CLEVELAND STATE UNIVERSITY
LEVIN COLLEGE OF URBAN AFFAIRS
Spring 2010
Course Syllabus
UST 603, PAD 603, PDD 603, NAL 603
Public Finance and Economics

Meeting Time: Monday and Wednesday
Place: Dively
Instructor: Dr. Jim Robey
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Office Hours: Prior to class and by appointment

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Required Reading Materials -- Books at CSU Bookstore:

- Economics of Social Issues, by Ansel Sharp, Charles Register and Paul Grimes
- The Armchair Economist, by Steven Landsburg, 1993. (optional & suggested)

Notes will (generally) be available on the Levin College’s “public” drive. These should be on the drive on Monday morning. The catalyst for the economics lecture notes were kindly provided by Dr. Robert Simons.

Course Goal
To begin to use economic concepts to think about policy related issues. The evaluations, both exams and memos, will test your ability to apply these concepts to “real” world settings. Economics is the “science” of scarcity and rationality in light of scarce resources. All systems are constrained by (at least at any given moment) finite resources and choices. Economics provides one perspective on decision making in the public, private, and not-for-profit sectors.

Course Objective
1. To provide an understanding of basic economic concepts and tools used by economists and show how economists use these in thinking, talking, and writing about issues of government spending, taxing, and regulation.

2. To provide an understanding of the economist's view of how the world works and the contributions, influence, and limitations of this view in thinking about public policy and budgeting issues.
Important things to note:

- Use only your CSU-given ID number on anything turned in, such as, but not limited to assignments or tests. **DO NOT** put your name or social security number on anything that is to be turned in. I will deduct 5% if you put your name on a memo or exam.

- Please put all communication devices away. Please do not take phone calls or text in class as it is distracting to both listeners and speakers.

- The midterm exam will require the use of a calculator. Please bring a calculator for use on the exam. Other devices such as Iphone, Itouch and cell phone calculators will not be permitted. The observed used of such devices during exams will lead to their confiscation of the device with return at the end of exam period. All work prior to that point will be disregarded in the grading process.

- It is possible that guest speakers and lecturers will be invited into class. This doesn’t imply free time or a night off. Some of the content from guests may be included in the exams.

Course Description
This course is intended for graduate students with little or no formal economics or public finance background. The goal of the course is to provide the students with sufficient familiarity with basic economic concepts so that they may follow (at a practitioner level) economic and financial analyses relevant to the public, private, and not-for-profit sectors. A portion of the course will address microeconomic theory including consumer demand, market supply and demand, firm cost and quantity decisions, and monopolies. Another portion of the course will cover the economics of the public sector such as discounted cash flow analysis in the context of benefit/cost analysis, public goods, taxation, and negative externalities and environmental pollution. Sessions devoted to macroeconomic topics are followed by portions of the class devoted to municipal finance issues. Each week will generally be split into two parts: lecture and class discussion/memo conceptualization. The latter will focus on applied economic and finance topics germane to thinking about public sector issues.

Course Requirements
The course will have a midterm and a comprehensive final examination. Ph.D. students may be required to take turns in leading the discussion of topical issues as a portion of their course participation grade.

You will need to develop an informational memoranda that will also be required. These will be based in the concept of Problem Based Learning (PBL) or Problem Centered Learning (PCL). The memorandum will address specific topical areas discussed in class and an associated question that requires you to address these issues. You will write these memos to a hypothetical (or real) supervisor explaining/defining the concepts surrounding the issues and problems.
The topic for the memo is discussed below. You will be given time in each class to discuss the interpretation and content of the question and memo with other class members. BUT, your memo must be independently written. As the course moves forward, the necessary concepts associated with each memo will be developed, but it is suggested that you begin to work on the data and information that underlies the memo immediately.

While attendance will not be taken regularly, a large portion of the examination questions will be drawn from lectures and class discussions.

Grading for the course will be as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class participation</td>
<td>5%</td>
</tr>
<tr>
<td>Memo</td>
<td>20%</td>
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<tr>
<td>Midterm</td>
<td>30%</td>
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<tr>
<td>Final</td>
<td>45%</td>
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</tbody>
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Students should refer to the CSU Graduate Bulletin for administrative procedures related to drop-add, withdrawal, and incompletes. Incompletes are difficult to finish and put you at risk. They are not normally given and completion targets need to be operationalized before they are awarded.

**Course Outline (subject to change)**

Since the class will often take the form of discussion, reading assignments should be completed prior to coming to class. In the Sharp text, try to understand the basic economic arguments and don't dwell on the institutional data. This relates back to the goal – to apply the concept to thinking about policy issues.

  assignments: Sharp et al., Chapters 1, 2

Markets and Public Policy: Price Controls & Markets
  assignments: Sharp et al., Chapters 3, 8

  assignments: Sharp et al., Chapter 3 *(from the 14th edition of Sharp, et al on reserve in the Library)* and Chapter 6 from the current edition

Markets and Efficiency. Economic Thinking and Inflation.
  assignments: Sharp et al, Chapters 2 & 7; Landsburg, Chapters 1-5, 8

  assignments: Sharp et al., Chapters 4 & 5, 13, 14; Landsburg, Chapters 9, 24.
The Distribution and Redistribution of Income
Assignments: Sharp et al., Chapters 14, 15; Landsburg, Chapters 6, 13.

Public Choice.
Buchanan and Musgrave: Day 1, 2 and 3

Public Choice, cont’d
Buchanan and Musgrave, Day 4, and 5

The Economics of Taxation and Other Revenue Sources
Assignments: Sharp et al. Chapter 14; Landsburg, Chapter 7

Public Expenditures; Benefit-cost Analysis.

Budget Reform.
Assignments: Landsburg, Chapter 10

**Memo Assignment**
Communication through writing is becoming a lost art in the age of text messaging and email, but the ability to communicate in writing is essential in the public, private, and not-for-profit sectors.

Writing a business-related memo seems to be more of a combination of strategy and art than a science. The grading of the memo will be based on a combination of course-related content and quality of presentation. Please take as a given that to fully express your point, the memo will include narrative and as needed, graphs, tables, trend lines, and pictures.

**Memo topic: What is the real cost of a good?**

For this memo, the student will self-select a time series of *nominal* or *current* economic or price-based data. Necessarily, this data must be in some form of currency and you need at least 10 data points. Most likely you will be best served by using annual or annualized data. Using one of the appropriate measures of inflation, the data will be converted to *real* or *constant* dollars. The write-up will discuss the trends in real and nominal dollars, with particular emphasis on whether the real price has increased or decreased.

**Take Home Final:** The final will be distributed the first night of class and will be due at 6 P.M. the scheduled night of the final. It will be necessary for you to deliver the final in person. NO ELECTRONIC COPIES WILL BE ACCEPTED, there is too much room for error in sending and assuming electronic copies have been received.
Key Concepts: Students often ask about using prior and current editions of the main textbook. That would be your choice and presents no problem. Below are the key concepts that will be part of the class and for which you are responsible in knowing.

- Topic one: alleviating human misery
  - Resources
    - Labor
    - Capital
  - Technology
  - Production possibilities curve
  - Opportunity costs
  - Marginal
    - Cost
    - Benefit
  - Gross domestic product

- Topic two: Economic systems
  - Economic systems
  - Markets
  - Demand
  - Supply
  - Equilibriums
  - Shortage
  - Surplus

- Topic three: government control
  - Price ceilings
  - Price floors
  - Marginal product of labor
  - Diminishing returns
  - Substitution effect
  - Income effect

- Topic four: Pollution problems
  - Demand and supply
  - Cost and benefit analysis
  - Marginal
    - Social costs
    - Social benefits
    - Externalities
    - Market failure
    - Pollution market rights
• Topic five: economics of crime
  o Consumed goods:
    ▪ Individually
    ▪ Semicollectively
    ▪ Collectively
  o Free rider
  o Public goods
    Equimarginal principle
  o Psychic income and costs
• Topic six: the economics of education
  o Marginal
    ▪ Private benefits
    ▪ Social benefits
    ▪ Private costs
    ▪ Social costs
• Topic seven: poverty problems
  o Poverty
  o Income distribution
  o Income inequality
  o Ownership of resources
  o Discrimination
  o Tax policy
  o Negative income tax
• Topic eight: the economics of big business
  o Markets
    ▪ Monopoly
    ▪ Imperfect competitive
    ▪ Competitive
  o Concentration ratio
  o Marginal revenues and costs
  o Demand and supply curves
  o Barriers to entry
  o Average costs
  o Economies and diseconomies of scale
• Topic nine: economics of professional sports
  o Cartels
  o Monopsonstic profit
  o Profit maximization
• Topic ten: Protectionism versus free trade
  o Imports and exports
  o Possibilities curve
    ▪ Production
    ▪ Consumption
    ▪ Comparative advantage
    ▪ Current and capital accounts
    ▪ Embargoes and Dumping
• Topic eleven: Unemployment issues
  o Labor force
  o Discouraged workers
  o Unemployment
    ▪ Frictional
    ▪ Structural
    ▪ Cyclical
  o Full employment
  o Aggregate demand
• Topic twelve: Inflation
  o Inflation
    ▪ What is it?
    ▪ Demand pull
    ▪ Cost push
  o Price index
  o Equity
  o Efficiency
  o Money supply
  o Discount rate
• Topic thirteen: Economic growth
  o Real GDP
  o Expansion and contraction
  o Economic boom and recession
  o Labor
  o Capital
  o Productivity
  o Technology
  o Investment
• Topic fourteen: Government spending
  o Government
    ▪ Purchases
    ▪ Transfer payments
  o Equity
    ▪ Horizontal
    ▪ Vertical
  o Ability-to-pay principle
  o Benefits principle
  o Tax efficiency
  o Elasticity of demand
  o Tax incidence

• Topic fifteen
  o Costs of living allowance
  o Effects
    ▪ Substitution
    ▪ Income
    ▪ Retirement
    ▪ Bequest
    ▪ Wealth