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Office Hours: T & Th 2:45-4:00, or by apmt.

This course focusses on the role of state and local governments in the economy. Topics covered will range from the demand for the services of state and local governments by consumers, the ways those demands are revealed to public officials and the implications for efficiency and equity to the costs of providing those services, the effects of different means of raising revenues, and the implications of taxation for economic efficiency. Finally, we will spend time examining issues regarding specific goods and services provided by state and local governments.

This course has Economics 311 (Intermediate Microeconomics) as a prerequisite. Familiarity with statistics and calculus are presumed, though these tools will be reviewed as necessary throughout the course.

The course will make extensive use of the text, *State and Local Public Finance, second edition* by Ronald C. Fisher. This use will include written as well as reading assignments. Copies of the book are available in the bookstore. In addition, *Readings in State and Local Public Finance* edited by Dick Netzer and Matthew P. Drennan will supplement chapters in the text. This second book is not required, but it is strongly recommended.

The grade for the course will be based upon a midterm exam, worth 25%, a final exam worth 40%, and the written assignments which are worth 35% total.

The midterm is on Thursday, March 12. The final exam is Thursday, May 21 at 10:30.

Due dates for the written assignments will be announced during the semester. You will always have at least a week to complete the assignment. The work must be typed, double-spaced using standard type face and margins. Any assignment which does not meet these minimal requirements is automatically a zero. Late assignments will NOT be accepted unless, permission to turn it in late was obtained at least one class in advance of the due date.

In the outline below, ND indicates a reading from the Netzer and Drennan book.

## Course Outline

### 1) Introduction

Fisher Chapter 1

ND Chapter 4 Who Should Redistribute What in a Federal System?, by James Buchanan

ND Chapter 13 Fiscal Effects of Differences in Sales Tax Coverage: Revenue Elasticity,

Stability and Reliance, by James Mikesell  
ND Chapter 15 Differences in Reliance on User Charges by American State and Local  
Governments by Dick Netzer

Written assignment 1: Do number 3 from the Discussion Questions on page 32 of Fisher's book.

2) Micro review, efficiency and market failure

Fisher Chapter 2

3) Public Choice and Demand for Public Services

Fisher Chapters 3, 4 and 5

ND Chapter 1 Public Finance and Public Choice by James Buchanan

ND Chapter 2 A Pure Theory of Local Expenditures by Charles Tiebout

Written assignment 2: Do numbers 1 and 3 from Discussion Questions on pages 75 and 76, 1 and 2 from page 97, and 1 from pages 121 and 122.

4) Organization

Fisher Chapter 6

ND Chapter 3 Principles of Multiunit Finance by Richard and Peggy Musgrave

ND Chapter 5 The Economics of Fiscal Federalism and Its Reform by Edward Gramlich

Written assignment 3: Do numbers 2 and 3 from page 141.

5) Supply of Public Services

Fisher Chapters 7 and 8

ND Chapter 19 Macroeconomics of Unbalanced Growth: The Anatomy of Urban Crisis  
by William Baumol

Written assignment 4: Do numbers 2 and 3 on pages 200 and 201.

6) Budgeting and Non-Tax Revenue Sources

Fisher Chapters 9, 10, 11 and 18

ND Chapter 17 The Private Use of Tax-exempt Bonds by Dennis Zimmerman

ND Chapter 25 The Determinants of State Assistance to Central Cities by John Yinger  
and Helen Ladd

Written assignment 5: Do number 1 on page 232, and number 3 on pages 266 and 267.

7) Taxation - general

Fisher Chapter 12

ND Chapter 7 Tax Incidence Theory: The Effects of Taxes on the Distribution of Income  
by Peter Mieszkowski

8) Property Taxation

Fisher Chapters 13 and 14

ND Chapter 8 The Incidence of the Property Tax: The Benefit View versus the New View  
by George Zodrow and Peter Mieszkowski

ND Chapter 9 Who Bears the Burden of the Property Tax?, by James Heilbrun

ND Chapter 10 Property Taxes: Their Past, Present and Future Place in Government  
Finance by Dick Netzer

Written assignment 6: Do question 2 on page 353, and 3 on page 377.

9) Sales or Excise Taxation

Fisher Chapter 15

ND Chapter 11 Lifetime Incidence and the Distributional Effects of Excise Taxes by  
James Poterba

ND Chapter 12 The Distributional Effects of a Sales Tax on Services by John Siegfried  
and Paul Smith

Written assignment 7: Do number 3 on pages 410-411.

10) Income and Business Taxation

Fisher Chapters 16 and 17

ND Chapter 14 The State Corporate Income Tax: Lambs in Wolves' Clothing by Charles  
McLure

11) Economic Growth and Development

Fisher Chapter 22

ND Chapter 18 State Tax Policy and Economic Development: What Governors Should  
Do When Economists Tell Them That Nothing Works by Dick Netzer

12) Applications

Fisher Chapters 19, 20 and 21