

**SEEK 480: PUBLIC ECONOMICS FOR BUSINESS LEADERS:
STATE AND LOCAL POLICY**

**Kellogg School of Management
Summer Quarter 2013
Section 31, Tuesdays, 6:00 p.m. - 9:00 p.m.
Chicago Campus**

Syllabus:

Revised: June 21, 2013
Incomplete and Subject to Change

Instructor: Professor Therese McGuire
E-mail: therese-mcguire@northwestern.edu
Office: 622 Leverone, 847.491.8683

Course Overview

As future business leaders, Kellogg graduates will be expected to have a thoughtful response to public policy questions, especially those related to business. Students (of any major) who are interested in the role of state and local governments in a market economy and the impact of state and local fiscal policies on business decisions will benefit from this course. This quarter we will consider many questions, including:

- Should Chicago have provided business incentives to the Chicago Mercantile Exchange?
- Will offering vouchers similar to Indiana's recently enacted program help improve educational outcomes in public school districts?
- What needs to be done about Illinois' public pension plans to avoid further downgrades of its debt?

This applied microeconomics course will help you understand these issues and the interactions of state and local government fiscal policies and business decisions. Using various real world examples, students will apply economic tools to topical public policy questions. Students will evaluate various government expenditure programs and taxation policies – including alternative methods of providing and financing K-12 education and economic development policies such as Tax Increment Financing (TIF) – from both the perspective of a “producer” of those policies (public manager, elected official, public commission member) and the perspective of a “consumer” or “customer” of those policies (business manager, real estate developer, taxpayer).

Prerequisites:

Public economics is the branch of economics that deals with the questions of when and how government should intervene in the marketplace and how government interventions affect economic outcomes and decisions.

This course relies upon the foundation of microeconomics, the material covered in MECN 430 (Microeconomic Analysis). As a result, MECN 430 is a prerequisite. Those who have not taken MECN 430 will need permission from the instructor to take the class. In addition, some microeconomic

concepts that are not covered in MECN 430 are necessary for understanding public economics. These new concepts will be taught in class.

Class Etiquette

As you know, Kellogg has established a series of guidelines to make sure that the classroom environment enhances the learning experience for all students. Please take the time to familiarize yourself with the revised Classroom Etiquette code.

http://www.kellogg.northwestern.edu/stu_aff/policies/etiquette.htm

In particular:

1. Students are expected to attend every class. If you are unable to attend for an unavoidable reason, you must notify the instructor in advance.
2. Students are expected to be ready to begin class on time.
3. Students are expected to prepare for class by reading and analyzing media articles and scholarly reports posted on Blackboard. All readings are required unless otherwise specified as “recommended”.
4. Cell phones should be turned off. You may not use electronic devices for non-class purposes (i.e. email, web-surfing) during class.

Determination of Grades

Grades will be based on a combination of class participation, three group homework assignments, a group report and presentation, and two closed-notes exams. While not explicitly denoted in the distribution of points, **the instructor will also take peer evaluations into account.**

Class Participation.....	10%
Group Homework Assignments (three in total).....	30%
Group Project.....	20%
Midterm Exam	25%
Final Exam.....	15%
	100%

Class Participation

Participation in class discussions of lecture material, readings, and other distributed materials is expected. In addition, students are expected to prepare questions for guest speakers and for their classmates when their classmates make presentations of homework assignments and group projects. Points will be assigned based on the quality of participation. Quality responses consist of comments and clarification questions that move the conversation forward and enhance the learning of classmates.

Group Homework Assignments

Scenarios will be presented whereby local policymakers have hired your team as a consultant to advise them on a problem. For each problem, two potential solutions will be put forth. Groups will be randomly assigned to make the case for one solution or the other. Your group’s task will be to write a short memo in which you analyze the issue and argue for the proposed solution assigned to your group. In addition, groups will be assigned presentation and questioning roles in class on the day that each homework assignment is discussed. The three topics for the homework assignment are:

- (1) improving educational outcomes in public schools,
- (2) spurring economic development, and
- (3) financing a municipal infrastructure project.

Three-page memos

The written reports should be **no more than three pages in length, double-spaced, 12-point font** (inclusive of any endnotes, source information or figures/graphics). Aesthetically, you should prepare your report as though you were submitting it to a real client. Memos (in **pdf format**) should be e-mailed to the instructor prior to the class.

Homework presentation

For each homework assignment, two groups – one group for each of the two proffered solutions – will be randomly assigned to argue in front of the class for their solution to the posed problem. Groups selected to present may prepare a few (2-3) slides for the presentation, but a slide deck is not required, nor will it be graded. Students in groups not selected to present will act as “the client” and will be expected to prepare and ask probing questions of “the consultant” teams.

Homework grade

The grade for each homework memo will be based primarily on the instructor’s evaluation of the group’s written report/memo, but the group’s contribution to the classroom discussion – in either the “consultant” role or the “client” role – will also be considered.

Group Project

The group project, which consists of both a paper and a presentation, will give students the opportunity to take lessons learned in class and apply them to an actual state or local public policy issue of their choice. Using the tools presented in class, students will analyze a real-world issue and present recommendations to “the client”. Topics should include an economics component and must be approved by the instructor no later than July 30.

Paper

The paper/consultant report should be **no more than eight pages, double-spaced, 12-point font** (excluding graphs, appendices, and source information). A suggested, but not required, format for the paper is to identify several possible solutions, explain why the group’s proposed solution is the best, and address concerns the client will likely face when implementing the proposed solution.

Presentation

During the last session of class (August 20), each group will deliver a 10-minute presentation to the class, followed by a brief Q&A session. A strict time limit will be enforced. The required deck should be emailed to the instructor by 10:00a on August 20.

In addition to preparing a presentation of its own consultant report, each group will be assigned to act as “the client” for one other group on the day of the presentations. Two weeks before the in-class presentations, each group must submit a brief synopsis of the real-world issue, identifying the client and the time period during which the real-world issue unfolded so that the students comprising the client group can briefly familiarize themselves with the issue prior to the presentation of the report. Client groups will be responsible for asking questions of the consultant groups. After clients ask questions, other students in the class are welcome to contribute to the discussion.

Group project grade

The grade for the group project will be based on the instructor's evaluation of the group's written report and on the team's ability in its presentation to frame the issues clearly, to make the case for its proposed solution(s), and to engage in thoughtful discussion with the class.

Exams

There will be two exams – a midterm (during class on July 23) and a final (during class on August 20). Both will be closed-notes. The exams will consist of true-false, problem-solving, and short-essay questions. Additional information will be distributed in class prior to the exams.

Peer Evaluations

Each student will be given the opportunity to evaluate the contributions and performance of the members of his/her group. The instructor will take these evaluations into consideration when determining course grades.

Course Outline – Summer 2013

Topic	Session	Date	Lecture/Discussion Focus & Special Topic*	Assignment
Introduction & Externalities	1	6/25	1. Introduction 2. Externalities <i>Local Smoking Bans</i>	
Fiscal Federalism	2	7/2	1. Fiscal Federalism Around the Globe 2. Fiscal Federalism American Style <i>American Recovery and Reinvestment Act</i> <i>No Child Left Behind</i>	
Education	3	7/9	Public Education: Outcomes and Fairness	Homework 1: Improving educational outcomes in public schools
Education & Public Goods	4	7/16	1. <i>Guest Speaker</i> – Sagar Gokhale, Senior Director, Office of New Schools, Chicago Public Schools 2. Public Goods <i>Business Improvement Districts</i>	
Economic Development	5	Friday 7/19	Economic Development <i>Chicago Mercantile Exchange, Sears, Boeing TIF and Inner City Blight</i>	Homework 2: Spurring economic development
Economic Development & Midterm Exam	6	7/23	<i>Guest Speaker</i> – David Cocagne, President and CEO, Vermilion Development	Midterm Exam (in class, closed notes)
Taxation	7	7/30	1. Principles of Taxation 2. Income, Sales and Property Taxes	Group Project Topic Proposal – due via email @ 10:00am
Taxation & Infrastructure Financing	8	8/6	1. <i>Guest Speaker</i> – Greg Karczewski, Fellow, World Business Chicago 2. Tax Competition; Tax Limitations <i>California's Proposition 13</i>	Synopsis of instructor-approved topic due via email @ 10:00am
Infrastructure Financing & Budget Deficits	9	8/13	1. States in Fiscal Crisis <i>Cities in Bankruptcy</i> 2. Public Pensions Crisis	Homework 3: Financing a municipal infrastructure project
Final Project Presentations & Final Exam	10	8/20		In-Class Presentations – slide deck due via email @ 10:00am Final Exam (in class, closed notes)
Final Paper	11	8/27		Final Paper – due via email @ 10:00am

*Exercises, cases, special topics, guest speakers, and guest speaker dates are subject to change.