

BOSTON COLLEGE
Department of Economics

EC 365.01 - Fall 1996
Public Finance

C. Schneider

This is a course in the microeconomics of the public sector. We will discuss the rationale for the government's role in a market economy, major expenditure programs, and the theory and structure of the tax system. Because of time constraints, we will focus primarily on the federal government's tax and expenditure programs.

We will use many of the tools and techniques of microeconomic theory to analyze government programs, so EC 201 (or EC 203) is a prerequisite for the course. Students who wish to take this course concurrently with EC 201 should discuss their course load with me.

You are responsible for all material covered in lectures, the readings assigned below and the news articles in the "EC 365 - Current Events" files. The text, *Public Finance*, 4th ed., by Harvey Rosen, is available in the college bookstore. The additional readings, with the exception of the one in bold type, have been compiled by BC Press and are available in the bookstore. Copies of the text and readings packet, the Moon book, and the "Current Events" files are on reserve at O'Neill.

It is important that you be able to communicate information both in a written form and orally. Therefore, course grades will be based on your performance on written exams and on class participation. Class participation includes class attendance. The weights for the various components will be: mid-term exams - 25% each, comprehensive final - 30%, and class participation - 20%. The mid-term exams are scheduled for **Thursday, October 3** (following Section IIC) and **Monday, November 4** (following Section IIIC) **from 7:30 to 9:00 in the evening**. The final is scheduled for **Wednesday, December 18 at 12:30 PM**.

If you are unable to take an exam or to attend class for a prolonged period, please notify me as soon as possible. Make-up exams will be given only for excused absences, and verification of the excuse may be required. Please read the attached policy on class attendance and make-ups from the Student Handbook.

Please read the attached statement on academic integrity.

My office is Carney 144, and the telephone extension is 2-3786. My e-mail address is catherine.schneider@bc.edu. Office hours will be Tuesday, 9:00 - 11:30 AM; Wednesday, 1:00 - 2:30 PM; and by appointment.

SYLLABUS

- I. Introductory Material
 - A. Overview of Public Sector (9/4-9/9)
 - Rosen, Chs. 2 & 7 (pp. 141-150)
 - Niskanen, "The Case for a New Fiscal Constitution," *Journal of Economic Perspectives*, Spring 1992
 - B. Analytical Tools for Public Sector Economics (9/11-9/13)
 - Rosen, Ch. 4
 - Hammond, "Ethics, Distribution, Incentives, Efficiency, and Markets," in Pontifical Council on Peace and Justice, *Social and Ethical Aspects of Economics*

- II. Role of the Public Sector
 - A. Public Goods & Public Choice (9/16-9/23)
 - Rosen, Chs. 5 (pp. 61-74) & 7 (pp. 119-137)
 - Klein, "Voluntary Provision of Public Goods," *Economic Inquiry*, October 1990
 - Kelman, "'Public Choice' and Public Spirit," *The Public Interest*, Spring 1987
 - B. Externalities (9/25-9/30)
 - Rosen, Ch. 6
 - Stavins and Whitehead, "Dealing with Pollution," *Environment*, September 1992
 - C. Income Distribution (10/2)
 - Rosen, Ch. 8 (pp. 152-164)
 - Citro and Michael, eds., *Measuring Poverty: A New Approach*, Summary and Recommendations

- III. Public Expenditures - Selected Topics
 - A. Transfer Programs (10/4-10/11)
 - Rosen, Ch. 8 (pp. 164-171) & 9
 - Kuhn et al, "Policy Watch: The Food Stamp Program and Welfare Reform," *Journal of Economic Perspectives*, Spring 1996
 - B. Social Insurance (10/16-10/25)
 - Rosen, Chs. 10 & 11
 - Gramlich, "Different Approaches for Dealing with Social Security," *American Economic Review*, May 1996
 - Quinn, Burkhauser and Myers, *Passing the Torch: The Influence of Economic Incentives on Work and Retirement*, Ch. 2 (pp. 53-62)
 - **Moon, *Medicare Now and in the Future*, pages TBA**
 - C. Cost/Benefit Analysis (10/28-11/1)
 - Rosen, Ch. 12, Appendix to Ch. 4
 - Kelman, "Cost-Benefit Analysis: An Ethical Critique," *Regulation*, January/February 1981
 - Portney and Harrington, "Health-Based Environmental Standards: Balancing Costs with Benefits," *Resources*, Summer 1995

- IV. Framework for Tax Analysis
 - A. Tax Incidence (11/4-11/8)
 - Rosen, Ch. 13
 - Musgrave, "Progressive Taxation, Equity, and Tax Design," in Slemrod, ed., *Tax Progressivity and Income Inequality*
 - B. Tax Efficiency (11/11-11/15)
 - Rosen, Ch. 14

- V. Financing Government Expenditures
 - A. Personal Income Tax (11/18-12/2)
 - Rosen, Chs. 16 & 17 (pp. 399-420)
 - Bosworth and Burtless, "Effects of Tax Reform on Labor Supply, Investment, and Saving," *Journal of Economic Perspectives*, Winter 1992
 - Gravelle, "Is Fundamental Tax Reform Possible?" *NTA Forum*, Spring 1996
 - B. Deficit Financing (12/4-12/9)
 - Rosen, Ch. 19
 - Schultze, "Of Wolves, Termites and Pussycats," *The Brookings Review*, Summer 1989
 - Eisner, "More on Pussycats and Termites," *The Brookings Review*, Fall 1989