

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

**Kellogg School of Management
Winter Quarter 2024
Wednesdays, 6:30-9:30 PM, Evanston Campus**

Syllabus

FIRST DRAFT: October 13, 2023

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Students can find useful resources for safety and security, academic support, and mental and physical health and well-being on the [NU help website](#).

Dear Students:

I am very much looking forward to spending ten weeks with you as we learn about the issues facing state and local governments and how you as business leaders can help create solutions.

If you have any questions or concerns, please do not hesitate to contact me.

All best wishes,

Therese

Course Overview

Broadly, our topic is the state and local public sector. Society is facing a myriad of problems, from crumbling infrastructure to low student achievement to an inequitable distribution of economic opportunity. Without the understanding and assistance of actors in the private sector, governments will not be able to solve these problems. While our focus will be on challenges facing subnational governments in the U.S., we will see that subnational governments around the globe face similar challenges. Our approach to the issues is through the lens and with the tools and concepts of economics, specifically the economics of the public sector. We will consider such questions as:

- Is competition (through tax breaks, for example) among states and localities for companies that are relocating or expanding their operations good for society?
- What are the most effective options for improving student outcomes in public schools?
- Cities are at the heart of a nation's economic growth and innovation. How can we ensure that cities are fiscally viable and have well-resourced neighborhoods where their residents can thrive?

Expectations for Classroom Behavior

Students are expected to attend every class. **If you are unable to attend class for an unavoidable reason, please notify me in advance.**

Students are expected to **be ready to begin class on time and not to leave during class unless an emergency arises**. There will be a 7-minute break in the middle of each evening's class session.

Students are expected to **prepare for class** by reading and analyzing media articles and scholarly reports posted on Canvas.

Students are expected to **turn off and stow mobile phones and other electronic devices during class**. The **only exception** is if students wish to use flat-on-the-table tablets to have access during class to assigned readings.

Determination of Grades

Grades will be based on a combination of class participation, two exercises, a group capstone project, two exams, and peer evaluations. The distribution of points is as follows:

Class Participation.....	10%
Two exercises (5% each)	10%
Group Capstone Project.....	30%
Midterm Exam (Wednesday, Feb 7).....	30%
Final Exam (choice of dates: Sat, Mar 9, 1:30 pm OR Mon, Mar 11, 9:00 am).....	20%
	100%
<i>Peer evaluations.....considered in determining final course grades</i>	

Class Participation

Students are expected to participate in class discussions of lecture material, readings, and assignments, and to engage with guest speakers. I will assign points based on both the quantity and the quality of participation, with an emphasis on the latter. **Quality participation consists of comments and clarifying questions that move the conversation forward and enhance the learning of classmates.**

Exercises

We will have two exercises. For each exercise, you will be presented with a scenario in which a state or local policymaker faces a decision over how to address an issue. **Each assignment will involve writing a one-page memo and preparing to share with the class your assessment of the problem and your justification for your proposed solution.** The one-page memos will be due at 1:00 pm on the day before we are scheduled to discuss the exercises in class. The schedule for the exercises is as follows:

	Memo due by (memo uploaded on Canvas by)	Discussion of memos will take place in class
Exercise 1	Date TBD	Date TBD
Exercise 2	Date TBD	Date TBD

Group Capstone Project

State and local governments are operating in a time of numerous ongoing difficulties. Society and governments continue to grapple with health, fiscal, economic, and public-policy issues associated with the COVID-19 pandemic. At the same time, because of the movement for racial and social justice, which was prompted by the murder of George Floyd in May 2020, there is a marked sense of urgency that public policies must change to address systemic inequities and disparate outcomes.

You will be assigned to a group of 3-4 students. Each group will write a report to advise the mayor of a large city on possible solutions to an issue that has either been created by or exacerbated by the pandemic and its economic fallout or been intensified by the movement for racial and social justice. **Your team will choose a city/mayor and the issue to address and will propose a policy that addresses your chosen issue.** Your

team will write a report for the mayor that will help the mayor devise the city's response to the set of crises the city is facing. A non-exhaustive list of broad topic areas from which your group might choose your issue includes:

- Economic development in under-resourced communities
- Access to quality healthcare
- Access to quality education
- Enhanced community-based public safety
- Development and preservation of affordable housing

There are two deliverables associated with the capstone project.

- First, **in the week of January 29-February 2** (or earlier, at your discretion), your group will meet with me to present a proposal (or, possibly, two alternative proposals) for the city, the issue, and your approach to uncovering potential solutions. I will give you my feedback and by the end of the meeting your team will have an approved proposal.
- Second, **by 1:00 pm, Tuesday, March 5**, your group will submit your report. **The report should be no more than eight pages of text, double-spaced, no smaller than 11-point font** (additional pages of figures, tables, exhibits, and source information are allowed). The report should explain how the issue has been created/exacerbated by the pandemic or intensified by the movement for racial and social justice, how you arrived at your proposed solution, and the likely impediments to success.

A discussion of the capstone project will take place in the last class of the quarter, Wednesday, March 6.

Exams

There will be two in-person exams – a midterm exam (during class on Wednesday, February 7) and a final exam (offered twice during the final exam period; you will choose one of two dates/times to take the in-person exam: Sat, March 9 at 1:30 pm *OR* Mon, March 11 at 9:00 am). The exams will consist of true-false and short-essay questions and will be closed-book/closed-notes.

Peer Evaluations

Each student will evaluate the contributions and performance of the members of their group. I will take peer evaluations into account when determining course grades.

Course Outline – Winter 2024 – First Draft (10/13/2023)

DATES FOR TOPICS, GUEST SPEAKERS AND EXERCISES ARE SUBJECT TO CHANGE

Topic	Session	Day: Date	Lecture Focus & <i>Special Topics</i>	Exercises & Exams
- Introduction - Externalities	1	<i>Wed: Jan 3</i>	Introduction to the Class Externalities and Policy Solutions <i>Traffic congestion</i>	
- Public Goods - Economic and Neighborhood Development	2	<i>Wed: Jan 10</i>	Public Goods and Policy Solutions <i>Business Improvement Districts and TIF</i> State Fiscal Policies and Regional Economic Growth	
Economic and Neighborhood Development	3	<i>Wed: Jan 17</i>	<u>Guest Speaker:</u> TBD <i>Recap: Policies to address neighborhood distress</i>	Tentative Date: Discussion of Exercise 1
Fiscal Federalism	4	<i>Wed: Jan 24</i>	Fiscal Federalism Around the Globe Fiscal Federalism American Style	
Education	5	<i>Wed: Jan 31</i>	K-12 Public Education: Outcomes and Fairness K-12 Public Education: Reform <i>Charter schools and vouchers</i>	
Midterm Exam	6	<i>Wed: Feb 7</i>	<i>Recap: Policies to address poor student outcomes</i> Midterm Exam	Midterm Exam (in person, during class)
Education	7	<i>Wed: Feb 14</i>	<u>Guest Speaker:</u> TBD Higher Education	
State and Local Taxation	8	<i>Wed: Feb 21</i>	Principles of Taxation The Big Three: Individual Income Tax, General Sales Tax, Property Tax Reining in the Property Tax <i>California's Proposition 13</i>	Tentative Date: Discussion of Exercise 2

Budget deficits and other budget topics	9	<i>Wed: Feb 28</i>	State and Local Budget Woes <i>The crisis with public pensions</i> Affordable Housing <i>Homelessness in America</i>	
Summing up	10	<i>Wed: Mar 6</i>	<u>Guest Speaker:</u> TBD <i>Detroit: The death and rebirth of a great American city</i>	Discussion of Capstone Project
Final Exam	Week 11	A choice over two dates during final exams week: Sat, Mar 9 <i>OR</i> Mon, Mar 11		Final Exam (in person)

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