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Course Overview  
As future business leaders, Kellogg graduates will be expected to have thoughtful responses to public policy questions, especially those related to business. Students 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. We will consider such topics as:

- Is competition (through tax breaks, for example) among states and localities for companies that are relocating or expanding their operations good for society? Examples: Amazon’s HQ2, Foxconn, Archer Daniels Midland
- What are the most effective options for improving student outcomes in public schools?
- Cities are at the heart of a nation’s economic growth, innovation and creativity. How can we insure that cities remain fiscally viable?

Prerequisites  
Microeconomics is the foundational discipline for the course, thus MECN 430 is a prerequisite for the class. Those who have not taken MECN 430 will need permission from the instructor to take the class. In addition, some microeconomic concepts that were not covered in MECN 430 are necessary for understanding public economics. These concepts will be taught in the 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 Classroom Etiquette code.

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

Please note the following:
1. Students are expected to attend every class. **If you are unable to attend class 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 Canvas.

4. Students are expected to **turn off and stow cell phones and other electronic devices.** On the rare occasions when laptops or tablets are needed for class, the instructor will inform students in advance.

**Determination of Grades**

Grades will be based on a combination of class participation, two homework assignments, two group project papers, two closed-notes exams, and peer evaluations. The distribution of points is as follows:

- **Class Participation** .......................................................... 10%
- **Homework Assignments** (two assignments, each worth 10%) ........................................ 20%
- **Group Projects** (two projects, each worth 15%) .................................................. 30%
- **Midterm Exam** ............................................................. 25%
- **Final Exam** ................................................................. 15%

100%*

*The instructor will consider peer evaluations when determining course grades.

**Class Participation**

Students are expected to participate in class discussions of lecture material, readings, and assignments, and to engage with guest speakers. The instructor will assign points based on the quality of participation more so than quantity. Quality participation consists of comments and clarifying questions that move the conversation forward and enhance the learning of classmates.

**Homework Assignments**

The instructor will present scenarios whereby state or local policymakers have hired you as a consultant to advise them on a problem. The general topic areas for the two homework assignments are:

1. spurring economic development in an urban area
2. addressing state or local budget or public pension woes

Each homework assignment will present two possible solutions to the problem. You will be randomly assigned to one of the two solutions. Your task will be to write a short report in which you analyze the issue and argue for your assigned solution to the problem. In addition, on the day we discuss each homework assignment we will debate the merits and demerits of the two solutions with your classmates.

**Two-page report**

The brief report should be **no more than two pages in length, double-spaced, 12-point font** (including any endnotes, source information or figures/graphics). Please submit as a **pdf document**. Aesthetically, you should prepare your report as though you were submitting it to a real client (with your name and your client’s name on the memo).

**Due dates**

Each homework assignment is due at 12:00 noon on the day before we discuss the assignment in class (see course outline).

**Homework grade**

The basis for the grade for each homework assignment will be the instructor’s evaluation of the written report.
The ability to engage in thoughtful class discussion of the solutions to the homework assignments will contribute to students’ class participation grades.

**Group Projects**
The instructor will present scenarios whereby a business entity – your group – has to make a strategic decision that involves interacting with the public sector. The *tentative* topic areas for the two group projects are:

1. a real estate development firm deciding in which of two cities to build a new apartment building
2. a charter school network deciding whether to open new schools in its home city or another city

Your team’s task will be to write a short paper in which you present the case for the course of action you recommend your organization take. In addition, we will take time in class to discuss the decisions chosen by the groups.

**Paper**
The paper should be **no more than six pages in length, double-spaced, 12-point font** (excluding graphs, appendices, and source information). Please submit as a **pdf document**. The typical paper would explore the market conditions and public policy landscape in the two cities, present the case for choosing one city over the other, and provide an outline of a business plan for the recommended decision.

**Due dates**
**The paper for each of the two projects is due at 12:00 noon on the day before we discuss the project in class** (see course outline).

**Group project grade**
The basis for the grade for each project will be the instructor’s evaluation of the written paper. The instructor will take into account the team’s ability to frame the situation clearly, to bring compelling information to bear on the question, and to make the case for its proposed decision.

The ability to engage in thoughtful class discussion of the decision-making process involved with each project will contribute to students’ class participation grades.

**Exams**
There will be two exams – **a midterm exam (during class on Monday, October 29) and a final exam (offered on two different dates during the exam period)**. Both will be closed-notes exams, proctored by the professor. The exams will consist of true-false, problem-solving, and short-essay questions. The instructor will distribute additional information in class prior to the exams.

**Peer Evaluations**
Each student will evaluate the contributions and performance of the members of his/her group. The instructor will consider these evaluations when determining course grades.
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<th>Topic</th>
<th>Session</th>
<th>Day: Date</th>
<th>Lecture Focus &amp; Special Topics</th>
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<td>Introduction to the Class</td>
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| Externalities                 | 2       | Thu: Sept 27 | Externalities  
Traffic Congestion                                     |                      |
| Public Goods                  | 3       | Mon: Oct 1   | Public Goods  
Business Improvement Districts and TIF                           |                      |
Boeing’s Relocation                                               |                      |
|                              | 5       | Mon: Oct 8   | Guest Speaker: Joe Neri, IFF                                       | Homework #1 discussion|
| Fiscal Federalism             | 6       | Thu: Oct 11  | Fiscal Federalism Around the Globe                                 |                      |
|                              | 7       | Mon: Oct 15  | Fiscal Federalism American Style  
ARRA, NCLB and ESSA                                                  |                      |
|                              | 8       | Thu: Oct 18  | Recap: Policies to address neighborhood distress                  | Group project #1 discussion|
| Education                     | 9       | Mon: Oct 22  | K-12 Public Education:  
Outcomes and Fairness                                                |                      |
|                              | 10      | Thu: Oct 25  | K-12 Public Education: Reform  
Charter Schools and Vouchers                                         |                      |
| Midterm Exam                  | 11      | Mon: Oct 29  |                                                                      | Midterm Exam (closed-notes; proctored by the professor)          |
| Education (cont’d)            | 12      | Thu: Nov 1   | Guest Speaker: Peter Godard, District 65                           |                      |
|                              | 13      | Mon: Nov 5   | Higher Education                                                   |                      |
|                              | 14      | Thu: Nov 8   | Recap: Policies to address poor student outcomes                  | Group project #2 discussion|
| State and Local Taxation      | 15      | Mon: Nov 12  | Principles of Taxation  
Income Tax and Sales Tax                                              |                      |
|                              | 16      | Thu: Nov 15  | Property Tax  
Reining In The Property Tax  
California’s Proposition 13                                          |                      |
|                              | Nov 19 23 | Thanksgiving Week - No Classes                                    |                      |
| Budget deficits and other funding topics | 17  | Mon: Nov 26   | State and Local Budget Woes  
Public Pension Crises                                                  |                      |
<p>|                              | 18      | Thu: Nov 29  | Lecture topic: TBD                                                 | Homework #2 discussion|
|                              | 19      | Mon: Dec 3   | Guest Speaker: Tom McKone, CTA                                    |                      |</p>
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<th>Detroit: The death and rebirth of a great American city</th>
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<td>Final Exam</td>
<td>Week 11</td>
<td>Choose between Saturday, Dec 8 or Monday, Dec 10</td>
<td>Sign up online</td>
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**Calendar of assignment due dates – Fall 2018**

*Please submit all assignments via Canvas. Please submit as pdf documents.*

- HW#1 is due by no later than 12:00 noon Sunday, October 7
- GP#1 is due by no later than 12:00 noon Wednesday, October 17
- GP#2 is due by no later than 12:00 noon Wednesday, November 7
- HW#2 is due by no later than 12:00 noon Wednesday, November 28