

**DePaul University Kellstadt Graduate School of Business**  
**ECO 516: Economics of the Public Sector**

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Winter 2022

**COURSE SYLLABUS**

**Information:**

Class Meeting: Wednesdays 5:45 pm-7:15 pm

Office Hours: After class and by appointment

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**Course Description**

Public Economics is a broad subject area built upon the foundations of microeconomics. This branch of economics deals with the questions of *when* and *how* government should intervene in the private marketplace and how government interventions affect economic outcomes. We will use economic theory to gain insights into the functions of government and the consequences of alternative government activities. We will read papers in the economics literature, use case studies, and possibly read some articles out of periodicals and the popular press, when those articles can shed light on applications of the course material.

**Course Objectives**

By the time you complete this course you will:

- a. Have a theoretical framework for understanding why markets may fail to maximize social welfare and why government intervention may be needed.
- b. Identify possible public solutions to market failures.
- c. Identify the economic consequences of government intervention.
- d. Identify opportunities where private action can substitute for public policy responses to market failures.
- e. You will be able to think and write about how the theory and models apply to the messy and complicated real world.
- f. You will have written an original paper that uses data.

**Pre-Requisites**

The material in this class requires a good understanding of ECO 505 or ECO 555.

**Course Materials**

There is no required textbook for the course. Most of the papers we will read are posted on D2L.

There is a link to a public finance text available on D2L under "Excellent Resources".

This is a nice open-source book you may want to download. We will not be using it explicitly in this course but it is a nice resource:

*Government Failure vs. Market Failure*, by Clifford Winston, Brookings Institution, 2006 can be downloaded free at

<https://www.brookings.edu/wp-content/uploads/2016/06/20061003.pdf>

## Course Format

This course is taught in an **online hybrid format**. This means that you are required to be online on Wednesdays from 5:45 pm until 7:15 pm for the synchronous portion of our class. I will post new content on Wednesdays and assignments will be due on Wednesdays by 5:45 pm.

Please make sure to have the necessary technical resources to be able to access course materials and complete assignments. If you do not have access to the following resources, please let me know immediately so that I can direct you to resources and make accommodations for you:

- A computer that connects to the internet (web cam helpful but not required)
- A working DePaul email address. All communication goes through your DePaul email address. You can forward your DePaul email address to your personal email if you wish.
- Access to Microsoft Office or similar software
- Ability to playback video files

## Camera Policy

Please have your cameras on during our synchronous zoom sessions. When we are using screenshare, you can have your cameras off if you wish. However, during the discussions and full-class synchronous times, the default will be that you have your camera on. Should you have problems with hardware or bandwidth that make it difficult for you to comply with this policy any given week, please let me know.

## Grading

Your grade will be determined by the following events and weights.

- |                                      |     |
|--------------------------------------|-----|
| • Participate in discussion/prepared | 15% |
| • Case Reports                       | 30% |
| • Research paper                     | 30% |
| • Exam                               | 25% |

The grading scale in this course is

A	93% and above	C	73-76%
A-	90-92%	C-	70-72%
B+	87-89%	D+	67-69%
B	83-86%	D	60-66%
B-	80-82%	F	59% and below
C+	77-79%		

### **Due Dates for Assignments and Assessments**

<b>Assignment</b>	<b>Due Date—5:45 pm Chicago time</b>
<b>Case 1</b>	January 12
<b>Case 2</b>	January 19
<b>Case 3</b>	January 26
<b>Case 4</b>	February 2
<b>Case 5</b>	February 9
<b>Case 6</b>	February 16
<b>Case 7</b>	February 23
<b>Exam</b>	March 5, 11:59 pm (note different time)
<b>Paper</b>	March 19, 11:59 pm (note different time)

### **Assignments**

**I. Participation:** We will spend time every Week discussing cases and class material. Attendance, preparation, and participation are essential for this class to add value. To maximize your learning, you must be in class and actively engaged in the class discussions. I expect everyone to talk or write in the class chat during our class meetings. If you have read the materials for class carefully, you will always have something meaningful to say (cliché but true.)

**Ila. Case Analysis:** There are 7 case analysis reports in this class. You will write the reports in groups of three. This is because you can learn a lot from discussing and listening to what others have to say about the readings. Cases will be graded on a scale from 0-10. **You may sign up for groups by going to “More→Groups” on D2L.** If you do not know anyone in the class and would like me to help you form a group, please email me.

Reports are based on questions I post on D2L. Reports, in WRD or PDF format, are due in the D2L Submissions box by 11:59 pm CDT on the date noted in the course outline below.

Only one person should submit the report for the group. Put all group members names on the report. If a group member does not participate in writing the report, you may leave their name off the report, in which case that group member will earn a zero.

See the “Case Writing Rubric” attached here to see how I will grade your reports.

**IIb. Case Presentation and Discussion:** As part of the Case Analysis component of class, you will all be required to help present one of the cases and lead the discussion. Each week one groups will prepare the case for presentation and will lead the discussion. You will not have to write a case report in the week you present and will automatically earn a score of 10 for the written case report that week. You will, however, be graded individually on your presentation, and that presentation score will be an additional case analysis grade.

The presentation should last at most 45 minutes (including Q and A) and must include

- a. A brief introduction and motivation for the case
- b. The main findings/results. Please note that your classmates will have spent the week reading and analyzing the case as they prepare their case report. It is not your job to give a detailed review of the paper/case. Rather it is your job to decide what the most important parts of the case are and focus on those.
- c. Take-aways from the case. It is often helpful to link the main take-aways to policy conclusions and policy questions.
- d. Questions: Design some thought-provoking questions for the class.

**III. Exam:** There is one take-home exam in the class. During the exam there will not be a case report assigned. The Exam will be posted on D2L in week 8 and will be due week 10. Note that information from week 9 will likely be included on the exam. The exam will be done individually. You may not collaborate with each other or with any person other than Gabriella.

**IV. Paper :** The objective of the paper is to help you learn to identify interesting and policy-relevant research questions, to make you familiar with economics data sources, to teach you how to write a good literature review, and to teach you how to summarize and present descriptions of your data and methods for analyzing it. You will each write a data-based research paper. The topic must have policy relevance. The paper is due in the digital drop box by midnight on March 20. I do not expect a full empirical study. You will set up your paper, identify a data source, *conduct preliminary analysis of the data including summary statistics, detailed data descriptions and, for those that have taken econometrics, preliminary regressions*, but will not conduct the full empirical analysis. You may not use a topic from a concurrent or previous class without approval from both the professor from that class and from me.

Your grade will be based on how well you identify a question, explain why it is interesting/important, ground it in the literature, and present a framework for analyzing the question. In addition you will be evaluated on your empirical framework and presentation of the data and any results. See attached rubric.

**N.B.** You must follow APA (American Psychological Association) formatting for the paper layout, all citations, and references. This is the formatting and citation standard followed in the vast majority of the social sciences. I have put a link on D2L that provides all the information you need about APA formatting.

Your paper must include the following in any order you wish (except the introduction, which should come first):

A. Introduction (2-3 pages)—identify a question you would like to answer and explain why this question is interesting and important

B. Review of the relevant literature (2-3 pages)—explain what others have said on this topic and how they approached the question. Your review should include at least **5 academic journal articles**. You may use as many D2L papers as you wish as a starting point but you will need 5 \*new\* academic journal articles in addition to any article that I have identified and posted on D2L. Please read academic journal articles to see how a literature review is to be written.

D. Economic Model/Theoretical approach (1-3 pages)—Describe the theoretical framework guiding your question. One very important shortcoming of some empirical work is that authors start running regressions without ever having presented a model or story. It is extremely important that your work be grounded in a solid economic theory/story.

E. Data and preliminary results (2-4 pages) Describe the data you will use for the empirical analysis. Include information such as sample size, data available, demographic information etc. You should consider that the description of the data set is often best done using tables that present descriptive statistics and other break-downs of interest. Consider any possible econometric or data stumbling blocks you may encounter

F. Conclusion (1-2 pages) Summarize your question, your approach, and why you are asking it and any preliminary results.

**Data Sources:** See resources link on D2L. The *InterUniversity Consortium for Political and Social Research* at the University of Michigan is a data repository. A link to ICPSR is on D2L. You can search for data by topic (e.g. hunger), by broad government data (e.g. census), and by author.

See “Paper Writing Rubric” attached here and available on D2L.

NOTE : This paper must be an original paper written for this class only. Students wishing to use a topic from a previous class or wishing to use this same paper to meet requirements for a different class must get permission from both instructors. Failure to do so is considered self-plagiarism which is an academic integrity violation.

*Turn-it-in Technology:* Please be aware that any written work submitted in this course will be verified using Turn-it-in technology to ascertain the work is the student's own work and not a violation of DePaul University's Academic Integrity Policy. Submission of work in this course constitutes a pledge that the work is original and also constitutes consent to have the work verified through Turn-it-in technology.

## **Class Etiquette**

Please adhere to the following:

- If other commitments cause you to arrive late or leave early to our class meeting, please let me know in advance by sending an email.

## **Dean of Students**

The Dean of Students Office (DOS) helps students in navigating the university, particularly during difficult situations, such as personal, financial, medical, and/or family crises. DOS assists students with Absence Notifications to faculty, Late Withdrawals, and Community Resource Referrals. They also have resources and programs to support health and wellness, violence prevention, substance abuse and drug prevention, and LGBTQ student services. You may contact DOS at <http://studentaffairs.depaul.edu/dos/>.

## **Special Needs;**

Students who feel they may need an accommodation based on the impact of a disability should contact me privately to discuss their specific needs. All discussions will remain confidential. To insure that you receive the most appropriate accommodation based on your needs, contact me as soon as possible in the quarter (preferably the first week of class) and make sure that you have contacted one of the Center for Students with Disabilities Offices for support and additional service: Lincoln Park: Student Center 370, (773)325-1677; Loop: Lewis Center 1420. (312)362-8002.

## **Academic Integrity Policy**

As a condition of enrollment in this course, students are expected to understand and abide by DePaul University's Academic Integrity Policy (AIP) as outlined in <http://studentaffairs.depaul.edu/handbook/code16.html>. A violation of the AIP will result in sanctions, including a failing grade for the course.

## Schedule of topics

The following list of topics shows the case reports that are due each week. All cases are available on D2L, except for one HBS case that you must purchase. I have also uploaded quite a few other relevant papers and articles for each topic on D2L in case you are interested.

**Week 1:** January 5

### **Market Failure and Welfare Measurement**

Required Pre-Class reading: Available on D2L under Week 1

“Incentives and Unintended Consequences: Spillover Effects in Food Choice” By Manuela Angelucci et. al.

**Week 2:** January 12

### **Social Welfare, Externalities**

Case Due 5:45 pm: California Water Pricing

**Week 3:** January 19

### **Public Goods, Clubs, and Common Goods**

Case Due 5:45 pm: “Bag Leakage: The Effect of Disposable Carryout Bag Regulations on Unregulated Bags” (Rebecca Taylor)

**Week 4:** January 26

### **Collective Choice**

Case Due 5:45 pm: Forest Policy in Malaysia . Harvard Business School Case 9-792-099 available at [hbsp.harvard.edu](http://hbsp.harvard.edu)

**Week 5:** February 2

### **-Asymmetric Information, Lemons Model -Regulation**

Case Due 5:45 pm: Fire Protection

**Week 6:** February 9

- Asymmetric Information: Spence Labor Market Signaling Model.
- Inequality

Case Due 5:45 pm: Borenstein: Electricity Markets  
Joskow: California Electricity Crisis

Two papers, one case report.

**Week 7:** February 16

- Inequality wrap up
- Social Insurance

Case Due 5:45 pm: “Growing Inequality in the United States and Other Advanced Economies” by Florian Hoffmann available on D2L and online at

<https://www.aeaweb.org/research/income-inequality-capital-labor-us>

**Week 8:** February 23

**Taxation: Incidence, Efficiency, Empirical Evidence**

Case Due 5:45 pm: “Unemployment Insurance Taxes and Labor Demand: Quasi Experimental Evidence from Administrative Data” by Andrew C. Johnston available on D2L.

Exam Distributed

**Week 9:** March 2

**Burden of Taxes and Behavioral Responses to Taxation**

Work on your papers and exam

Exam Due March 5, 11:59 pm

**Week 10:** March 9

- Responses to Taxation
- Theory of Non-Market Failure



**Week 11: March 19 11:59 pm Paper due**

**Case Rubric:** Case reports are graded on a 10 point scale based on their content, organization, and writing.

<b>Grade</b>	<b>Description</b>
10	Analysis is positive (not normative) and shows a high level of independent, critical thinking, and thoughtfully addresses the case questions. Report demonstrates deep understanding and near comprehensive knowledge of concepts and frameworks from class and applies them correctly to the case. Ideas are presented clearly and explained thoroughly, without reteaching material from class. Examples and evidence are used to illustrate points; there are no unsubstantiated claims. The report does not quote extensively from the case but explains things in the author's own words. Report is written in active voice and is well organized. Voice is consistent throughout; spelling, punctuation and grammar are accurate.
9	Analysis is positive and shows a high level of independent and critical thinking. Case questions are addressed thoughtfully. Report demonstrates good understanding of concepts and frameworks from class and applies them correctly to the case. Ideas are presented mostly accurately and in depth without reteaching class material. There are few trivial errors and omissions. Examples and evidence are used to illustrate points and there are no unsubstantiated claims. The report does not quote extensively from the case but explains things in the author's own words. Report is written mostly in active voice and is well organized. Minor changes in voice, minor errors in spelling, punctuation and grammar.
8	Analysis is positive and shows acceptable but incomplete understanding of concepts and frameworks from class and applies them mostly correctly to the case. Adequate focus on case questions; Acceptable level of independent, critical thinking. Ideas presented with acceptable depth and there is minimal reteaching of class material. Some errors or omissions. Some use of examples or evidence and no unsubstantiated claims. The report explains things in the author's own words and quotes minimally from the case. Report uses more passive voice but is well organized. Some change of voice, few errors in spelling, grammar, punctuation.
7	Analysis shows inadequate understanding of concepts and frameworks from class and applies them with some error to the case. Inadequate focus on case questions; ideas presented with little depth and little use of examples or evidence. Concepts are redefined or re-taught. Meaningful errors or omissions. The report relies more heavily on quotations from the case. Voice changes are common. More errors in spelling, punctuation, grammar

6	Analysis shows lack of understanding of concepts or lack of focus on concepts and frameworks from class. Lack of focus on case questions. Lack of depth of thinking. Lack of independent, critical thinking. Report is poorly organized, writing is inconsistent and has more errors.
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Grades lower than 6 reflect unacceptable work.

## **Paper Writing Rubric**

The paper will be graded according to the following components:

### **Content and Development:**

- Motivation is compelling. You have a good question.
- The importance and interest of the topic are clear and well supported.
- The topic is placed into historical/economic context and relevant background is clearly explained.
- The literature review is organized according to the main themes and results in the literature and is not just a list of papers with descriptions of each paper. Summarizing one paper after another without tying them all together into themes does not count as a literature review. The literature review helps to identify the contribution of your research.
- Literature cited includes at least 7 academic journal articles
- A clear economic model is used to motivate the empirical work. The model need not be mathematical, it can be a clear story that explains underlying assumptions, the framework and the incentives.
- Analysis is positive (not normative and not emotional) and thoroughly addresses all required elements.
- Analysis covers all sides of the issue and does not use emotional language.
- Economic concepts and terminology are used correctly.
- The paper must demonstrate that you think carefully like an economist.
- Summary is concise and ties together the main points.
- Paper does not abruptly end.

### **Organization and Structure:**

- Paper is logically organized and easy to follow.
- Paragraphs flow smoothly into each other using good transitions.
- Paragraphs include a variety of sentence structures.

### **Format, Writing:**

- APA format is used correctly in all aspects of the paper. See D2L for how to cite, create tables, and write references. An abstract is a required component of APA formatting. APA formatting is the standard format used in economics, and it is fortunately the simplest.
- At least 90% of the paper is written in active voice.
- Sentences are crisp without excessive wordiness.
- The paper reads smoothly.
- If more than one author, there is no obvious separation of authors in the writing—the style remains consistent throughout the paper.
- Sentences are easy to read and are understood the first time through.
- Tables have clear titles, column headings and row names. The explanatory variable, if any, is listed at the top of the table, or as part of the title, or immediately under the title. Tables are not Stata or SAS output tables, but are originally created tables. I must be able to read your table and understand what it shows without reading anything else.

**Grammar, punctuation, spelling:**

- The rules of grammar, usage, and punctuation are followed correctly.
- There are no spelling mistakes