BOSTON COLLEGE
Department of Economics

EC 393 - Spring 1999 C. Schneider
State & Local Public Finance

The purpose of this course is to give students the opportunity to investigate topics in state and local finance. Some of these will be specialized applications of concepts developed in Microeconomic Theory, and some will be issues that could be covered in a Public Finance course but generally are not because of time constraints. We will discuss current public policy issues as they arise. EC 201 (or EC 203) is a prerequisite for the course. Public Finance (EC 365) and Urban Economics (EC 394) may be helpful but are not necessary.

You are responsible for all material covered in class and in the assigned reading. The text for the course, Ronald Fisher, State and Local Public Finance, 2nd ed., is available at the college bookstore. All other readings are on reserve at O'Neill Library. A file of relevant newspaper and magazine articles is also on reserve under the title "EC 393 - Current Events."

The course is divided into two parts. Part I will include an overview of the role of state/local governments in the United States, an introduction to the theory of public choice, and a discussion of the demand and supply of state/local goods and services. Part II will focus on the provision of specific goods or services and on state/local revenue options. The particular topics to be covered in Part II will be determined by class interest. Some of the Part II discussions will be led by groups of students, and others will be led by me. Reading assignments for Part I and suggested topics for Part II are attached. A more explicit syllabus will be available after the Drop/Add period.

Course grades will be based on two midterm exams, a comprehensive final, a group presentation with supplemental written material, and class participation (includes attendance). The weighting scheme is as follows:

midterm exams (**#1: Feb. 17; #2: date to be announced**) - 25% each
final exam (**May 13**) - 30%
group presentation/report - 10%
class participation - 10%

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 College of Arts & Sciences policy on class attendance and make-ups found in *The Boston College Catalog, 1998 - 1999*, p. 34.

The University policy on grading and the College of Arts & Sciences policy on academic honesty, described in the *Catalog* on pp. 27-28 and pp. 34-35, apply.

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, 9:30 - 11:30 AM; Wednesday, 1:00 - 2:00 PM; Thursday, 1:00-2:30 PM; and by appointment.

Readings for Part I

I. Introduction to State and Local Public Finance

A. Characteristics of State and Local Governments (1/20 - 1/22)
- Fisher, Ch. 1 (pp. 3 - 26)
- Rivlin, Reviving the American Dream, Ch. 6 (HJ3258.A2 R57 1992)

B. Role of the Government in a Market Economy (1/25 - 1/27)
- Fisher, Ch. 2

C. Fiscal Federalism (1/29 - 2/1)
- Fisher, Chs. 1 (27 - 31) and 6
- Oates, Fiscal Federalism, Ch. 1 (HJ192.O18)

II. Public Choice

A. Choice by Voting (2/3 - 2/5)
- Fisher, Ch. 3

B. Choice with Mobility (2/10 - 2/15)
- Fisher, Ch. 5
- Fishel, "Property Taxation and the Tiebout Model," Journal of Economic Literature, March 1992 (photocopy)

III. Evidence on the Demand and Supply of State/Local Goods and Services

A. Demand (2/19 - 2/22)
- Fisher, Ch. 4
- Ohls and Wales, "Supply and Demand for State and Local Services," Review of Economics and Statistics, Nov. 1972

B. Supply (2/24 - 2/26)
- Fisher, Ch. 7
- Poole and Fixler, "Privitization of Public-Sector Services in Practice: Experience and Potential," Journal of Policy Analysis and Management, Summer 1987 (photocopy)

Readings for Part II - Revised

I. Expenditure Programs

A. Education (3/8 - 3/12)
- Fisher, Ch. 19
- Poterba, "Demographic Change, Intergenerational Linkages, and Public Education," American Economic Review, May 1998

B. Economic Development (3/15 - 3/19)
- Fisher, Ch. 22
- Bartik, "Jobs, Productivity, and Local Economic Development: What Implications Does Economic Research Have for the Role of Government?" National Tax Journal, December 1994

C. Welfare (3/22 - 3/24)
- Fisher, Ch. 21 (skip material on AFDC)
- Boyd and Davis, "Welfare Reform and Expenditure Pressure in the Next Recession," Proceedings of the Ninetieth Annual Conference on Taxation of the National Tax Association, 1997

II. Revenue Sources

A. Sales Taxes (3/29 - 4/7)
- Fisher, Ch. 15 (skip material on optimal taxation)
- Bahl and Hawkins, "Does a Food Exemption Lead to a Higher State Sales Tax Rate?" Proceedings of the Ninetieth Annual Conference on Taxation of the National Tax Association, 1997

B. Government Businesses (4/9 - 4/14)
- Fisher, Ch. 18
- McGowan, "Horse Racing and Casino Gambling: Mortal Enemies or Allies," mimeo

C. Property Taxes (4/16 - 4/23)
- Fisher, Chs. 13 and 14
- Cutler et al., "Property Tax Limitations in Retrospect: The Example of Massachusetts," Proceedings of the Eighty-ninth Annual Conference of the National Tax Association, 1996

D. Income Taxes (4/26 - 4/30)
- Fisher, Ch. 16
- ACIR, "Federal Income Tax Deductibility of State and local Taxes: What Are Its Effects? Should It Be Modified or Eliminated?" Strengthening the Federal Revenue System: Implications for State and Local Taxing and Borrowing, ACIR Report A-97, 1984