

# Economics of State and Local Government

Economics 4554-001

**Instructor:** Dr. Douglas Norton,

**Time and Location:** TR 8:00am - 9:15am, BEL 203

**Contact:** via Canvas email

**Office Hours:** MW 1pm - 2:30pm (or by appointment), Zoom

**Course Description:** This course examines the role of state and local governments in the economy and aims to improve understanding about the demand, supply, and finance of public services. To do this we will touch on four areas of research. First, we review the role of markets and provide reasons for state intervention on grounds of efficiency and equity. Second, we focus on consumer demand for public services and how those demands are revealed to public officials through voting and choosing where to live. Third, we turn to questions about which governmental unit provides those services, how the services are produced, and what the services cost. Fourth, we evaluate different means for raising revenues to finance those services (e.g. user fees, property taxes, sales tax, etc.). Then students will work in teams to develop presentations on different areas of state and local public policy ranging from state pensions, environmental protection, school vouchers, and more.

## Required Materials:

Throughout the course we will often use or refer to:

1. Ronald C. Fisher *State and Local Public Finance*, Routledge, 4<sup>th</sup> ed

## Course Objectives:

Upon completion of this course students will:

1. Understand the difficult incentives in public good provision
2. Build a framework for understanding the organization of government
3. Develop an understanding about what government produces and associated costs
4. Analyze the efficiency, incidence, and progressivity of a tax

## Grade Distribution:

Assignments	40%
Quizzes	15%
Presentation	5%
Midterm 1	10%
Midterm 2	10%
Final Exam	20%

## Letter Grade Distribution:

$\geq 93.00$	A	73.00 - 76.99	C
90.00 - 92.99	A-	70.00 - 72.99	C-
87.00 - 89.99	B+	67.00 - 69.99	D+
83.00 - 86.99	B	63.00 - 66.99	D
80.00 - 82.99	B-	60.00 - 62.99	D-
77.00 - 79.99	C+	$\leq 59.99$	F

## Course Policies:

- **General**

- There are no make-up quizzes. The two lowest quiz grades will be dropped. This includes zeros from missed quizzes.
- There is no make-up midterm. The weight from a missed midterm will be placed on the final exam. The final exam can also replace a lower midterm grade.
- No electronic devices should be used in class except when taking quizzes.
- If you have SDRC accommodations it is your responsibility to let me know.

- **Grades**

- **Assignments:** There will be five homework assignments in this course. Homework assignments can be done in groups of 3 - 5 students and must be submitted online. Each assignment will be graded as a check-plus, check, or check-minus. You can drop your lowest homework grade. Each homework assignment is worth ten percent of the final grade.
- **Quizzes:** There will be five multiple-attempt quizzes and you can drop the lowest two quiz grades so that each quiz is worth five percent of the final grade. The quizzes are intended to be simple and straightforward questions based on the lectures and assigned materials. **All quizzes will take place through Canvas and given in the final 15 minutes of class.**
- **Presentation:** The closing weeks of the fall semester are devoted to student presentations on a number of important state and local policies in areas like education, crime, health, environment, and more. Presentations are opportunities for students to apply discussions from the course to policies that match their own interest. After the first midterm, students will form teams of 2-3 and choose from a list of public policies to present on (e.g. merit-based pay for teachers, certificate of need laws, ban the box laws, etc.). Good presentations will motivate the desire for a policy, provide a clear explanation of how the specific policy works and would help to achieve important goals, evaluate existing evidence, and consider whether there are alternative policies that might better achieve those goals. The criteria for grading will include organization, completeness, documentation, delivery, and overall. The grading rubric and a more complete presentation prompt are available on the Canvas course site. The presentation is worth 5 percent of your final grade.

- **Exams:** The midterm exams will be a mix of multiple choice, numerical response, and short response. Each midterm is worth 10 percent of your final grade. The final exam will be similar but will also include two long response questions selected from a menu of eight questions given in advance. The final exam is worth 20 percent of your final grade. **All exams will be online and use Honor Lock unless otherwise specified.**
  - \* Midterm 1 will take place on Tuesday, September 28th at the scheduled class time
  - \* Midterm 2 will take place on Tuesday, October 19th at the scheduled class time
  - \* The final will take place in class Thursday, December 9th at 7:30 am

## General Outline

- **Module 1: Markets and Government** Economics begins and ends with scarcity. Early in the course discuss the allocation of scarce resources through the market system, the prosperity markets have created, and how resources are allocated through the price system. In perfect competition, these allocations promote the general welfare. However, there are two reasons we explore here for the importance of government institutions. First, market transactions are embedded in property rights and contract enforcement institutions (that states provide) that enable exchange. Second, economists often justify government involvement on the grounds that markets can lead to sub-optimal allocations (e.g. market power, asymmetric information, and externalities). Then we turn to insights from public choice because one crucial question in economics is, “compared to what?” While allocation of scarce resources through the market might lead to sub-optimal outcomes, information constraints and poor incentives for government actors mean that intervention is not necessarily going to lead to better outcomes.
- **Module 2: The Provision of Public Goods** The next few weeks we elaborate on the provision of public goods. The nature of public goods is that non-payers cannot be excluded. This creates incentives to free-ride and lie about benefits which economists call “incentive compatibility problems”. This section is organized around this concept. We start with private provision of public goods. Then we discuss the provision of public goods through government which involves how people vote for public goods. Finally, we discuss mobility (i.e. choice of community) as a preference revelation mechanism. When people can move that creates inter-jurisdictional competition for residents and businesses. We explore a number of ideas related to the choice of community. For example, fairness concerns, exit versus voice, innovation in the provision of public goods, and fiscal incentives for businesses. Finally, we end this section with a discussion of the Metropolitan Consolidation Debate and the tradeoffs associated with different organization of government.
- **Module 3: Production and Finance** The first eight weeks are broadly about the demand for public goods. The first week in this module is about the supply of public goods. We start with what governments produce and how that relates to what individuals care about. Then we discuss how inputs are combined to produce output with an emphasis on the input of “co-production”. We then develop some principles about taxation and conclude with lectures on two of the most important state and local taxes: property tax and sales tax.

- **Module 4: Presentations** In the final weeks students will present on extensions or applications to topics discussed in this class and we will host guest lectures.

### Tentative Schedule

Week	Tuesday	Thursday
1	Syllabus	Markets
2	The State	Public Goods
3	Majority Voting	Public Choice
4	Cost-Benefit Analysis	Causal Inference
5	Causal Inference	Review
6	Midterm	Tiebout
7	Tiebout	Federalism
8	Organization of Government	Review
9	Midterm	Inputs, outputs, and costs
10	User Fees	Intergovernmental Grants
11	Principles of Taxation	Property Tax
12	Sales Tax	No Class
13	Education	Crime
14	No Class	No Class
15	Health and Welfare	Other Topics & HW 5 Due

- Red - indicates homework is due.
- Green - indicates there will be an in-class quiz
- Blue - indicates student presentations

## University Mandated Material:

- **Public Health Protocols:** In our classroom, I will expect everyone to wear a proper, well-fitting mask. As our President has informed the university community, FSU expects everyone on campus to use face-coverings. In regions where virus rates are high, the CDC recommends that even vaccinated individuals wear masks in public indoor spaces, like classrooms, especially where social distancing is not possible. Florida infection and hospitalization rates are greater now than they were at the height of the 2020 surge due to the Delta variant, a more infectious and easily transmissible version of the COVID-19 virus. The best way to protect against serious illness is to be fully vaccinated, but not everyone among us can be. Because the Delta variant can infect even vaccinated individuals and can be spread by them to others, it poses a special threat to members of the community with underlying health conditions and children at home who are too young for vaccination. For these reasons, FSU expects each member of the community to comply with the public health protocols our President set forth on August 9, 2020, including (1) wearing masks in public indoor spaces, (2) getting fully vaccinated, (3) being tested for the virus if you have symptoms, and (4) staying home and away from others if you are sick. Please remember that you should NOT attend class in person if you have tested positive for COVID-19 or are quarantining after exposure. Finally, please bear in mind that the COVID-19 situation is fast moving and that university guidance on the issue may change at any time.
- **Course Recording Permitted:** In this class, consistent with state law and university policy, students are permitted to make recordings of class lectures for personal use only. As noted, sharing, posting, or publishing classroom recordings may subject you to honor code violations and legal penalties associated with theft of intellectual property and violations of other state law. Moreover, students and educators have expressed concern that recording classroom activities may negatively impact the learning experience for others, especially in classes that involve questions, discussion, or participation. To protect a learning environment in which everyone feels free to experiment with ideas, we ask you refrain from recording in ways that could make others feel reluctant to ask questions, explore new ideas, or otherwise participate in class. Students must monitor their recording so that they do not include participation by other students without permission. Students with disabilities will continue to have appropriate accommodations for recordings as established by the Office of Accessibility Services.
- **Course Recording Not Permitted:** In this class, consistent with state law and university policy, you may not make recordings of classroom activities without the permission of the instructor. This policy applies to both audio and video recordings.
- **University Attendance Policy:** Excused absences include documented illness, deaths in the family and other documented crises, call to active military duty or jury duty, religious holy days, and official University activities. These absences will be

accommodated in a way that does not arbitrarily penalize students who have a valid excuse. Consideration will also be given to students whose dependent children experience serious illness.

Please note: Because students who test positive for COVID-19 are required to self-isolate for ten (10) days, positive COVID-19 test results, required isolation orders, or documentation of contact tracing should all be considered valid documentation for missing class.

- **Academic Honor Policy:** The Florida State University Academic Honor Policy outlines the University's expectations for the integrity of students' academic work, the procedures for resolving alleged violations of those expectations, and the rights and responsibilities of students and faculty members throughout the process. Students are responsible for reading the Academic Honor Policy and for living up to their pledge to "...be honest and truthful and... [to] strive for personal and institutional integrity at Florida State University." (For more details see the FSU Academic Honor Policy and procedures for addressing alleged violations.)
- **Academic Success:** Your academic success is a top priority for Florida State University. University resources to help you succeed include tutoring centers, computer labs, counseling and health services, and services for designated groups, such as veterans and students with disabilities. The following information is not exhaustive, so please check with your advisor or the Dean of Students office to learn more.
- **Process for Resolving Academic Problems or Grievances:** Please use this step-by-step guide to resolving academic problems to begin the process of communicating with your instructor to resolve any confusion or difficulty you may be having in the course. Detailed information on FSU's grievance procedure, including special instructions for students enrolled in an FSU branch campus, is maintained on the General Bulletin's Academic Integrity & Grievances webpage. Out-of-state distance learning students should review the Office of Distance Learning Complaint Resolution page for additional procedures.
- **Americans With Disabilities Act:** Florida State University (FSU) values diversity and inclusion; we are committed to a climate of mutual respect and full participation. Our goal is to create learning environments that are usable, equitable, inclusive, and welcoming. FSU is committed to providing reasonable accommodations for all persons with disabilities in a manner that is consistent with academic standards of the course while empowering the student to meet integral requirements of the course. To receive academic accommodations, a student:
  - (1) must register with and provide documentation to the Office of Accessibility Services (OAS);

- (2) must provide a letter from OAS to the instructor indicating the need for accommodation and what type; and,
- (3) should communicate with the instructor, as needed, to discuss recommended accommodations. A request for a meeting may be initiated by the student or the instructor.

Please note that instructors are not allowed to provide classroom accommodations to a student until appropriate verification from the Office of Accessibility Services has been provided. This syllabus and other class materials are available in alternative format upon request. For more information about services available to FSU students with disabilities, contact the:

Office of Accessibility Services (Tallahassee Campus)  
874 Traditions Way, 108 Student Services Building  
Florida State University, Tallahassee, FL 32306-4167  
(850) 644-9566 (voice)  
(850) 644-8504 (TDD)  
oas@fsu.edu  
<https://dsst.fsu.edu/oas/>

Student Accessibility Services (Panama City Campus)  
Office of Student Affairs, 4750 Collegiate Drive 2nd Floor Barron Building (Room 215)  
Panama City, FL 32405  
(850) 770-2172 (office)  
(866) 693-7872 (toll free)  
sds@pc.fsu.edu  
<https://pc.fsu.edu/students/student-affairs/sas>

- **Free Tutoring from FSU:** On-campus tutoring and writing assistance are available for many courses at Florida State University. High-quality tutoring is available by appointment and on a walk-in basis. These services are offered by tutors trained to encourage the highest level of individual academic success while upholding personal academic integrity. For more information, visit the Academic Center for Excellence (ACE) Tutoring Services' comprehensive list of on-campus tutoring options - see the Academic Center for Excellence (ACE) Tutoring Services' website (<http://ace.fsu.edu/tutoring>) or contact [tutor@fsu.edu](mailto:tutor@fsu.edu).

- **Confidential Campus Resources:** Various centers and programs are available to assist students with navigating stressors that might impact academic success. These include the following:

Victim Advocate Program

University Center A, Room 4100

Florida State University, Tallahassee, FL 32306-4167

(850) 644-7161, Available 24/7/365

Office Hours: Monday-Friday 8am-5pm

<https://dsst.fsu.edu/vap>

Counseling & Psychological Services (Tallahassee Campus)

942 Learning Way, Askew Student Life Center, 2nd Floor

Florida State University, Tallahassee, FL 32306-4167

(850) 644-8255 / (850) 644-TALK

<https://counseling.fsu.edu/>

University Health Services

Health and Wellness Center

(850) 644-6230

<https://uhs.fsu.edu/>

- **FSU Food Pantries:** FSU has established Food Pantries where students in need can pick up non-perishable food items freely and anonymously. The Food Pantry is available during the pandemic, and it is free and open to all students to take what they need. Donations for collection of non-perishable food items are encouraged.

For more information about the Tallahassee Food Pantry, visit the Tallahassee Food for Thought Pantry website (<https://dos.fsu.edu/resources/food-for-thought-pantry>). The pantry is located at University Center A, Suite 4148. If you have questions or concerns, contact the Department of Student Support and Transitions at [dsst@fsu.edu](mailto:dsst@fsu.edu) or (850) 644-2428.

For more information about the Panama City Food Pantry, visit the PC Food Pantry website (<https://pc.fsu.edu/students/student-services/food-pantry>). The pantry is located at Holley West Hall. If you have questions or concerns, contact Kathleen Duval LCSW at [krduval@fsu.edu](mailto:krduval@fsu.edu) or (850) 770-2174.

- **Syllabus Change Policy:** “Except for changes that substantially affect implementation of the evaluation (grading) statement, this syllabus is a guide for the course and is subject to change with advance notice.”