

Econ 161, Public Finance

Instructor: Prof. Watson
Office: Old Main 228A
Office hours: W, F, 11 - 12
Phone: 202-994-6685
Fax: 202-994-6147
Email: hsw@gwu.edu

Course description: While this course deals with the expenditure/regulatory side of the government's budget, it does not provide a detailed review of such programs, such as education, health care, or national defense, that will be found in most countries. Rather, the course provides a thorough introduction to the sorts of efficiency concerns that account for most public sector spending and regulation. To this end, a significant amount of time will be devoted to understanding market failures and policy design issues that underlie most expenditure/regulatory programs.

Because this is a WID course, there will be writing assignments that focus on writing within economics on issues related to material covered in the course.

Course content:

I. Introduction [Rosen, chapters 1, 2, 3, "lessons" and introduction" files on Blackboard]

II. Market failures

A. Public Goods [Rosen, chapter 4, "public goods" file on Blackboard]

B. Common property problems ["common property problems" file on Blackboard]

C. Externalities [Rosen, chapter 5, "externalities" file on Blackboard]

D. Insurance market failures (adverse selection/moral hazard) [Rothschild and Stiglitz, "Equilibrium in Competitive Insurance Markets: An Essay in the Economics of Incomplete Information," *Quarterly Journal of Economics* (this can be found online in JStore/Gelman), "insurance market failures" file on Blackboard]

E. Merit goods [Rosen, chapter 8, "merit goods" file on Blackboard]

III. Analysis of a specific expenditure program: Health care [Rosen, chapter 10]

IV. Cost-benefit analysis [Rosen, chapter 11, "cost-benefit" file on Blackboard]

Course materials: There is only one required text, Rosen, *Public Finance*. A significant amount of material in the way of lecture notes and homework problems is contained in Blackboard files. All these files are in PDF format so you will need Adobe Reader to access them (Adobe Reader is available on all GW pc's and can be downloaded at no charge at Adobe's Website.)

Method of Evaluation: Your course grade will be based on a midterm and final exam and three writing assignments. The exams are equally weighted (30%) and the writing assignments are given a weight of 40%, which is a requirement of the WID program. Of the 40% weight for the writing assignments, the first paper accounts for 25%, the second 35%, and the third 40%. There is a file of homework problems on Blackboard that provides a good indication of the sorts of questions that will be found on the exams; the homework will not be graded.

Writing assignments: The three writing assignments are described in detail in a Blackboard folder. This folder also contains a style guide that you should read. You will be required to turn in at least one draft of each paper but the grade on the paper will be based only on the final draft. The dates the drafts are due will be announced as the course progresses.

You should know that comments on the drafts will be limited primarily to the quality of the writing and not on the economics content. Please note, though, that if the economics content is off the mark, I may circle the relevant material and add an "E" to indicate that something may be wrong.