Economics 441 is a course in applied microeconomics, focusing on the role of the public sector in the economy. The prerequisites for the course are economics 301 or 311. Ideally you will also have had one statistics course. The aim of the course is to provide an understanding of the reasons for government intervention in the economy, the extent of that intervention, and the response of private agents to the government’s actions. If my teaching (and your learning) is successful, you will finish the course with a much greater ability than you now have to think about the logic and consequences of public policies.

Required Readings:


Assigned Readings are posted on the course web site. Like the textbook reading, these too are required and will be considered as I write questions for the midterms and final.

Lectures:

Mondays and Wednesdays 2:30-3:45, 3425 Sterling Hall.

Course Web Site:

You should regularly check [http://www.ssc.wisc.edu/~scholz/teaching_441.htm](http://www.ssc.wisc.edu/~scholz/teaching_441.htm), the course web site. There I will post readings, class announcements and other course material.

Grading:

The course will be graded based on the following tasks. There will be two in-class midterms, each worth 20 percent of your grade. These will be held on **Wednesday, October 11** and **Wednesday, November 15**. If you miss either midterm for any reason, I will add 20 percent (for each missed midterm) to the weight of the final exam in determining your grade. There will be no makeup midterms!

The final exam for the course will be cumulative and is worth 50 percent of your grade. It is scheduled **Friday, December 22 from 2:45pm-4:45pm**. This University-set time slot is very close to the holidays and very late in the exam period. If you cannot be here to take the exam at its scheduled time, please do not take this course. I expect you to take the final exam at its scheduled time, so please check your schedule now for conflicts.

There will be four problem sets distributed during the semester. You learn to think about economics and the course concepts by doing problem sets. These should also give you an idea of what to expect on the midterm and final. The problem sets will be collected and lightly graded and will be
worth 10 percent of your grade. No late problem sets will be accepted (they are due at the beginning of class). You can work together on homework, but you must turn in your own answers. Please indicate the people you worked with on your homework.

Lectures will be an important part of the course. Please do assigned reading for the week before class and to be prepared to respond to questions about it. If you miss a class, find out what you missed from a fellow classmate (ideally one who takes good notes). I encourage class participation and, in marginal cases, it can improve your grade.

Scholastic Dishonesty:

Scholastic dishonesty is any act by a student that misrepresents the student’s own academic work or that compromises the work of another. Examples include cheating on assignments or exams, plagiarizing (misrepresenting as one’s own work the work done by another person), unauthorized collaboration on assignments or exams, or sabotaging another student’s work. I loathe scholastic dishonesty and will do everything in my power to discover and fully prosecute those who cheat.

Grievance Procedure:

A blurb about the Economics Department grievance procedure is on the last page of the syllabus.

Course Outline

9/6/06: Course introduction: what is public economics and a (quick) review of economics 301.
   Reading: Chapters 1-4 of Gruber. You should read Chapter 1 quickly (lightly), Chapter 2 carefully (though all this should be review), and Chapters 3 and 4 quickly (lightly).

9/11/06: Introduction to Taxation
   Reading: Gruber, Chapter 18
   Study forms 1040, 1040A and 1040EZ (posted on the Web)

9/13/06: Tax Incidence
   Reading: Gruber, Chapter 19

9/18/06: Efficiency and Optimal Taxation
   Reading: Gruber, Chapter 20
   “Santa and Deadweight Loss,” The Economist, December 22, 2001

9/20/06: Catch Up

9/25/06: Taxes and Labor Supply
   Reading: Gruber, Chapter 21
   “No Work and No Play,” The New Yorker, November 28, 2005, P. 68, James Surowiecki
   Distribute Problem Set #1

9/27/06: Taxes and Saving
   Reading: Gruber, Chapter 22
“The Economics of Saving,” The Economist, April 9, 2005

10/2/06: Taxes on Risk-Taking and Wealth
   Reading: Gruber, Chapter 23
   “Unenlightened Self-Interest: The Strange Appeal of Estate Tax Repeal,” The American Prospect, page A17, Larry M. Bartels

   **Problem Set #1 is Due**

10/4/06: Taxes on Corporations
   Reading: Gruber, Chapter 24
   “Debt is Good for You,” The Economist, January 27, 2001

10/9/06: Catch Up

10/11/06: **Midterm Exam #1**

10/16/06: Tax Policy and Tax Reform
   Reading: Gruber, Chapter 25

   **Distribute Problem Set #2**

10/18/06: Market Failures – Externalities
   Reading: Gruber, Chapter 5

10/23/06: Externalities and Public Policy – Acid Rain, Global Warming, and Smoking
   Reading: Gruber, Chapter 6
   “Don't despair - Don't despair; Global warming,” The Economist, December 10, 2005 and “Pricking the global conscience; Climate change,” The Economist, December 17, 2005

   **Problem Set #2 is Due**

10/25/06: Public Goods – Theory and Crowding Out
   Reading: Gruber, Chapter 7

10/30/06: Catch Up

   **Distribute Problem Set #3**

11/1/06: Try to Figure Out the Value of Public Goods: Cost-Benefit Analysis
   Reading: Gruber, Chapter 8
   “The Regulator’s Best Friend?” The Economist, April 2, 2005

11/6/06: Public Choice and Political Economy: Theory and Practice
   Reading: Gruber, Chapter 9
   “Behind the Abramoff Lobbying Scandal,” Newsweek, January 16, 2006; p.40, Michael Isikoff, Holly Bailey, and Evan Thomas, with Mark Hosenball and Eleanor Clift

   **Problem Set #3 is Due**
11/8/06: Decentralization: State and Local Government Expenditures
   Reading: Gruber, Chapter 10
   “Gimme Shelter,” The Economist, January 29, 2000

11/13/06: Catch Up

11/15/06: Midterm Exam #2

11/20/06: Education Policy
   Reading: Gruber, Chapter 11

11/22/06: Social Insurance: Theory
   Reading: Gruber, Chapter 12

11/27/06: Social Insurance: Social Security
   Reading: Gruber, Chapter 13

   Problem Set #4 Distributed

11/29/06: Social Insurance: Unemployment Insurance, Disability Insurance, and Workers’ Compensation
   Reading: Gruber, Chapter 14
   “Choose Your Poison,” The Economist, October 1, 2005

12/4/06: Catch Up
   Problem Set #4 Due

12/6/06: Health Insurance
   Reading: Gruber, Chapters 15 and 16

12/11/06: Income Distribution and Anti-poverty Policy
   Reading: Gruber, Chapter 17

12/13/06: Catch Up

   Final Exam, Friday, December 22 from 2:45pm-4:45pm
Grievance Procedure

The Department of Economics has developed a grievance procedure through which you may register comments or complaints about a course, an instructor, or a teaching assistant. The Department continues to provide a course evaluation each semester in every class. If you wish to make anonymous complaints to an instructor or teaching assistant, the appropriate vehicle is the course evaluation. If you have a disagreement with an instructor or teaching assistant, we strongly encourage you to try and resolve the dispute with him or her directly. The grievance procedure is designed for situations where neither of these channels is appropriate.

If you wish to file a grievance, you should go to room 7238 Social Science and request a Course Comment Sheet. When completing the comment sheet, you will need to provide a detailed statement that describes what aspects of the course you find unsatisfactory. You will need to sign the sheet and provide your student identification number, your address, and a phone number where you can be reached. The Department plans to investigate comments fully and will respond in writing to complaints.

Your name, address, phone number, and student ID number will not be revealed to the instructor or teaching assistant involved and will be treated as confidential. The Department needs this information, because is may become necessary for a commenting student to have a meeting with the department chair or a nominee to gather additional information. A name and address are necessary to provide a written response.