

Econ 450 - Public Expenditure

Autumn 2017

Instructor: Dennis O'Dea
Lecture: 8:30-10:40 Savery 164
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Office Hours: TuTh 2-3 and by appointment

Textbook

Recommended: Public Finance (10th Edition) by Rosen and Gayer.

Course Objectives

The purpose of this course is to provide an introduction to the theory and practice of the economic functions of government from both normative and positive points of view. In this course we focus on the expenditure side of government, with a major emphasis on the programs of the US Federal government. Topics include market failure, rationale for government economic activity, public goods, externalities, collective public decision making, income redistribution, state and local public finance, and some specific expenditure programs in the US. We will rely on applied microeconomics in this course. PBAF 516 (Microeconomic Policy Analysis) and ECON 300 (Intermediate Microeconomics) are appropriate preparation courses.

Problem Sets

Problems are an essential tool to learning microeconomics and therefore I will distribute four problems sets throughout the term. They will be due on Thursdays/Wednesdays - see the schedule on Canvas for each date. You are encouraged to work together on them, but each of you must turn in your own answers in your own words. These will account for 25% of your grade.

Exams and Grades

There will be a midterm and final exam. Each exam, including the final, accounts for 30% of your grade. Tests are closed book. However, you will be allowed to bring one page of notes (front and back) as a reference. Condensing your notes into this two-page study guide is a good way to prepare for the exams.

Policy Note

You will write a note on a public policy of your choosing. This note will describe a question of public importance, lay out the economic theory the surrounds it, and describe the existing empirical data that supports difference policy options. You will put yourself in the role of a policy analyst supporting a policy maker - a city council or public aganecy, or elected official - who have to decide what policy to pursue. What do they need to know to make a good decision? This will be due the last day of class, with a draft deadline two week before the last day of class. During the course, I will suggest potential ideas, and you should schedule a meeting with me once you have decided what to write on. It should be around 10 pages, double spaced. It is worth 15% of your grade.

There will be a midterm and final exam. Each exam, including the final, accounts for 35% of your grade. Tests are closed book. However, you will be allowed to bring one page of notes (front and

back) as a reference. Condensing your notes into this two-page study guide is a good way to prepare for the exams.

Grade Scheme

A tentative grade scheme is presented here; the percentages in the left hand column are not certain, and may be adjusted, but only in the downward direction, i.e. a score of 90 will certainly be at least at A-, and may be better.

Percentage	Letter Grade Equivalent	Numeric Grade-Point
94-100	A	3.9-4.0
90-93	A-	3.5-3.8
87-89	B+	3.2-3.4
84-86	B	2.9 -3.1 - Expected Median
80-83	B-	2.5-2.8
77-79	C+	2.2-2.4
74-76	C	1.9-2.1
70-73	C-	1.5-1.8
67-69	D+	1.2-1.4
64-66	D	0.9-1.1
60-63	D-	0.7-0.8
Below 60	F	0.0-0.6

Student Athletes

If you are a student athlete, inform me a.s.a.p. of interferences with your commitments as an athlete (especially conflicts with exam dates). You will be expected to bring in a letter from the athletics department. The sooner you notify me, the better that I will be able to accommodate you.

Academic Accommodations

The University of Washington is committed to providing access and reasonable accommodation in its services, programs, activities, education and employment for individuals with disabilities. For information or to request disability accommodation contact: Disability Resources for Students (Seattle campus, matriculated students) at (206) 543-8924/V, (206) 543-8925/TTY, (206) 616-8379 (FAX), or e-mail at uwdss@uw.edu

Academic Integrity

The student conduct code of the University of Washington requires students to practice "high standards of academic and professional honesty and integrity." In addition, the academic standards of the College of Arts and Sciences specify that students may be dismissed for academic cheating, lying, or plagiarism. You can receive a failing grade for writing a plagiarized paper. Or, you may receive an incomplete until the case is brought before the College Disciplinary Committee. For more information, see the Statement of Academic Responsibility in the UW Bachelor's Degree Handbook. Please also talk to your teachers about any reading, researching, or writing difficulties you may have in this course. If you are unsure whether a specific use of material constitutes plagiarism, ask!

Class Conduct

Class atmosphere will be quite relaxed; I encourage you to interrupt me with questions about the material. Just a few guidelines:

- Arriving a few minutes late is tolerated as long as you make an effort to minimize the disturbance for other students.
- Eating and drinking in class should be reduced to a minimum. It is not forbidden, but please make sure that you are not disturbing others with noise and enticing aromas.
- Turn off or silence all cell phones or don't even bring them. Certainly texting and the like are not allowed.
- If you cannot make it to class for whatever reason, make sure that you know what happened during the lecture that you missed. It is your responsibility, and nobody else's, to do so!
- If you have to leave a class early, inform me in advance. It is rude to simply walk out in the middle of a lecture.
- If you make an appointment with me, keep it, or at least notify me a.s.a.p. that you cannot make it.

Class Schedule

1. Introduction: Lecture 1
2. Tools
 - (a) Utility, Indifference Curves, Lagrangian Methods: Lecture 1-2
 - (b) Partial Equilibrium Analysis: Lecture 2-3
 - (c) General Equilibrium Analysis: Lecture 3-4
3. Welfare Analysis
 - (a) Surplus, Efficiency: Lecture 3-4
 - (b) Cost Benefit Analysis: Lecture 4-5
 - (c) Voting, Political Economy: Lecture 5-6
4. Market Failure
 - (a) Public Goods: Lecture 7-8
 - i. Theory
 - ii. Applications: Education, Defense
 - (b) Externalities: Lecture 9-10
 - i. Theory
 - ii. Application: Pollution, Sin Taxes
5. Midterm: November 7th
6. Social Programs
 - (a) Health Care: Lecture 12-14
 - i. Theory
 - ii. Application: ACA reform
 - (b) Social Security: Lecture 15-16
 - i. Theory
 - ii. Application: SS Reform
 - (c) Income Redistribution: Lecture 17 -19
 - i. Theory
 - ii. Application: Cash Welfare: AFDC, TANF
7. Final: December 12th, 10:30am