

University of California, Davis
Department of Economics
Fall 2003

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EC130
PUBLIC MICROECONOMICS

This course examines the role of government in modern market economies, focusing primarily on American policy issues. It examines justifications for and effects of government programs. Among the general questions considered are the following: When is government intervention in the economy appropriate? What is the most effective form of intervention? What effects do government policies have on incentives for firms, individuals and others in the private sector? We study important policy issues such as welfare reform, social security and pollution abatement.

The course is designed to cover important questions in public economics, familiarize you with basic institutional background and statistics, and provide you with economic models important to the evaluation of the policy questions. With this in hand, you should be able to analyze, in an unbiased way, a wide array of important policy questions.

Class Meetings: Tuesday, Thursday 1:40-3:00, Chem 179.

Office Hours: Tuesday, Thursday 3:30-4:30 and by appointment. Send e-mail to hwhoynes@ucdavis.edu to schedule a meeting.

Prerequisites: Economics 100 (or equivalent) is required without exception. The course relies heavily intermediate micro theory and you will be significantly disadvantaged without it.

Section Place/Time: Tuesday A01: 6:10p-7:00p, A02: 7:10p-8:00p, Wellman 119
Section meetings are a critical part of the course. You should regularly attend your section meetings.

Teaching Assistant: Radek Szulga, rsszulga@ucdavis.edu
Office- 118 SSH

Course Web Site:

The course web page is available at <http://my.ucdavis.edu/> You will find class information and announcements, syllabus, lecture and reading schedule, handouts and lecture notes, problem sets and solutions, exams and solutions, practice exams and solutions.

Relationship to ECN131

The department offers a two course sequence in Public Sector Microeconomics: ECN130 and ECN131. 130 deals primarily with public expenditures and 131 deals with taxes. You can take the courses in any order.

Course Grading and Requirements:

Problem Sets (4)	Due dates as announced	20%
Midterm Exam	Thursday October 30	30%
Final Exam	Saturday December 13, 8-10 am	50%
	Cumulative final exam	

Required Textbook:

Harvey Rosen, *Public Finance*, Sixth Edition (Homewood, Illinois: Richard D. Irwin, Inc., 2002).

Printing Handouts and Lecture Notes from Website:

Handouts and lecture notes are provided for some class meetings. Handouts are used to summarize important material and/or provide facts and data on applications discussed in lecture. These handouts will not be distributed in class. Check the website and print out all handouts. I will aim to have the week's handouts posted on the web site by 5pm on Monday of that week. **Check the website each week!!**

Policies:

- All homework assignments are due and must be handed in during lecture.
- Homework is graded $\sqrt{+}$, $\sqrt{}$, and $\sqrt{-}$. When determining course grades, the homework is recorded as a 100% for $\sqrt{+}$, a 85% for $\sqrt{}$, a 75% for $\sqrt{-}$, and 0% if not handed in. There is a significant penalty for NOT handing in the homework.
- Some homework assignments will require downloading and analyzing information from the internet. There will not be any computer lab time available. Please contact me if you foresee problems with internet access.
- No make-up exams will be provided. Drop the course now if you have conflicts with the final exam time.
- Exams are closed book with a mixture of short answer and multiple part analytical problems. The final is cumulative with a greater weight on the later material.

READING LIST:

- I. Introduction and Overview (1 lecture)
Rosen, *Public Finance*, Ch 1.

- II. Tools of Public Finance (2 lectures)
 - A. Review of Important Microeconomic Concepts **(Covered in section)**
Rosen, Appendix pp. 507-527.
 - B. Positive Analysis
Rosen Ch. 2
 - C. Normative Analysis
Rosen, Ch. 3 and Appendix to Ch 3.
 - D. Cost-Benefit Analysis
Rosen, Ch. 11.

- III. Market Failure
 - A. Public Goods (3 lectures)
Rosen, Ch. 4.
Policy Application: Education
 - B. Externalities (3 lectures)
Rosen, Ch. 5.
Policy Application: Environment, "Sin" Taxes

- IV. Social Programs I: Redistribution and Welfare
 - A. Theory (1 lecture)
Rosen, Ch. 7.
 - B. *Policy Application: Transfer Programs for the Poor* (3 lectures)
Rosen, Ch. 8.

- V. Social Programs II: Social Insurance
 - A. Social Security (3 lectures)
Rosen, Ch. 9.
Policy Application: Social Security Reform
 - B. Health Care (3 lectures)
Rosen, Ch. 10.