

**CLEVELAND STATE UNIVERSITY
LEVIN COLLEGE OF URBAN AFFAIRS
SPRING SEMESTER 2006
Course Syllabus
UST 603, PAD 603, PDD 603
Public Finance and Economics**

Meeting Time: Tuesday 6-9.50 pm.
Place: UR #107
Instructor: Dr. Jim Robey
Phone: 216-363-5420
E-mail at: jimr@urban.csuohio.edu
Office Hours: Prior to class and by appointment

Required Reading Materials -- Books at CSU Bookstore:

- Economics of Social Issues, by Ansel Sharp, Charles Register and Paul Grimes, 2006, 17th edition.
- The Armchair Economist, by Steven Landsburg, 1993.
- Public Finance and Public Choice, by James Buchanan and Richard Musgrave, 2000

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 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.

An important thing to note: Use only your CSU-given ID number on any assignment or test. ***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.

Course Description

This course is intended for graduate students with little or no formal economics or 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.

There will be two decision/informational memoranda that will also be required. These will be based in the concept of Problem Based Learning (PBL) or Problem Centered Learning (PCL). Each 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 topics for the memos are 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.

Another Important Note: It is likely that guest speakers and lecturers will be invited in to class. This doesn't imply free time or a night off. Most likely some of the content from guests will be included in the exams.

Grading for the course will be as follows:

Class participation	5%
Memo one	15%
Midterm	25%
Memo two	20%
Final	35%

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.

Scarcity and the Need to Choose. Opportunity Cost. Rationality. The Use of Theory. Efficiency.

Assignments: Sharp et al., Chapters 1, 2

Markets and Public Policy: Price Controls & Markets

Assignments: Sharp et al., Chapters 3, 8

Markets and Public Policy: Subsidies, Taxes, and Regulation (cont'd).

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 12 & 13; Landsburg, Chapters 1-5, 8

Market Failure: Public Goods and Externalities, and Unemployment.

Assignments: Sharp et al., Chapters 5 & 10; 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 Assignments

Prior to scheduling the first memo assignment, Dr. Mary Murray of CSU's Writing Center will visit the class to discuss the creation and content of a business memo.

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.

Dr. Murray's explanation of what a memo is will set the base of expectations around style and format for grading. 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 1: 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.

Memo 2: Facts and implications around a tax increase.

For this assignment, the student will identify a state or local tax and discuss its impact should the tax increase. It will be necessary to include a brief summary of the tax and its current levels and applications. A number of issues on economic decisions and consequences should be discussed. The issues include:

- Who should decide if the tax should increase, *the Public Finance* or *the Public Choice* sets of logic? Why do you take this position?
- How will this change affect demand?
- Are there externalities or potentially unintended consequences?
- How are different economic groups impacted, differentially or equally?
- Is there a better alternative and why?