

Class room and Time: HOD D 106, 1:00-2:15 Tuesday -Thursday

Office: 4131 Reynolds Hall

Office Hours: W and Th - 2:30-3:30 and by appointment

E-Mail: roger.congleton@mail.wvu.edu (the most reliable contact method)

Website: rdc1.net

**Suggested
Texts:**

[PDF Syllabus](#)

Holcombe, R. (2005) *Public Sector Economics: The Role of Government in the American Economy*. NY: Prentice Hall.

Hillman, A. L. (2019) *Public Finance and Public Policy, Responsibilities and Limitations of Government*. (third edition) Cambridge: Cambridge University Press. (Either the first [AH1] or second edition [AH2] is fine. AH3 below refers to chapters in the third edition, AH2 to chapters in the second edition.)

Main Text: **Online Class Notes: The most recent versions are available via this website, backups available at the course's WVU E-Campus site**

Date [COURSE OUTLINE](#)

Readings

Introduction: Why Study Public Economics? Growth of Government and Taxation in the United States and OECD countries, changing composition of, increasing centralization and regulation.

8/18, 8/23

Methodology of Public Economics: Positive and Normative Analysis. Positive and normative analysis in public economics: Cost-Benefit Analysis, the Pareto principles. The rational choice approach to choice and social science.

8/23, 8/25

Review of Economic Tools: The Net Benefit Maximizing Model of human choice, applied to demand and supply, consumer surplus and profit, efficiency of competitive markets.

Part I: Market Responses to Government Policies

Principles and Effects of Taxation: Impact of taxes on market prices and output; deadweight loss in the long and short run; neutral taxes and excess burden; Ramsay taxation, progressive and proportional income taxes and the labor-leisure tradeoff. Applications: property taxes, excise taxes, head taxes, and income taxes. [Tax Data: Overviews](#) (WP table of effects of [Taking Stock of Recent Economic Policies \(WSJ, Schultz et al\)](#))

8/30, 9/1

9/6, 9/8

Principles and Effects of Subsidies: Impacts of subsidies on market equilibria, deadweight losses in the long and short run, conditional marginal and lump sum subsidies. Normative issues. Applications: farm subsidies, food stamps, rent subsidies, public education, and unemployment insurance. [Data from the Statistical Abstract of the](#)

[US Statistical Abstract](#)
[World Bank Statistics](#)
H: 1, 2 / AH3: Preface,1
AH2: 1.1 S1A, S1B
[Deficits \(Fred\) Size AEI](#)

H: 2, 10, 11, 12, 13
AH3: 1, 8
AH2: 4.1, 4.2, and 9.1
[US Tax History](#) / [Wiki State Tax Burdens](#)

H: 5, 8
AH3: 2.1, 5.2
AH2: 2.1, 5.1

United States

Part II: Market Failures to Maximize Social Welfare in Particular Markets and Governmental Solutions

9/13, 9/20	<u>Why Governments are Useful: Externality Problems and Solutions.</u> Externalities and Market Failures, Coasian Contracts, Pigovian taxes and subsidies. Applications: noise, air and water pollution, global warming, pandemics. Are Carbon taxes Pigovian taxes?	H: 4, 5 AH3: 3, 4 AH2: 3.1, 5.1, 5.2, 5.3
9/14	no class, study day	<u>Study Guide I</u>
9/22	Discussion and Review for the First Exam	
9/27	First Examination	
9/29	Exams returned and Reviewed	<u>Paper Topics</u>
10/4, 10/6	<u>Why Governments are Useful: Public Goods and Solutions.</u> Public and Private Goods, the free rider problem; Pareto optimal supply of public goods, Samuelsonian and Lindahl Taxes; Consensus-inducing property of Lindahl taxes. The demand revelation problem.. Applications: gasoline taxes as Lindahl taxes, use fees and national parks, air quality, national defense, gravity.	H: 4, 5 AH3: 3, 4 AH2: 1.1, 3.1, 5.1, 5.2, 5.3
10/7-10/8	Fall Break	

Part III: Public Policy Formation in Democracies

10/11, 10/13, 10/18	<u>Policy Making in Democratic Polities: The Electoral Demand for Public Goods and Taxes.</u> The median voter model and the demand for public services. Convergence to median voter ideal point(s). Dynamics of public policy caused by changes in median voter circumstances or knowledge. Rational ignorance and fiscal illusion. Government Failures.	H: 7 AH3: 11, 12, B.10 AH2: 6.1, 6.2
10/20	<u>Interest Groups and Public Policy:</u> Olson's Model of Collective Action, Stigler's Capture model, Rent-Seeking Losses, Bureaucracy as a Special Interest Group. Why are some groups more influential than others?	AH3: 1.4, 2, 12, B.2 AH2: 2.1, 2.2, 2.3
10/25, 10/27	<u>Public Finance and Relationships Between Governments:</u> Fiscal Federalism, Decentralized Policy Making, Intergovernmental externalities, Conditional grants, Revenue sharing. The Tiebout Model of intergovernmental competition: voting with one's feet, Yardstick competition. Applications: the decentralization theorem, subsidiarity principle, capital flight. (<u>Pew on Central Gov as Source of State Revenues.</u>)	H: 24 AH3: 9.1 AH2: 9.3
11/1, 11/3	The Welfare State: <u>Social Security and Medicare.</u> Application of tools developed in the course to analyze OASDI: nature of tax, the tax burden(s), as subsidies for retirement and healthcare, the median voter model and average benefit levels. History of OASDI, the lock box myth, future of program. Medicare grows faster than the retirement benefits because of technological change, this makes its future deficits more difficult to overcome. Aging of the median voter and the electoral support for social	H 20 , AH2: 8 AH3: 7, 8 <u>RJ Samuelson</u>

security and Medicare. Future taxes and/or deficits. **Supplemental References and resources:** [Social Security Annual Report](#), [Medicare Annual Trustees Report](#), [CBO](#), [OASDI History](#), [Medicare Reforms](#), ([Feldstein on reform](#)), [OECD healthcare spending](#)

11/8 **The Welfare State: [Social Insurance for Ordinary Voters](#).** The demand for private insurance. Cases in which the median voter prefers tax-financed government insurance to private insurance. Medicare and Obamacare (ACA). The simple politics of governmental insurance programs. Subsidies vs government provision of insurance services. [OECD healthcare spending](#) [Why Doctors are Paid So Much \(Man Inst\)](#) **Data on the Complexity of OECD healthcare systems**

AH3: 2.6, 5.7
H17
[CBO Report 2020](#)
[CBO Report 2022](#)

11/10-19 **Deficits Finance and Reform: [Debt Finance as Intertemporal Taxation](#)** Government debt for revenue smoothing, government debt as an inter-generational transfer, government debt and fiscal illusion. Ricardian equivalence, the politics of deficits and debt, Entitlement deficits and national debt. **Supplemental References and resources:** [Revenues, Expenditures, Deficits etc.](#) ([Plot of deficits as fraction of GNP](#)), [GAO deficit forecast](#), [GAO debt forecast](#)] [Some Survey Evidence of Support for Reform](#)

[Study Guide II](#)

11/21-27 **Fall Recess/Thanksgiving Break**

11/29 **Review for Second Exam**

12/1 **Second Examination**

12/6 **Exams Returned and Reviewed**

12/8 Forest From Trees Lecture / paper workshop

[Paper Format](#)

[Paper Topics](#)

12/16 **Research Paper Due at Midnight via Email (see Paper Topics for a description)**

Institutional Policies and Services: Students are responsible for reviewing [policies](#) on inclusivity, academic integrity, incompletes, sale of course materials, sexual misconduct, adverse weather, as well as student evaluation of instruction, and days of special concern/religious holiday statements.

E Link to [WVU Policies and Syllabus Addenda](#)