Syllabus
PSM B1720 – Economics of the Public Sector
The City College of New York
Fall 2012

Instructor: Adriana Espinosa, PhD
Office Hours: Tuesdays 3:00 – 5:00 PM
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Course Description

This course examines the role of the government as defined by economic theory in the creation of public policy. Under ideal market conditions, competition promotes economic efficiency, leaving little to no role for the government. Nevertheless, in many cases markets fail and government intervention may be necessary. The course will focus on concepts from micro and macro economics such as externalities, public goods, public education, income redistribution, welfare programs and tax policy to understand policy problems including issue from the local community.

This class meets on Mondays 4:50 to 6:50 PM in room TBA.

Textbooks

Public Finance and Public Policy by Jonathan Gruber (3rd edition) ~ Required

Public Finance by Rosen (Any edition) ~ Recommended

Additional required reading materials have been placed on Blackboard (Assignments section)

Student-led Discussions

On certain weeks to be announced later, class will focus on student-led discussions. During these special lectures, a group of 3 to 4 students (assigned by me) will lead class by discussing the articles assigned for that week. Students must describe the articles and discuss their relevance in public service. In particular, we will discuss how a public service manager can effectively use this information. Readings and discussions are not exclusive to students in charge for that week. Everyone must read all papers and book chapters assigned, as they will be included in the final exam. Attendance and participation from everyone will be carefully assessed.

Weights to Calculate Final Grade

Your final grade will be based on the following:

- Student discussion / presentation (45%)
- Final Exam (45%)
- Attendance and Participation (10%)
Final letter grades will be assigned according to the following:

<table>
<thead>
<tr>
<th>SCORE (%)</th>
<th>LETTER GRADE</th>
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<tbody>
<tr>
<td>100 - 96</td>
<td>A+</td>
</tr>
<tr>
<td>95 - 93</td>
<td>A</td>
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<tr>
<td>92 - 90</td>
<td>A-</td>
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<tr>
<td>89 - 86</td>
<td>B+</td>
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<td>85 - 83</td>
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<td>82 - 80</td>
<td>B-</td>
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<td>79 - 70</td>
<td>C</td>
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<td>&lt; 69</td>
<td>F</td>
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Final Exam

The final exam will be the last Monday of classes. Students will be given a series of short and long essay questions, which they must answer. It will be cumulative and open book. NO MAKE UP EXAMS WILL BE GIVEN.

Academic Integrity

Academic dishonesty of any sort is strictly prohibited at The City College of New York. Go to: http://www1.ccny.cuny.edu/upload/academicintegrity.pdf to download a copy of the University’s academic integrity policy handout.

Lateness and Absence

Students are expected to attend and be on time to every class in which they are enrolled. The instructor has the right to drop a student from a course for excessive absence or lateness, with no distinction made between excused and unexcused absences. Go to: http://www1.ccny.cuny.edu/CCNYBulletin/upload/CCNY-Graduate-Bulletin-2008-10-2.pdf for more information on this college policy.

Course Calendar (Subject to change at instructor’s discretion)

<table>
<thead>
<tr>
<th>Week/Day</th>
<th>Topics Discussed / Book Chapter(s) / Readings</th>
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<tbody>
<tr>
<td>Weeks 1,2,3</td>
<td>REVIEW: Gruber Ch 1, 2, 3 &amp; 4</td>
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<tr>
<td>Weeks 4,5</td>
<td>Gruber: Externalities Ch 5 &amp; 6</td>
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Additional Readings

1. The Problem of Externality; Dahlman_JLE1979
2. The Corrective Tax versus Liability As Solutions to the Problem of Harmful Externalities; **Shavell_NBER2010**

3. Vertical externalities in tax setting: evidence from gasoline and cigarettes; **Besley_RosenJPE1998**

4. The Externalities of Neighborhood Parks: An Empirical Investigation; **Weigher_ZerbstLE1973**

5. Traffic Congestion and Infant Health: Evidence from E-Zpass; **Currie_WalkerNBER2009**

**Weeks 6-8**  Gruber: **Public Goods** Ch 7

**Additional Readings**

1. Equilibrium effects of public goods: The impact of community water fluoridation on dentists; **Ho_NeidlNBER2009**

2. Cooperation in Public-Goods Experiments: Kindness or Confusion?; **Andreoni_AEA1995**

3. Public Goods Provision in an Experimental Environment; **McCue_Plott_JPE1985**


**Weeks 9,10**  Gruber: **Cost-Benefit Analysis** Ch 8

**Additional Readings**

1. The Political Economy of Efficiency: Cost-Benefit Analysis, Systems Analysis, and Program Budgeting; **Wildavski_PAR1966**

2. A cost-benefit analysis of demand for food; **Hursh_etal_JEAB1988**

3. Cost-Benefit Analysis; An Ethical Critique **Kelman_CatoInstitute1981**

4. Cost / Benefit Analysis for Incorporating Human Factors in the Software Lifecycle; **Mantei_Teorei**

5. A cost benefit analysis of routine varicella vaccination in Spain; **Ridao_etal_VIV1998**

6. Cost-Benefit and Cost-Effectiveness Analysis in Health Care: Growth and Composition of the Literature; **Warner_Hutton_WK1980**

**Weeks 11, 12**  Gruber: **Education** Ch 11

**Additional Readings**

1. Suburbanization, Demographic Change and the Consequences for School Finance; **Figlio_Fletcher_NBER2010**

2. Do Principals Fire the Worst Teachers?; **Jacob_NBER2010**
3. The Impact of No Child Left Behind on Student Achievement; Dee_Jacob_NBER2009
4. Into College, Out of Poverty? Policies to Increase the Postsecondary Attainment of the Poor; Deming_Dynarski_NBER2009

Weeks 13, 14
Gruber: *Income Distribution and Welfare Programs Ch 17*

**Additional Readings**

1. Work Incentives and the Food Stamp Program; Hoynes_Schanzenbach_NBER2010
3. Cash Versus In-Kind Transfers; Thurow_AER1974
4. The Effect of Pre-PRWORA Waivers on AFDC Caseloads and Female Earnings, Income, and Labor Force Behavior; Moffitt_JH1999
7. Do They Know and Do They Care? Americans’ Awareness of Rising Inequality. Russell Sage Foundation.

Weeks 15, 16
Gruber: *Taxation Ch 18*

**Additional Readings**

1. Spreading the Wealth Around: Reflections Inspired by Joe the Plumber; Mankiw_NBER2010
2. On the Taxation of Private Transfers; Kaplow_NBER2010
3. Economics of estate taxation: a brief review of theory and evidence; Kopczuk_NBER2010

Week 17

**FINAL EXAM (During regular class time)**