Course Objectives

Adam Smith famously argued that the “invisible hand” of the marketplace would govern it to the benefit of society. Yet the reality is quite different, as the “visible hand” of government plays a fundamental role in our economy. The goal of this course is to better understand government intervention into the economy – when and why the government intervenes, how it does so, and the effects of these interventions. More specifically you will:

- Identify and interpret relevant economic theories, concepts, and approaches
- Examine key applications of these theories and concepts to leading public issues, including environmental policy, health policy, and social insurance
- Critically assess the effectiveness of government intervention into the economy, and evaluate the different options and strategies taken.
- Formulate policy responses in these areas.

The overall goal in this course is thus to provide you with the tools to better understand, and critically analyze, some of the primary ways in which politics and economics intersect.

Required text:


NOTE: while the 3rd edition is acceptable, it is up to you to make sure that you are reading the correct materials and completing the proper assignments.

All remaining readings are either (a) linked to the syllabus or (b) available on the Canvas page for this course.

Course Requirements:

PSC 295 Students:

Class Participation (10%)

The learning process is very much a “two-way street” requiring the active participation of both instructor and student, and keeping up with the required readings is a necessity for both enjoyment of class meetings and successful completion of this course. To this end, you will be evaluated on the level of preparation that you demonstrate in class discussions. I will regularly call on you in class
discussion, and reserve the right to give pop quizzes! You should be able to provide the following information:

For textbook chapters:
- What are the main perspectives offered, and what are the main arguments that constitute these perspectives?
- What are the primary assumptions underlying these perspectives?
- How do the perspectives differ in terms their assumptions, units of analysis, and/or policy prescriptions?

For articles:
- What is the author's argument/thesis?
- What evidence does the author use to support his or her argument?
- What are the strengths and weaknesses of the author's argument?
- How does the argument compare with related concepts and readings?

Additionally, you will be responsible for leading at least one class discussion. This will entail (a) presenting the main points of the readings for the session as well as (b) leading the discussion on that issue. The specific method of doing so will be up to you.

Short Writing Assignments/Homework (15%)
Economics is best when practiced. You will thus have the opportunity to complete multiple small assignments. These can take several forms including (1) completion of exercises/problems contained in the text, (2) answering brief questions related to class readings, or (3) writing short position papers related to a specific issue. You will have the chance to complete around ten of these assignments, and the lowest grade will be dropped.

Research Paper and Presentation (35%)
Each of you will write a ten-page paper on a topic of your choosing. A full explanation of the assignment will be distributed later. The primary components of the project, as well as the due dates for each, are:
- Project Proposal (due Jan 25; 3% of final grade)
- First Draft (due March 28; 10% of final grade).
- Final draft of the policy brief will be turned in on April 22 (15% of final grade).
- Presentations will take place at the end of the semester (7% of final grade).

Mid-term (20%)
Final (20%)
Exams will be administered on the dates listed on the syllabus. They may be either take-home or in-class.
PSC 395 Students:

Note: unless indicated otherwise instructions are the same as those listed for PSC 295.

Class Participation (8%)
Weekly Assignments (12%)

Book Review (5%)
Write an analytical review that deals with the economics of public policy. Reviews should be approximately 800-1,000 words in length, and must contain (a) a summary of the book as well as (b) at least two paragraphs that critically assess the book in light of the course concepts. I will provide a list of possible books, though you are free to make your own suggestion (subject to my approval). The book review is due no later than XX.

Research Project (35%)
Mid-term (20%)
Final (20%)

Mid-term (20%)
Final (20%)

Course Policies:

Grading:
Grades will be awarded on a 10-point scale (90-100 for an A and so forth).

Makeup/Late Assignments:
Make-up exams will be allowed ONLY in the case of a documented medical emergency. Unless indicated otherwise, papers turned in after the beginning of class on the due date will be assessed a ten-point penalty. Five points will be deducted for each additional day.

Attendance:
Attendance is necessary for successful completion of the course. Given the nature of the course schedule you will be allowed up to three absences without penalty. However, you are responsible for all material covered during each class (whether they are present or not) and any assignments due that day. Each unexcused absence over the third will result in a one-point reduction in your final grade. NOTE: please arrive to class on time, as it is disruptive and unprofessional to arrive late to class. While I recognize the many variables that can make you late, it is ultimately up to you to ensure your arrival to class. Thus I reserve the right to count particularly egregious tardies (that is coming into class more than ten minutes late) as absences.
**Academic Dishonesty:**
Any type of academic dishonesty will result in severe disciplinary action on the part of the instructor. Cheating and plagiarism will be grounds for receiving an “F” on the assignment/examination or an “F” for the course, depending on the severity of the offense. UAB policy regarding academic dishonesty is outlined in [https://www.uab.edu/](https://www.uab.edu/) (Links to an external site.)

**Students with Disabilities:**
If you are registered with Disability Support Services, please make an appointment with me as soon as possible to discuss accommodations that may be necessary. If you have a disability but have not contacted Disability Support Services, please call 205-934-4205 or visit DSS at 1701 9th Ave. South.

**Course Topics and Readings**
(May be subject to change)

**Week 1 (Jan 11, 13, 15)**
Topic: Introductory Issues: Public Finance and Microeconomics
Readings:
- Gruber, ch. 1 (“Why Study Public Finance?”)
- Gruber, ch. 2 (“Theoretical Tools of Public Finance”)

**Week 2 (Jan 20, 22)**
Topics: Supply, Demand and the Labor Market
Readings:
**Application: Minimum Wages**
- Economic Policy Institute “Raising the federal minimum wage to $10.10 would lift wages for millions and provide a modest economic boost,” 2013

**Application: TANF and EITC**
Week 3 (Jan 25, 27, 29)
Topics: Challenges in Public Finance; Budgeting and Budget Deficits

Readings:
- Gruber, ch. 3 (“Empirical Tools of Public Finance”)
- Gruber, ch. 4 (“Budget Analysis and Deficit Financing”)

Week 4 (Feb 1, 3, 5)
Topics: Key concepts: Externalities

Readings:
- Gruber, ch. 5 (“Externalities: Problems and Solutions”)
- Gruber, ch. 6 (“Externalities in Action: Environmental and Health Externalities”)

Week 5 (Feb 8, 10, 12)
Topic: Externalities in Practice

Application: Congestion pricing

Application: Environmental Policy

Week 6 (Feb 15, 17, 19)
Topics: Externalities (cont.), Public Goods

Externalities and Health Issues


Introduction to Public Goods
- Gruber, ch. 7 (“Public Goods”)

Week 7 (Feb 22, 24, 26)
Topics: Problems in the Provision of Public Goods

Readings:
- Gruber, ch. 8 (“Cost-Benefit Analysis”)
- Gruber, ch. 9 (“Political Economy”)

Week 8 (Feb 29, Mar 2, 4)
Topics: Government Failure; State and Local Governance

Application: Sewage and Corruption in Jefferson County

- Gruber, ch. 10 (“State and Local Government Expenditures”)

MIDTERM EXAMINATION FRIDAY MAR 4

Week 9 (Mar 7, 9, 11)
Topics: Education, Intro to Social Insurance
Readings:
- Gruber, ch. 11 (“Education”)

Application: Charter Schools

Week 10 (March 14, 16, 18)
Topic: Social Insurance
Readings:
• Gruber, ch. 12 (“Social Insurance”)

SPRING BREAK MARCH 21-25

Week 11 (March 28, 30, Apr 1)
Topics: Social Security and Unemployment Insurance
Readings:
• Gruber, ch. 13 (“Social Security”)
• Gruber, ch. 14 (“Unemployment Insurance, Disability Insurance, and Workers’ Compensation”)

Application: Workers Compensation

Week 12 (April 4, 6, 8)
Topic: Health Insurance and Reforms
Readings:
• Gruber, ch. 15 (“Health Insurance I: Health Economics and Private Health Insurance”)
• Gruber, ch. 16 (“Health Insurance II: Medicare, Medicaid, and Health Care Reform”)

Week 13 (April 11, 13, 15)
Topics: Income Distribution; Taxation
Readings:
• Gruber, ch. 17 (“Income Distribution and Welfare Programs”)
• Gruber, ch. 18 (“Taxation in the United States and Around the World”)


Week 14 (April 18, 20, 22)
Presentations

Final Exam: April 27, 8:00-10:30 a.m.