

**Department of Economics**  
**University of Illinois at Urbana-Champaign**

**Public Sector Economics**

**Econ411- Section A3**

**Spring 2018**

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**Instructor:** Hassan Arvin-Rad  
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**Lecture time and location:**

There are two lectures a week on Tuesdays and Thursdays from 9:30am to 10:50am in DKH 113.

**Course Description:**

This course examines the role that government plays in the economy and its effects on the welfare of its citizens. We use some basic results from microeconomics to investigate a wide range of policy questions. Among the topics covered are public goods, externalities, social security, health care reform, public assistance programs, and taxation.

**Prerequisites:**

Econ 302 (Intermediate Microeconomics) and at least one semester of differential calculus. Differential calculus, as well as algebra and abstract reasoning will be used frequently throughout the lectures. Econ 203 (Business Statistics) is also recommended.

**Textbook:**

**Required:** Jonathan Gruber, Public Finance and Public Policy, 5<sup>th</sup> Edition, Worth Publishers, 2016.

**Recommended:** Harvey S. Rosen, Ted Gayer, Public Finance, 9th Edition, McGraw-Hill, 2010.

**Homework:**

There will be 6 homework assignments. Each homework assignment will be posted on Compass and will be due in class no later than the due date. Homework assignments received late will not be graded. The homework assignment with the lowest score will be dropped and will not count in determining your course grade.

You are encouraged to seek help from the instructor if you have questions in doing the assignments. You may also discuss with your fellow students. However, you must write your answers yourself. Students who turn in almost identical answers to homework assignments will receive zeros for those assignments.

**Examinations and Grading:**

There will be two in-class midterm exams and a final exam. The midterm exams are scheduled for

Thursday February 22

Thursday April 12

The final exam is scheduled for Friday May 11, from 8:00 to 11:00am. The location for the midterm and final exams will be announced in class.

Your course grade will be based on a series of homework assignments (15%), two midterm exams (25% each) and the final exam (35%). Graduate students taking the course for 4 credits are also required to write a term paper on a topic in public economics. The term paper is due a week before the date of the final exam.

The second midterm exam will cover only the material covered since the first midterm exam. The final exam will be comprehensive. All exams are closed-book but you are allowed to bring a non-graphing calculator to the exam.

**Compass:**

Illinois Compass will be used to post announcements, homework assignments, and grades. You are also encouraged to use the Discussion Board in Compass. This would be especially helpful for posting questions about homework assignments. Please make sure you will check the Compass on a regular basis.

**Make-Up Exam Policy:**

Make-up final exam will be given only for: 1) medical reasons, in which case you need to get a letter from the emergency dean's office stating why you couldn't take the exam at the scheduled time, and 2) death or serious illness in the immediate family (documentation required). No make-up midterm exams will be given. If for some valid reasons (such as stated above) you cannot take the first midterm, its weight will be added to the remaining exams. If you miss the second midterm exam, its weight will be added to the final exam.

Please let me know if the exam dates conflict with your observance of religious holidays, so as to find a mutually acceptable alternative date to take the exam.

### **Class Attendance and Participation:**

Attendance in all class meetings is expected. You are responsible for all material covered in class, whether you are present or absent. Your class participation is strongly recommended. It provides me with feedback as to in which areas we need to spend more time.

## **COURSE OUTLINE**

### **I. Introduction and Background**

Why Study Public Finance? Chapter 1

Theoretical Tools of Public Finance, Chapter 2

Empirical Tools of Public Finance, Chapter 3

### **II. Externalities and Public Goods**

Externalities, Chapters 5 & 6

Public Goods, Chapter 7

Political Economy, chapter 9

### **III. Social Insurance and Redistribution**

Social Insurance: The New Function of Government, Chapter 12

Social Security, Chapter 13

Health Insurance I: Health Economics and Private Health Insurance, Chapter 15

Health Insurance II: Medicare, Medicaid, and Health Care Reform, Chapter 16

Income Distribution and Welfare Programs, Chapter 17

### **IV. Taxation in Theory and Practice**

Taxation in the United States and Around the World, Chapter 18

The Equity Implications of Taxation, Chapter 19

Tax Inefficiencies and Their Implications for Optimal Taxation, Chapter 20

Taxes on Labor supply, Chapter 21

Corporate Taxation, Chapter 24

Fundamental Tax Reform, Chapter 25

## **Academic Integrity:**

Violations of academic integrity as given in the Code on Campus Affairs will be taken extremely seriously. Students found cheating in the course (or helping others to cheat) will be penalized according to the Code's guidelines.

The University's full academic integrity policy is available at:

[http://studentcode.illinois.edu/article1\\_part4\\_1-401.html](http://studentcode.illinois.edu/article1_part4_1-401.html)

## **Final Exam Conflict Policy:**

From the University's final exam policy:

- Any student having more than two consecutive final examinations is entitled to rescheduling as follows if he or she takes the following action no later than the last day of classes:
  - The student must investigate whether a conflict examination is being held at another time for any of the examinations involved.
  - If a conflict examination has been scheduled for any of the courses, the student must take one or more of these conflict examinations. If conflict examinations are offered for more than one course, the student must take the conflict for the course that has the largest number of students.
  - If no conflict examinations have been scheduled, the student must contact the instructor of the course having the largest number of students. The contact must be made no later than the last day of classes, and that instructor must provide a makeup examination.
  - Normally in a semester several combined-sections, conflict, and noncombined examinations are given at the same time. As a guide to resolving conflicts, an order of priority has been established within each examination period, and a student should resolve a conflict using the published examination schedules and the following priority guidelines.
    - National and state professional examinations (e.g., CPA, actuarial science, Architecture Registration Examination) take priority over campus final examinations. An instructor must offer a conflict examination to a student scheduled to take a national or state professional examination and a campus final examination at the same time.
    - A noncombined course examination has precedence over any combined-sections or conflict examination.
    - A department offering a combined-sections final examination must provide a conflict examination if required to accommodate student conflicts.

The University's final exam policy is available at:

[http://studentcode.illinois.edu/article3\\_part2\\_3-201.html](http://studentcode.illinois.edu/article3_part2_3-201.html)

## **Emergency Response Recommendations:**

The university maintains guidelines for emergency responses. A list of recommendations when to evacuate and when to find shelter are available at:

[http://illinois.edu/cms/2251/general\\_emergency\\_response\\_recommendations\\_8\\_16\\_13\\_final.docx](http://illinois.edu/cms/2251/general_emergency_response_recommendations_8_16_13_final.docx)

Floor plans for specific buildings are available at:

<http://police.illinois.edu/emergencyplanning/floorplans/>