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, 6104 Social Science

**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, February 22** and **Wednesday, April 12**. 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 **Sunday, May 7 from 10:05am-12:05pm**. 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. These will give you an idea of what to expect on the midterm and final. The problem sets will be collected and (very 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 a critical 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**

1/18/06: Course introduction: what is public economics and a (quick) review of economics 301.  
Reading: Gruber, Chapters 1-2 (do not get behind!).

1/23/06: How do we try to learn from statistical and other empirical evidence, along with a quick introduction and review of some budget concepts.  
Reading: Gruber, Chapters 3-4

1/25/06: Market Failures – Externalities  
Reading: Gruber, Chapter 5  

1/30/06: 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

2/1/06: Public Goods – Theory and Crowding Out  
Reading: Gruber, Chapter 7  

2/6/06: 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

**Problem Set #1 Distributed**

2/8/06: 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
2/13/06: Decentralization: State and Local Government Expenditures
   Reading: Gruber, Chapter 10
   “Gimme Shelter,” The Economist, January 29, 2000

   Problem Set #1 Due

2/15/06: Education Policy
   Reading: Gruber, Chapter 11

2/20/06: Catchup and Midterm Review

2/22/06: Midterm Exam #1

2/27/06: Social Insurance: Theory
   Reading: Gruber, Chapter 12

3/1/06: Social Insurance: Social Security
   Reading: Gruber, Chapter 13

   Problem Set #2 Distributed

3/6/06: Social Insurance: Unemployment Insurance, Disability Insurance, and Workers’ Compensation
   Reading: Gruber, Chapter 14
   “Choose Your Poison,” The Economist, October 1, 2005

3/8/06: Health Insurance
   Reading: Gruber, Chapter 15

   Problem Set #2 Due

Have a Fun and Safe Spring Break

3/20/06: Health Insurance and Public Policy
   Reading: Gruber, Chapter 16
   Read the rest of “The Truth About Social Security and Medicare: Interview with Henry Aaron,” Challenge, May-June 2004

3/22/06: Income Distribution and Anti-poverty Policy
   Reading: Gruber, Chapter 17

3/27/06: More on Anti-poverty Policy
   Get caught up on reading

3/29/06: Introduction to Taxation
   Reading: Gruber, Chapter 18
   Study forms 1040, 1040A and 1040EZ (posted on the Web)
Problem Set #3 Distributed

4/3/06: Tax Incidence
Reading: Gruber, Chapter 19

4/5/06: Efficiency and Optimal Taxation
Reading: Gruber, Chapter 20
“Santa and Deadweight Loss,” The Economist, December 22, 2001

Problem Set #3 Due

4/10/06: More on Optimal Taxation and Midterm Review

4/12/06: Midterm Exam #2

4/17/06: Taxes and Labor Supply
Reading: Gruber, Chapter 21
“No Work and No Play,” The New Yorker, November 28, 2005, P. 68, James Surowiecki

4/19/06: Taxes and Saving
Reading: Gruber, Chapter 22
“The Economics of Saving,” The Economist, April 9, 2005

Problem Set #4 Distributed

4/24/06: 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

4/26/06: Taxes on Corporations
Reading: Gruber, Chapter 24
“Debt is Good for You,” The Economist, January 27, 2001

Problem Set #4 Due

5/1/06: Fundamental Tax Reform
Reading: Gruber, Chapter 25
“President’s Advisory Panel on Federal Tax Reform, Executive Summary,” “Too Sensible to Survive,” The Economist, October 22, 2005 and “The Tax Reform Panel’s Costly Proposal,” Center for Budget and Policy Priorities, November 30, 2005, Jason Furman

5/3/06: More on Fundamental Tax Reform and Final Review

Final Exam, Sunday, May 7 from 10:05am-12:05pm

Grievance Procedure

The Department of Economics has developed a grievance procedure though 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.