

EC441

Public Economics
Ideas for Paper Topics

Fall 2020

The purpose of the term paper is to demonstrate your ability to use the tools and concepts developed during the semester to analyze a contemporary public finance issue or controversy.

All papers should be double spaced and five to seven pages in length, as necessary. Your name, student number, and e-mail address should appear on the first page of the paper. All papers should include diagrams and/or game matrices. Complete **references** should appear in a bibliography at the end of the paper, including any web references used. Figures normally should appear in the document body, but may be included at the end if that is easier with your software.

Typical papers will include three diagrams indicating the nature of the problem, the politics of fixing it, and the effects of the policies adopted. Some papers may also include a bit of data to illustrate or substantiate the points being made. (Word now has quite good drawing tools that can be used for papers written with that software. You access them by clicking on "View" then "Toolbars" and then "Drawing.")

When submitting the final paper via e-mail, your e-note header should say "EC441 final paper" and the **file name of your paper** should be in the format: EC441_your_last_name-final paper.doc or EC441_your_last_name final paper.pdf.

(Your paper is due (via E-mail attachment) by midnight of our scheduled exam day. My e-mail address is roger.congleton@mail.wvu.edu.)

Some ideas for paper topics

A. Tax or Expenditure Incidence

- i. Take some real or proposed tax or expenditure program and perform a detailed analysis of the incidence of the costs or benefits of that

program in the long and short run. ii. Note any spillover effects on other markets or individuals.

iii. Discuss briefly the politics behind the program.

- a For example, a broad range of tax preferences and subsidies have been adopted to increase health care in the US and in other countries. Analyze one or more of these policies.
- b Other examples of subsidies include: food stamps, social security, flood insurance, farm subsidies and subsidies for energy efficiency.
- c Examples of taxed activities include income taxes, capital gains taxes, property taxes, gasoline taxes, energy taxes, medical device, and cigarette taxes.

B. Tax and/or Expenditure Reform

- i. Choose a proposed tax or expenditure reform and analyze its economic effects, its political effects, and its normative pro's and con's.
- ii. Many tax reformers are interested in tax simplification, others are interested in neutrality, still others want to encourage or discourage various private decisions.
 - a What are specific proposals or what ideas are being discussed?
 - b Choose one and analyze the reform in some detail. How would that tax reform work?
 - c What economic effects would such tax reforms have?
 - d What political factors make this proposed reform likely or unlikely to be adopted?

C. Public Goods and Externalities

- i. Analyze some particular public good, externality, or free rider problem.
- ii. Discuss the various public policies that can be used to solve or reduce the problem.

- iii. Which of the reforms are most politically feasible?
- iv. Examples include such vaccinations, pandemic control measures, problems as fire and police protection, environmental taxes, highway construction, bicycle paths, public education, national defense, etc..
- v. Are all public services pure public goods or large-scale club goods? If not, name some private goods and services (such as most healthcare) that are clearly private goods and explain the politics behind funding such services with tax revenues.

D. Fiscal Illusion

- i. Discuss the effects that fiscal illusion can have on tax and expenditure programs.
- ii. Choose a particular tax or public service and explain why consumers might have systematically biased estimates of the program's benefits or costs.
- iii. Discuss reforms such as tax simplification, eliminating withholding, the use of user fees, etc. that might reduce fiscal illusion.
- iv. To what extent might politicians attempt to use fiscal illusion (in general or within a specific policy area) to promote their own (or interest group) pecuniary and policy interests?

E. Fiscal Federalism

- i. Analyze an intergovernmental grant program (education matching grants, revenue sharing, welfare, Medicaid, transportation grants, homeland security grants, etc.).
 - a Explain how the program works and provide a short history of its development.
 - b Does this program address an "inter jurisdictional" externality problem?
 - c Is there reason to believe that this program exhibits a "fly paper effect?" (Does the money "stick" where it is aimed?)

- d Explain why, and, perhaps, provide some evidence to support your conclusion.
- ii. Develop an economic rationale for the optimal level of fiscal decentralization, that is to say, for the division of responsibilities among local, state and federal governments.
 - a Given this analysis, consider whether "we" are over or under centralized in some specific public policy area, for example higher education, highway construction, welfare, Medicaid, etc..
 - b Explain why your argument applies to the case of interest, and discuss how the problems, if any, might be corrected.
 - c Are there political problems that prevent us from reaching the idea?

F. International Public Finance

- i. Choose an international body (United Nations, GEF, NATO, World Trade Organization, European Union, etc.) and analyze how it is funded, and the kinds of services it provides.
- ii. Does this international agency address a future international public goods or externality problem?
- iii. Are there free-riding problems?
- iv. What are the political incentives for providing resources to the international organization of interest.?

G. Governmental Growth

- i. Develop an economic and political explanation, or a collection of explanations, for the growth of all levels of government expenditures and regulations throughout the West during most of the twentieth century.
- ii. What new services or taxes, if any, account for most of this growth?
- iii. Discuss political institutions (and incentives) that create a bias toward growth (if any exists). How can such incentives be reduced.
- iv. Have voters become more risk averse? Or has the ability of

governments to reduce risks increased?

H. Social Insurance

- i. Former President Bush and many republicans in the Congress favored "privatizing" a small part of the Social Security Program. a How would this work?
b Will "we" have to borrow to do so? How much?
c What would be the economic effects of this reform in the short run and long run?
d Other countries adopted similar reforms? (Sweden, Chile, etc.) Analyze how their systems work.
- ii. President Obama favored expanding social insurance programs in the U. S. by expanding existing programs and introducing new ones. a Pick one such program and analyze its short run and long run effects. b Identify the winners and losers of the program of interest.
c Does the distribution of winners and losers explain the basis of political support for the programs? Why or why not?

I. This list includes a broad range of topics, but you can also write on another public finance or public economics topic as long as you use the tools developed in class to analyze it. However, if your idea does not fall into one of the above categories, you should run your any other idea by me first to see whether it is feasible and compatible with the goals of the class.

Remember that the purpose of the paper is to showcase your ability to use the tools developed in class to analyze a public policy issue.

Remember also that a wide range of local, state, national, and international problems can be analyzed using our tool bag. So, pick something that you already know something about or are interested in.