

# ECONOMICS OF THE PUBLIC SECTOR

## ECON 421

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Texts	Grading	Course outline	HW Assignments	Midterms	Final
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### Course description

What is a government? What do governments do and why?

We will study the way governments

understanding why governments exist and w

normative questions. What is the effect

will address the following questions:

### Academic Requirements

The course is based on Econ 3070 and Econ 3080. Masterboard of the r. Material covered in the

pre-requisites is essential for

be able to solve homework assignments and ex

or an exam) should contain a complete verbal ex

argument (either an algebraic or a numerical

### Attendance

Attendance is required. Students who miss more than six classes (101

pass

### Schedule

All exams are given as scheduled. No make-ups will

are no make-up exams.

Homework assignments have a strict deadline of one week after the

the lecture. Late submissions receive zero credit.

### Additional Accommodations

If you qualify for accommodations through the Disability Resource

Services in a timely manner see

accommodations

documented disabilities. Contact: 303 402 8671, Willard 322 and

http://www.fredmich.com/courses/ruoinchik/econ421/

### On the Honor Code

All students of the University of Colorado at Boulder are expected to uphold the highest standards of academic integrity. Policy 57, the institution's honor code, states that violations of this policy may include: cheating, plagiarism, aid of academic dishonesty, fabrication, tampering, impersonation, and other unethical behavior. All students who are found to be in violation of this policy may be subject to sanctions from the faculty member involved and non-academic sanctions given by the Honor Code Council (including suspension from the University). For more information, please visit [www.colorado.edu/honorcode](http://www.colorado.edu/honorcode) or contact the Honor Code Council at [honorcode@colorado.edu](mailto:honorcode@colorado.edu). If you have any questions related to this policy, please contact the Honor Code Council at [honorcode@colorado.edu](mailto:honorcode@colorado.edu).

**Homework Assignments**

Number	Assignment
1	Use "Census of Government Expenditures and Receipts" charts" (1) the state of Colorado government expenditures (2) the state of Colorado government revenues Hint: use broad categories Compare to the average state (chapter 1). Submit your answers to the following questions in a separate document. answer.
2	Download the PDF
3	Download the PDF
4	solve the sample midterm
5	Download the PDF
6	Download the PDF

[Sample midterm](#)  
[Midterm solution](#)  
[Sample final](#)  
[and some solutions](#)

**Texts**

**Required text:** *Principles of Economics*, 7th Edition, by Paul A. Krashinsky and Robert S. Pindyck

Connect to the [textbook website](#) for additional information.

**Suggested Readings:**

1. Ken Binmore *Game Theory and the Social Contract: Playing Fair in a Rational World*. Cambridge, MA: The MIT Press, 1998.
2. John Harsanyi, "Cardinal Welfare, Individualistic Ethics and Interpersonal Comparisons of Utility", *Journal of Political Economy*, Aug. 1955, 63(4), 309-21.
3. Robert Nozick *Anarchy, State and Utopia*. NY: Basic Books, 1974.
4. John Rawls *A Theory of Justice*. Cambridge, MA: Harvard University Press, 1971.

## Grading

Group project 60%

Class participation 10%

Midterm exam 20%

Final exam 50%

## Group Projects

There are four group projects.

	Some useful resources
Public Education in the U. S.	<a href="http://www.ed.gov/rschstat/learning/learn/">http://www.ed.gov/rschstat/learning/learn/</a> <a href="http://www.educationnext.org/20032/47.html">http://www.educationnext.org/20032/47.html</a> Also see <a href="http://bcs.worthpublishers.com/guides/11/">http://bcs.worthpublishers.com/guides/11/</a> Internet Reference Guide, Web links
The U. S. Social Security System	<a href="http://www.ssa.gov">www.ssa.gov</a> Also see <a href="http://bcs.worthpublishers.com/guides/11/">http://bcs.worthpublishers.com/guides/11/</a> Internet Reference Guide, Web links
Welfare Programs	<a href="http://www.census.gov/">http://www.census.gov/</a> Also see <a href="http://bcs.worthpublishers.com/guides/11/">http://bcs.worthpublishers.com/guides/11/</a> Internet Reference Guide, Web links
The U. S. Healthcare System	<a href="http://www.hhs.gov/">http://www.hhs.gov/</a> Also see <a href="http://bcs.worthpublishers.com/guides/11/">http://bcs.worthpublishers.com/guides/11/</a> Internet Reference Guide, Web links

The project includes preparation of an in-class presentation and a 2-page written summary. Each group should cover the following topics at the forum:

1. Justification for government intervention
2. History and impact of spending on the economy
3. Current policy

Students are encouraged to form study groups and share ideas, but each student must write and submit their own (original) work. As for the exams, any form of collaboration is prohibited.

## Course outline

Note: The last column refers to the chapters of the textbook that are used.

### Part 1. INTRODUCTION AND THE TOOLS

Class 1	Introduction. Government at a Glance	Chapter 1
Class 2	Tools of normative and positive analysis. Fairness and efficiency	Chapters 2-4 Slides: Empirical tools
Classes 3, 4	The theory of Public Goods and Externalities. Coase Theorem.	Chapters 5, 7 Slides: Externalities
Class 5	Uncertainty and Social Insurance	Chapters 11, 12 Slides: Moral Hazard and Adverse Selection Unemployment Insurance
Class 6	Cost-Benefit Analysis	Chapter 8

MIDTERM EXAM is on Tuesday, May 20, 2008 at the regular class time

### Part 2. PUBLIC POLICY

Class 8	Group project 1. Public Education Summary prepared by the education group Group project 2. Welfare programs Summary prepared by the welfare group	Chapters 12, 13
Class 9	Group project 3. Social Security Summary prepared by the social security group Group project 4. Healthcare Summary prepared by the healthcare group	Chapters 14, 17 Chapters 15, 16

### Part 3. TAXATION

Class 10	Tax Design, Tax Incidence and Efficiency	Chapters 18, 19, 20, 21
Class 11	Taxation in the U.S., U.S. Income tax	Chapter 21

### Part 4. FEDERALISM AND POLITICAL ECONOMY

Class 12	Political Economy and Selection of Public Projects. Federalism.	Chapters 22, 23 (aggregation of Preferences)
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Slides (Positive Political  
Economy: ...)

Class 13

Is There an Ideal Government

Review. REVIEW

are on... are on Reserve at...

The textbook

Final Exam