order to analyze government's economic activities we will use the tools of microeconomics. You will not need an advanced economics background to take the course (it doesn't hurt to have some basic economics though). In this course, we will, broadly speaking:

- Examine foundations of welfare economics and economic rationales for the existence of government.

- Focus on the efficiency and equity of resource allocations with and without government intervention.
- Analyze public policy using two lenses: expenditures and revenues.

We will also focus on the development, significance, and size of the government's fiscal structures, and the various forms of government revenue, as well as their economic impacts and broader policy implications. We will examine the tax structure, considering such questions as what is efficiency? How do we balance equity and efficiency? and what are the economic incidence of major tax instruments? In addition, we will discuss expenditure analysis and the economic effects of public programs. Strictly speaking, however, this is not an advanced economics course and we will not be using any advanced economics in the course

Required Textbooks:

1. Stiglitz, Joseph E., *Economics of the Public Sector*, 4th Edition, 2015, (W.W.Norton & Company). (S)
2. Arlie Russell Hochschild, *Strangers in Their Own Land: Anger and Mourning on the American Right*, The New Press, (February 20, 2018) (H)

Outline of Class Discussions:

Introduction to Public Economics and Tools of Economic Analysis

Readings:

(S) Chapters 1 & 2 (9-5).

(H) Chapters 1 & 2 (9-5).

The Fundamentals of Welfare Economics

Readings:

(S) Chapters 3 (9-12), 4 (9-19) and 5 (9-26).

(H) Chapters 3 & 4 (9-12), 5 (9-19), and 6 (9-26).

Public Expenditure Theory

Readings:

(S) Chapters 6 (10-3), 7 (10-10), 8 (10-17) and 9 (10-24).

(H) Chapters 7 (10-3), 8 (10-10), 9 (10-17) and 10 (10-24).

Public Programs

Readings:

(S) Chapters 10 (10-31), 11 (11-7), 12 (11-14), 13 (11-28), and 14 (12-6).

(H) Chapters 11 (10-31), 12 (11-7), 13 (11-14), 14 and 15 (11-28), and 16 (12-6).

Assignments:

First Policy Memo due (9-26) Hochchild notes on p. 68 that white masculine activities like drinking and guns are unregulated while “female” and black endeavors receive greater scrutiny and regulation in Louisiana. Explain the inefficiencies and inequities of this bifurcation in regulatory policy.

Second Policy Memo due (10-31) Hochchild on p.139 speaking in the voice of the people she interviewed, says “Blacks, women, immigrants, brown pelicans—all have cut ahead of you in line. But it’s people like you who have made this country great....They are violating the rules of fairness. You resent them, and you feel it’s right that you do so.”

Weekly Blog. By using the course’s blog tool, we will be able to cover all of the material and still have adequate time for in-depth discussion. I recognize that if you’re like most normal people, physical and mental energy begins fading at night, especially if you’ve also worked at a job all day before. Thus, the blog enables us to devote our attention to the subject during times of the day when we are more alert. In effect, I am timeshifting an hour of class time from the classroom to outside-of-class, where and when you can work on the assignments at your leisure.

Midterm Exam (Online due on 10-17)

Final Exam (Online due on 12-12)

Grading:

The grading for the course is based on the following:

Mid-term exam to be taken on Blackboard. It will be uploaded one week before. The exam will be a combination of short-answer problems and short-essay questions. See above course outline for the date and time. (30%) The exam will be open-notes.

Brief policy memos. (20%).

Final exam to be taken on Blackboard. (30%) It is up to you to make sure that travel plans do not interfere with your ability to take the final exam. The exam will be open-notes.

Class attendance and participation. (20%) In-class attendance and weekly blog.

Course Administration:

Attendance Policy:

Your success in this course will depend on your ability to complete the daily reading and weekly writing and discussion assignments as well as the your ability to read the biography of Benjamin Franklin as if you were having a conversation with the author each day. Absence in three classes without a reason that is out of the control of the student will result in a one level drop in the final grade (i.e. illness, work conflict, medical emergency, etc.)

Courtesy Expectations:

Students will treat their classroom obligations as they would treat any serious professional engagement. That includes:

- 1) Preparing thoroughly for each session in accordance with the instructor's request;
- 2) Adhering to deadlines and timetables established by the instructor;
- 3) Providing constructive feedback to faculty members regarding their performance.

Honor Code

Students are expected to be honest in their academic work. The University reserves the right to penalize any student whose academic conduct at any time is, in its judgment, detrimental to the University. Such conduct shall include cases of plagiarism, collusion, cheating, giving or receiving or offering or soliciting information in examinations, or the use of previously prepared material in examinations or quizzes.

Violations should be reported to me and will be investigated and adjudicated according to the Policy on Academic Honesty of the College of Arts and Sciences. If the charges are found to be true, the student may be liable for academic or disciplinary probation, suspension, or expulsion from the University. Please refer to the university policy at <http://www.slu.edu/x12657.xml>.

Expectations and Procedures

Technology

Put everything on mute. You do not need to use your laptop for this course. Please take notes the old fashion way. This will dissuade the trend of college students to browse the web, check e-mail, and frequent social networking sites during lecture. I will email all lecture powerpoints after the daily lecture.

Communication

I will post grades, send class e-mails, etc. through the SLU Banner system. Be sure that you can access the e-mail address listed. I will only send e-mail out to your SLU e-mail accounts listed on the course roster in Banner. I will not keep track of any other e-mail addresses you may use.

Disabilities

In recognition that people learn in a variety of ways and that learning is influenced by multiple factors (e.g., prior experience, study skills, learning disability), resources to support student success are available on campus. Students who think they might benefit from these resources can find out more about:

- _ Course-level support (e.g., faculty member, departmental resources, etc.) by asking your course instructor.
- _ University-level support (e.g., tutoring/writing services, Disability Services) by going to www.slu.edu/success.

Students who believe that, due to a disability, they could benefit from academic accommodations are

encouraged to contact Disability Services at the Student Success Center.

Confidentiality

will be observed in all inquiries. Course instructors support student accommodation requests when an approved letter from Disability Services has been received and when students discuss these accommodations with the instructor after receipt of the approved letter

University Writing Services: I encourage you to take advantage of University Writing Services; getting feedback benefits all writers! Trained writing consultants can help with any writing, multimedia project, or oral presentation. During one-on-one consultations, you can work on everything from brainstorming and developing ideas to crafting strong sentences and documenting sources. *These services do fill up*, so please make an appointment! Also, bring your assignment description, and a few goals, to the consultation! For more information, or to make an appointment, visit www.slu.edu/writingservices.xml or call 977-3484.