

<b>Economics 365</b> <b>Public Economics, Spring 2006</b>
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Office Hrs:      Weds 1:00-11:30  
                     Thurs 9:30-11:00  
                     or by appointment

### Course Materials

#### In the Bookstore:

(S) Stiglitz, Joseph *Public Finance, Third Edition*, Norton

(S-B) Slemrod Joel and Jon Bajika, *Taxing Ourselves: A Citizen's Guide to the Great Debate Over Tax Reform* (MIT Press: 2001)

(C) Cutler, David *Your Money or Your Life* (Oxford University Press: 2005)

### Grades

Class Participation including quizzes:	20%
Presentation:	5%
Research Paper:	20%
Midterms:	35%
Final:	20%

### Academic Honesty

I encourage you to study together, discuss the material, prepare for examinations together, and proofread each other's papers. It is important, however, that you know where to draw the line between beneficial collaboration and plagiarism, cheating and other forms of academic dishonesty. I take this issue very seriously; in recent years, several students have earned failing grades in my class following a cheating or plagiarism episode. If you have any questions about where this line is I encourage you to come and talk to me about it. Also make sure that you have read and that you understand the statement in the booklet you have received entitled *Academic Integrity Policy and Procedures*.

### Leading Classes

Working in teams of two, students will lead a discussion of one public policy debate, chosen from a list at the end of the syllabus. Your job will be:

- 1) In a ten minute presentation, summarize the thesis of the reading, and present the main evidence marshalled by the authors to defend their points of view. The idea here is to provide an OVERVIEW of the debate—not two detailed book reports. Focus your presentation on the two or three main points of evidence supporting each side.
- 2) Bring in additional evidence from at least one other reading on the topic.
- 3) Develop a five question, MULTIPLE CHOICE test that tests basic reading comprehension for the assignment. This should be e-mailed to me by at least 3 pm the DAY BEFORE your class. Do not share this quiz with your classmates ahead of time!

On Wednesday, the week prior to the presentation, each team should have read their material and then come and consult with me during office hours (or over lunch?) about strategies for leading the class. I

suggest using a power point presentation to organize your talk. Practice these presentations at least twice with your partners!

## Exams and Homework

There will be two take home exams and a final; the final will be cumulative. To help you study for the exams, I will be assigning homework problems. Answers to these problems will be on my web disk. Your job is to do the problems on your own (in teams is fine), then check your answers. If you still have questions, then come ask me for help during office hours. If I collect the homework, I will give you either a check or a check minus, to count towards your class participation grade. But the main reason to keep on top of them is the exams: **if you work through and understand the homework problems you will do well on the exams; if you do not do the homework problems, you will fail the exam.**

## In Class Quizzes

I will often begin class with a very quick reading comprehension quiz. I may also schedule quizzes that will check to see if you have done the homework problems: these will be announced in advance.

## Research Paper

The paper should be between 15 and 20 pages in length, double-spaced. For both drafts and papers, I encourage you to use recycled paper, and to print two pages on a side. (Specify "2" for the number of pages per sheet in the Word print menu). There are four deadlines associated with the paper:

**1. Question and outline.** A specific question, or hypothesis, which your paper will answer must be developed and turned in by March 24th; included with your topic should be a one-page outline indicating the direction you see your paper going. Your hypothesis must be an actual question (ending with a question mark!) that is one sentence in length. Examples: Should congress pass the "Patients Bill of Rights" to improve health care services from HMOs? How well is welfare reform working? Should the income tax be replaced with some form of flat tax?

To develop a topic, you should read 3-4 newspaper or magazine articles in an area you find interesting. Among other places, look in the *New York Times* or *Business Week* (for the mainstream perspective) *The Economist* or *National Review* (for a typically libertarian/free market perspective) or *The Nation* or *American Prospect* (for a progressive view). Also, look in the index to your textbook, and read all the references to your problem that are listed there. Then you'll be prepared for any possible question I could ask!

**2. Sources.** A list of at least 15 sources (books, articles, etc..) should be turned in on April 6th. Look for articles from economic journals in the electronic database called Econlit, and Google Scholar. Articles from newspapers, Lexus/Nexus or general interest journals (*Time*, *Newsweek*, etc...) will be less useful, unless they provide detailed summaries of relevant economic theories or empirical research. For help with these sources, ask the reference librarian. Feel free to come and visit with me to discuss ideas.

While searching for information on the internet, beware of digging up garbage. For example, a search on "social security reform" is liable to turn up a lot of writing that is long on political rhetoric but short on economic analysis.

**3. Short Draft.** You should develop a 5-page version of your paper, to be brought to class on April 13th. This should be a completed paper, not an outline. Somewhere in the first paragraph should be your one-sentence question; the last paragraph should consist of a tentative answer to that question, supported by the argument you have developed in your paper.

I expect well written papers. Up to a full grade will be deducted for incorrect spelling, bad grammar, incomplete sentences, and poor organization. If you need help, make use of the tutors available in the writing center. Of course, I would be glad to discuss any aspect of your paper with you. Bring two copies of your paper, one for me and one for a fellow student.

**4. Final Paper.** The finished version of the paper should be turned in May 3rd at 5pm. The paper should begin with a **1 paragraph abstract**, stating the question the paper addresses, and your conclusion. As with the short paper, somewhere in the first couple of paragraphs of your full paper should be your one-sentence question; the last paragraph or so should consist of an answer to that question, supported by the argument you have developed in your paper. If this sounds like a boring way to write, don't worry about that: clarity beats cuteness in just about everybody's book! (Of course clear and cute is the best combo).

In addition to meeting deadlines, your grade will be determined by (1) the quality of the five-page draft, and (2) the quality of the final paper. Both the outline and the paper should be proofread carefully for spelling, organization, and grammatical errors. The paper is a major part of your grade. Take it seriously! If you need help at any stage come talk to me, or you can consult the tutors at the Writing Center. Late papers will be downgraded one letter grade for every late day.

### **e-mail**

Check your e-mail on a regular basis. I may post assignments or class changes, and students will be posting class summaries and questions to our class list. At any time, of course, you may post questions relating either to the course material, homework, or course organization, or to microeconomics as it applies to some current issue. I will try and answer the questions, either in class or on e-mail.

### **Attendance**

Each student is allowed two absences over the course of the term. Absences above this number will reduce your class participation grade.

### **Outside Events**

There is one required outside event: The Economics Department Steinhardt lecture this year, by Sam Bowles is entitled: The Weightless Economy: Invisible Hand and the Communism of Ideas, Wednesday 2/22, 7:30. Be there or be square.

## **Course Outline and Required Readings**

### **I. SOCIAL GOALS AND MARKET FAILURE**

1/17: (S) Chs. 1-3

1/19: (S) Chs. 4-5  
*Strapped*: Intro

### **II. POLITICAL ECONOMY**

1/24: (S) Ch. 7  
*Strapped*: Chapters 1-3

1/26: *Strapped* Chapters 4-5  
Domhoff, G. William, "Theories of Power" (through "alternative theories") and "Wealth Income and Power": <http://sociology.ucsc.edu/whorulesamerica/book.html>  
Buchanan, James (1975) "The Limits of Liberty: Between Anarchy and Leviathan". (7.1.1-7.1.5; and Chapter 9 (7.9.1-7.9.49)  
[www.econlib.org/library/Buchanan/buchCv7Contents.html](http://www.econlib.org/library/Buchanan/buchCv7Contents.html)

PRESENTATION 1

1/31: *Strapped*, Chapter 6  
Jefferson Smith (Bus Project [www.busproject.org](http://www.busproject.org)) and  
John Charles (Cascade Policy Institute [www.cascadepolicy.org](http://www.cascadepolicy.org))

2/2: (S) Ch. 6  
(R) Smith, Adam (1937), *The Wealth of Nations*, Book V, Part III: V.1.69-V.1.89,  
<http://www.econlib.org/library/Smith/smWN20.html#B.V,%20Ch.1,%20Of%20the%20Expences%20of%20the%20Sovereign%20or%20Commonwealth>

### **III. PUBLIC PRODUCTION AND PRIVATIZATION**

2/7: (S) Ch 8  
Sclar, Elliot (2000) *You Don't Always Get What You Pay For: The Economics of Privatization*  
(Century Foundation). Chapter 1. Webdisk

2/9: Sclar, chapters 3 and 4. Webdisk

PRESENTATION 2

**Take Home Exam 1: Due February 13<sup>th</sup> 5pm**

### **IV. EXPENDITURES: Weeks 5-9**

2/14: *Strapped*, Chapter 7  
(S) Ch 10

#### Health Care

2/16 (S) Ch. 12  
(C) First half of book

2/21 (C) Second half of book

PRESENTATION 3

2/23 Outside Speaker, TBA

PRESENTATION 4

#### Military & Technology

2/28 (S) Ch. 13  
(R) Informing Regulatory Decisions (OMB: 2005) Ch. 4.  
[http://yosemite.epa.gov/SAB/sabcvpress.nsf/0/5143268e911789ba85256db900562c4b/\\$FILE/2003\\_cost-ben\\_final\\_rpt.pdf](http://yosemite.epa.gov/SAB/sabcvpress.nsf/0/5143268e911789ba85256db900562c4b/$FILE/2003_cost-ben_final_rpt.pdf)  
(R) *Economists Voice*, Wallsten  
<http://www.bepress.com/cgi/viewcontent.cgi?article=1134&context=ev>

#### Welfare

3/2: (S) Ch. 15  
(R) *Economists Voice*, Currie  
<http://www.bepress.com/cgi/viewcontent.cgi?article=1049&context=ev>

3/9 --shopping w/ foodstamps project--  
(R) Ehrenreich, Barbara (1998) "Nicked and Dimed", *Harpers*. Webdisk.  
(R) Main, Thomas, "How to Think About Homelessness: Balancing  
Structural and Individual Causes" *Journal of Social Distress and the Homeless*, Vol. 7,  
No. 1, 1998

Outside Speaker: Kathleen Gardipee, City of Portland

Social Security

3/14 (S) Ch. 14  
*Economist's Voice* articles by:  
Krugman, and Diamond and Orzag

<http://www.bepress.com/cgi/viewcontent.cgi?article=1048&context=ev>  
<http://www.bepress.com/cgi/viewcontent.cgi?article=1080&context=ev>

PRESENTATION 5

Education

3/16 (S) Ch. 15  
Smith, Adam (1937), *The Wealth of Nations*, Book V, Part III: V.1.130-V.1.145  
V.1.173-V.1.189

<http://www.econlib.org/library/Smith/smWN20.html#B.V,%20Ch.1,%20Of%20the%20Expences%20of%20the%20Sovereign%20or%20Commonwealth>

(R) "To MBA Candidates, The Top Course..." *WSJ*, 12/5/95. Webdisk.

3/21 (R) "Early Childhood Education Programs" Currie, *Journal of Economic Perspectives*,  
Webdisk.  
Freakonomics! Project in class

PRESENTATION 6

**Second Take Home Exam due March 22nd at 5pm**

**V. TAXATION: Weeks 10-14**

Theory

3/23 (S) Ch. 17-18  
(S-B) Ch. 3

4/4 (S) Ch. 19-21  
(S-B) Ch. 4

Personal Income Taxes

4/6 (S) Ch. 22, 24

4/11 Tax exercise: 1 point of EC for the lowest legal tax bill!

PRESENTATION 7

Tax Reform

4/13 (S-B) Chs. 1,2, 6

4/18 (S-B) Chs. 7-8

4/20 Outside Presentation: Mike Leachman, OCPP

4/25 *President's Advisory Panel Recommendations: Executive Summary*

[http://www.taxreformpanel.gov/final-report/TaxReform\\_ExSumm.pdf](http://www.taxreformpanel.gov/final-report/TaxReform_ExSumm.pdf)

*Economist's Voice* articles on the proposal by

Boskin <http://www.bepress.com/cgi/viewcontent.cgi?article=1148&context=ev>

and  
Burman and Gale  
<http://www.bepress.com/cgi/viewcontent.cgi?article=1136&context=ev>

**Final Exam: May 2<sup>nd</sup>, 8:30-11:30**

### **PRESENTATION TOPICS**

1. Compare and Contrast: Economic Policy Institute / Oregon Center for Public Policy and the Cato Institute / Cascade Policy Institute.

2. Stiglitz (page 209) and Sclar (page 122) disagree on the economics of prison privatization. What sources do they cite? Who is right?

One overview of the evidence: PRISONS, PRIVATIZATION, AND PUBLIC VALUES: MCFARLAND, MCGOWAN and O'TOOLE

[http://government.cce.cornell.edu/doc/html/PrisonsPrivatization.htm#\\_Introduction](http://government.cce.cornell.edu/doc/html/PrisonsPrivatization.htm#_Introduction)

3. Gladwell and Scandlen disagree on the importance of the moral hazard problem in health insurance markets. What sources do they cite? Who is right?

"The Moral Hazard Myth" Malcolm Gladwell

[http://www.newyorker.com/fact/content/articles/050829fa\\_fact](http://www.newyorker.com/fact/content/articles/050829fa_fact)

"MSA's Can Be a Windfall for All" Greg Scandlen

<http://www.ncpa.org/pub/bg/bg157/index.html#c>

4. McGarity et al and Newhouse et al disagree on the importance of tort reform for medical malpractice as a way to improve efficiency in the health care system. What evidence do they provide? Who is right? 2/21

"The Truth about Torts: An Insurance Crisis, Not a Lawsuit Crisis": McGarity, Kysar, and Sokol

[http://www.progressiveregulation.org/articles/Torts\\_509.pdf](http://www.progressiveregulation.org/articles/Torts_509.pdf)

"Reforming Medical Malpractice and Insurance": Newhouse and Weiler

<http://www.cato.org/pubs/regulation/regv14n4/reg14n4-newhouse.html>

5. Privatizing social security is a different issue than addressing the 2042 solvency issue. Ignoring the issue of solvency, what are the pros of privatization? Cons?

Economist's Voice article by Lazear and Stiglitz

<http://www.bepress.com/cgi/viewcontent.cgi?article=1061&context=ev>

<http://www.bepress.com/cgi/viewcontent.cgi?article=1038&context=ev>

6. Baum and Draut (Chapter 3) disagree about the equity and efficiency consequences of debt financing for students in the upper half of the income distribution for college. Outline the primary areas of disagreement. Who is right?

"How Much Debt Is Too Much?": Baum. Webdisk

PUZZLE: Draut claims that Young adults face a much higher debt burden, that they save about the same amount as boomers did in 1989 (p. 118), and yet, that their net worth is about the same as the boomers was in 1989 (p 119). How is this possible?

## Guide to Oral Presentation

### Organization

- \_\_\_\_\_ Begins with effective attention-getter
- \_\_\_\_\_ Uses audiovisual aids when appropriate
- \_\_\_\_\_ Previews subject or viewpoint
- \_\_\_\_\_ Presents 2 to 5 specific points

Supports each point with data:

POINT 1:

POINT 2:

POINT 3:

- \_\_\_\_\_ Reviews subject, viewpoint, or discussion points
- \_\_\_\_\_ Concludes with memorable statement

### Delivery

- \_\_\_\_\_ Steps up to speak with confidence
- \_\_\_\_\_ Begins without referring to notes
- \_\_\_\_\_ Maintains contact with audience
- \_\_\_\_\_ Sounds extemp, not read or memorized
- \_\_\_\_\_ Refers to note card only occasionally
- \_\_\_\_\_ Avoids *ah, so, ya know, well, like, and stuff, 'kay, etc.*
- \_\_\_\_\_ Doesn't look at floor, etc.
- \_\_\_\_\_ Doesn't pack up early

Time: \_\_\_\_\_