



**Professor:** Jannet Chang

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**Office hours:** Mon & Wed 10:00-10:30AM and by appointments.

**Teaching assistant:** Fergal Hanks [fergalhanks2024@u.northwestern.edu](mailto:fergalhanks2024@u.northwestern.edu)

Office hours: Thursday, 3-5PM @Hub 3411

**Lecture:** MW 11AM-12:20PM @ Harris L07

**Discussion section:** Fri 11AM-12:20PM @ Harris L07

**Textbook:**

(Required) State and Local Public Finance, 5<sup>th</sup> edition, by Ronald Fisher (ISBN: 978-0367467241)

**Prerequisites:** ECON 310-1 or MMSS 211-1 and ECON 281 or ECON 381-1 or MATH 386-1 or IEMS 304 or STAT 350.

**Course website:** Canvas is your on-line resource for the class. Check the website at least twice a week for announcements, assignments, and grades.

**Description of the course:**

State and local governments play an essential role in individual’s day-to-day life, such as education, transportation, health and welfare. This course uses microeconomic theory to acquaint students with various aspects of the subnational government sector, including expenditure, financing, and policy issues. We start by reviewing under what situation is the government provision desirable. We then study how levels of goods and services are determined using voting and Tiebout models. After discussing user charges and intergovernmental grants, we will explore the main source of state and local governmental revenue: taxes. If time allows, the course will end with policy analysis and applications in education, health and welfare.

**Grades and Exams:** The break-downs of your grades are:

Exam 1 ( <b>Wed, 4/24</b> )	25%
Exam 2--Comprehensive ( <b>Friday, 5/24</b> )	35%
Five graded problem sets	20%
Group Project (idea 2% + draft + critique 4%+ final version 10%)	16%
Mini presentation	4%
<hr/> Total	<hr/> 100%

Grading is curved, based on total points earned on exams, problem sets, the group project, and classroom participation. Pluses and minuses will be used for this course. No extra credits will be given on a personal basis.

### 1. Exams:

Attendance at exams is mandatory. There is no make-up exam for this class. If you must miss Exam 1, you are required to inform me before exam time with a documented excuse by an independent source. Failing to do so will result in a zero point on your exam. If your absence is approved, the weight of the missed Exam 1 will be put on Exam 2. No one is allowed to miss Exam 2. EXAM 1 will be administered during class on **Wednesday, 4/24**. EXAM 2 will be during **Friday's session on 5/24**. EXAM 2 will cover all materials taught in the class. These exam dates are final. Jot down these dates now and check your class schedule for conflicts before you decide to take this class.

### 2. Problem sets:

Five problem sets will be given on a weekly or biweekly basis. They all are due before discussion sessions start on the due dates (see below for due dates). You are allowed to work with another student in class on the problem set, in which case, you turn in one copy together. No late homework will be accepted for any reason.

Problem set 1	Friday, 4/12 @11AM
Problem set 2	Friday, 4/19@11AM
Problem set 3	Friday, 5/3@11AM
Problem set 4	Friday 5/10@11AM
Problem set 5	Friday 5/17@11AM

### 3. Group project:

By the end of the second week, you will be able to look up on Canvas to find out your group assignment. You will work with your group to complete an economic analysis of a current state or local government policy. The project, consisting of one paper and one critique, is based on an approved topic of your choice. The due date for your *research topic* is **April 26**, the *draft* of your paper is **May 6** and for the *final version* of your paper is **May 29**. The *critique* is due on **May 13** in class. Guidelines and more details for the project will be provided later in the quarter.

- A note on Generative Artificial Intelligence (GAI): For your project, you are allowed to use GAI. However, any use of GAI should be accompanied by a disclosure explaining (1) what you used GAI for; (2) the specific tool(s) you used; and (3) what prompts you used to get the results.

### 4. Mini presentation:

Each group will present to the class a contentious state or local policy, to supplement the theories discussed in class. Each group will share its findings to the class via an 8-minute presentation, using at most five slides. In each presentation, include the followings in the presentation: *Why should the class care? What is the issue at bay? What are the potential solutions?* And conclude with *the group's stance*. Everyone in the group is expected to know the topic well. One group member will be drawn randomly to present the topic right before the presentation.

**Attendance:** Attendance is not mandatory, but it is expected. No lecture notes or slides will be posted online. You are expected to read the assigned readings before each lecture. You are responsible for everything covered in class, including material not in the book and not in the notes posted on Canvas. If you

miss all or part of a class, it is your responsibility to track down notes or any other information you may have missed. If you will observe a religious holiday during a class meeting, scheduled exam, or assignment deadline, please let me know as soon as possible, preferably within the first two week of class.

**Academic Integrity:** Cheating is not tolerated in this class. Anyone found cheating on any test will receive a zero for that test. All papers submitted for credit in this course must be submitted electronically unless otherwise instructed by the professor. Your written work may be tested for plagiarized content. Any academic integrity violation will also be reported immediately to the Dean's office for academic discipline.

**Students with disabilities:** Any student with a verified disability requiring special accommodations should speak to the professor and to AccessibleNU (847.467.5530) as early as possible in the quarter, preferably within the first two weeks of the course. All discussions will remain confidential.

**Course Outline:** Please note that the specifics of this course syllabus are subject to change in the case of unforeseen circumstances. The professor will notify students of any changes as soon as possible. Students will be responsible for abiding by the changes. The course materials are organized according to Fisher's book, although the order of the lecture will be different from that of the book.

1. (Week 1) Why study state and local government finance? Fisher Ch. 1
2. (Week 1 and 2) Review of some basic concepts in public economics: Fisher Ch. 2
3. (Week 2, 3, and 4) Theory of decentralization and the Tiebout model
  - a. Organization of subnational government and fiscal federalism: Fisher Ch. 6 and papers
  - b. The Tiebout model: Fisher Ch. 5 and papers
4. (Week 5) Public choice without mobility, Voting: Fisher Ch. 4
5. (Week 6) Demand and supply of state and local goods and services: Fisher Ch. 3 and Ch. 7
6. (Week 7, 8, and 9) Financing state and local governments I-- User charge, intergovernmental grants, debt, and revenue from governmental monopoly: Fisher Ch. 8, 9, Ch. 16
7. (Week 10) Taxes
  - a. Tax analysis in general: Fisher Ch. 11
  - b. Property tax: Fisher Ch. 12
8. (If time allows) Policy applications and analysis
  - a. Education: Fisher Ch. 17
  - b. Transportation: Ch. 18
  - c. Health and Welfare: Ch. 19