Welcome. I am Prof. Jeffrey S. Zax. This is Economics 8231, Local Public Economics. This course will explore theoretical and empirical models of public goods, congestible public goods, intrajurisdictional externalities, inter-governmental competition, federal government structures and governmental institutions. Prerequisites are a previous graduate course in microeconomic theory, some previous exposure to econometric analysis, and a modicum of enthusiasm.

The material to be mastered in this course is contained in the lectures and assigned readings. The syllabus, any assignments and readings that are difficult to access elsewhere will be available, typically in .pdf format, at the course website, www.colorado.edu/Economics/Zax/Econ8231.

This class will meet on Tuesdays and Thursdays from 9:30 a.m. to 10:45 a.m. in Economics 5. I will hold regular office hours between 2:00 p.m. and 3:30 p.m. on Tuesdays and Thursdays in my office, Economics 111. Appointments can be made for meetings at other times, if these are inconvenient.

Performance in this class will be judged on the basis of several instruments. The final examination will take place on Saturday, December 16th, from 10:30 a.m. – 1:00 p.m. It will require the full 2.5 hours and be worth 150 points. Any student who has three final examinations scheduled on 4 May and wishes to reschedule the final examination in this course must meet with me immediately.¹ A midterm examination will take place on 19 October, approximately at the end of section III.B. It will be worth 75 points.

In addition, all students will write two short term papers, each outlining possible research projects. The first, due on Tuesday, 3 October, must be no longer than three pages, and is worth 25 points. The second, due on Tuesday, 14 November, must be no longer than five pages, and is worth 50 points.

The course as a whole, then, will be valued at approximately 300 points. The score attained by each student, evaluated relative to the score that would be attained by an intelligent student of this subject, will determine final letter grades.

¹ University policies regarding multiple final examinations on the same day are available at www.colorado.edu/policies-final_exam.html.
Tentative course schedule

29, 31 August, 5, 7 September  I. Congestible public goods.
A. Introduction to club goods
B. Club good extensions with homogeneous populations
C. Pricing congestible facilities
D. Mixed clubs and institutional forms
E. Empirical treatments

12, 14, 19, 21, 26, 28 September II. Intra-jurisdictional externalities
A. Local spatial spillovers and externalities
B. Agglomeration economies
C. Urban growth
D. Sprawl
E. Investments in infrastructure

3, 5, 10, 12, 17 October III. Intergovernmental competition
A. The Tiebout mechanism
   1. Tiebout incentives and equilibria
   2. Public and private provision
   3. Empirical Tiebout models
B. Capitalization
C. Expenditures and services with citizen mobility
D. Taxation
   1. Financing urban public services
   2. Property taxation
   3. Business incentives and enterprise zones

19 October Midterm examination

24, 26, 31 October, 2, 7, 9 November IV. Intergovernmental competition
A. Fiscal competition and tax exporting
B. Spillovers: Peer effects and externalities
C. Systems of local government, inequality and growth

14, 16, 28, 30 November V. Federal structures
A. Local government hierarchies
B. Fiscal federalism
C. Revenue sharing

5, 7, 12, 14 December VI. Governmental institutions
A. The separation of power
B. Representation and legislative structure
C. Institutional constraints
D. Participatory democracy
Reading list

Section I: Congestible public goods.

O. Public goods


I. Congestible public goods.

A. Introduction to club goods


B. Club good extensions with homogeneous populations


C. Pricing congestible facilities


D. Mixed clubs and institutional forms


Jaramillo, Fernando, Hubert Kempf and Fabien Moizeau (2003) “Inequality and club

E. Empirical treatments


Section II. Intra-jurisdictional externalities

A. Local spatial spillovers


B. Agglomeration economies


C. Urban economic growth


D. Sprawl


E. Investments in Infrastructure


Section III. Demand and supply of local public services

A. The Tiebout mechanism

1. Tiebout incentives and equilibria


2. Private governments


3. Empirical Tiebout models


B. Capitalization


C. Expenditures and services with citizen mobility


D. Taxation

1. Financing urban public services


2. Property taxation

3. Business incentives and enterprise zones


Section IV. Intergovernmental competition

A. Fiscal competition and tax exporting


B. Spillovers


C. Systems of local government, inequality and growth


Section V. Federal structures

A. Local government hierarchies


B. Fiscal federalism


C. Revenue sharing


Section VI. Governmental institutions

A. The separation of power


B. Representation and legislative structure

Policies

Campus policy regarding disabilities requires that faculty adhere to the recommendations of Disability Services. In addition, campus policy regarding religious observances requires that faculty make every effort to reasonably and fairly accommodate all students who, because of religious obligations, have conflicts with scheduled examinations, assignments or required attendance. Any student eligible for and needing academic adjustments or accommodations because of disability or religious practice must arrange to meet with me immediately. Those with disabilities should immediately submit a letter from Disability Services describing appropriate adjustments or accommodations.2

Students and faculty share responsibility for maintaining an appropriate learning environment. Students who fail to adhere to appropriate behavioral standards may be subject to discipline. Faculty have the professional responsibility to treat students with understanding, dignity and respect, to guide classroom discussion and to set reasonable limits on the manner in which students express opinions.3

All students of the University of Colorado at Boulder are responsible for knowing and adhering

2 University policies regarding disabilities are available at www.colorado.edu/disabilityservices. Disability Services can be contacted by telephone at 303-492-8671, or in person at Willard 322. Policies regarding religious practice are available at www.colorado.edu/policies/fac_relig.html.

3 University policies regarding classroom behavior are available at www.colorado.edu/policies/classbehavior.html and at www.colorado.edu/studentaffairs/judicialaffairs/code.html#student_code
to this institution’s policy regarding academic integrity. Cheating, plagiarism, assistance to acts of academic dishonesty, fabrication, lying, bribery, and threatening behavior are examples of behaviors that violate this policy. All incidents of academic misconduct shall be reported to the Honor Code Council. Students who are found to be in violation of the academic integrity policy will be subject to both academic sanctions from the faculty member and non-academic sanctions, including but not limited to university probation, suspension, or expulsion.⁴

⁴ The Honor Code Council can be contacted by email at honor@colorado.edu or by telephone at 303-725-2273. Additional information regarding the University Honor Code is available at www.colorado.edu/policies/honor.html and at www.colorado.edu/academics/honorcode/