This course analyzes the impact of public policy on the allocation of resources and the distribution of income in the economy. You will learn how to use the tools of microeconomics and empirical analysis to answer these questions:

- When should the government intervene in the economy?
- How might the government intervene?
- What are the effects of those interventions on economic outcomes?

**Lecture:** Monday 9:30am – 12:15pm
Silver, 401

**Recitation:** Friday 10:30am – 11:30am
Silver, 401

**Instructor:** Professor Nirupama Rao
Office hours: Puck 3048, Mondays 1 – 2pm
Email: nirupama.rao@nyu.edu

**Teaching assistant:** Rebecca Augustin
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**Course administrator:** Shannon Deere
Puck 3rd floor
Email: shannon.deere@nyu.edu
Phone: 212.998.7417

**Prerequisite**
- ECON-UA2 Introduction to Microeconomics, or equivalent. AP/IB/A-level equivalency is according to the Economics Department’s policy on advanced standing.
This course requires a working knowledge of the material in ECON-UA2. It is your responsibility to review that material in advance of taking this course.

**Course Sequencing for the Public Policy Major**
Students in the Public Policy major are strongly advised to take UPADM-GP 101 Politics of Public Policy before or concurrently with this course.
Website and Email
The course website is available on NYU Classes (http://newclasses.nyu.edu) All announcements and documents are posted there, and email will be sent using that system.

Class Preparation
- **Readings:** All readings should be completed before class. The required textbook is Jonathan Gruber, *Public Finance and Public Policy*, 5th edition, 2015. Using another edition of the required text is not recommended and at your own risk. There will be additional readings each week, posted on the class website.
- **Lecture notes:** These will be posted on the website the day before class. Bring a copy of these to class to facilitate note taking.

Classroom Conduct
- Please make every effort to arrive on time.
- Each class is two parts (of varying length) and we will take a 15 minute break between them. Once each part has started, you are expected to remain seated during the entire part. If you know you need to leave early, please tell me before class begins.
- Please turn off or mute all electronic devices. Do not use electronic devices for anything other than note taking.
- Audio and/or visual recording of class is not permitted without my explicit written authorization and notification of other students in the class.

Course Requirements and Grades
Grades will be calculated according to the distribution below. No extra credit will be given under any circumstances.

- **Class participation and discussion (10%):** Completing the readings before each class is essential to being able to discuss them intelligently in class.
- **Problem sets (14%):** The eight problem sets are an integral part of the course. They will help you learn how to use the tools of economics to analyze public policy issues and are designed to strengthen your grasp of the material presented in class and in the text. You will receive full credit for a problem set if it is 100% complete and submitted on time at the beginning of class. If you cannot attend class on a day that a problem set is due, you may email a legible copy to the teaching assistant in advance of the time it is due. Late problem sets will not be accepted under any circumstances. I will drop your lowest problem set score in computing your problem set grade and thus each is worth 2%.
- **Policy memo (16%):** The policy memo may be completed individually or in teams of two. Instructions for the memo will be provided 4 weeks before it is due. Late memos will be accepted but will be penalized by one partial letter grade (e.g. from A– to B+) per day late.
- **Quizzes (60%):** There will be four quizzes that test your grasp of the course material up to and including the previous class. No notes or electronic devices may be used apart from a simple calculator that *only* performs basic arithmetic. To minimize the impact of a poor performance on any one quiz, I will drop your lowest score in calculating the final grade. Thus, each quiz is worth 20%. If you miss one quiz for any reason, that score will be the one that is dropped. There will be no makeup quizzes under any circumstances. Mark the dates on your calendar now.
Students with Disabilities
Students requiring accommodations should share their documentation from the Moses Center with me within the first two weeks of class.

Academic Integrity
You are expected to adhere to high standards of intellectual and academic integrity. These standards include the following specific behaviors:

- **Problem sets**: Students are encouraged to work in groups, but the final write-up of problem sets must be done individually.
- **Policy memo**: Plagiarism will not be tolerated. In the case of teams, both members must contribute to the joint effort and there must be no free-riding.
- **Quizzes**: These must be the sole work of the individual student. Cheating is unacceptable.

Violations of these standards will automatically result in failure of the course.
Class Schedule

The dates of quizzes and the due dates for all assignments are shown below. The topics and their pacing may be modified, as needed.

<table>
<thead>
<tr>
<th>Class date</th>
<th>Due in class</th>
<th>Part one</th>
<th>Part two</th>
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<td>1 23 Jan</td>
<td>Course introduction, Theoretical tools</td>
<td>Empirical tools</td>
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<td>2 30 Jan</td>
<td>Problem set</td>
<td>Introduction to tax policy</td>
<td>The equity implications of taxation</td>
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<tr>
<td>3 6 Feb</td>
<td>Problem set</td>
<td>Tax inefficiencies and optimal taxation</td>
<td>Tax incidence in the U.S.</td>
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<td>4 13 Feb</td>
<td>Quiz 1</td>
<td>The effect of taxes on labor supply</td>
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<td>20 Feb</td>
<td>Presidents’ Day</td>
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<tr>
<td>5 27 Feb</td>
<td>Problem set</td>
<td>Taxes on savings</td>
<td>Wealth taxes</td>
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<tr>
<td>6 06 Mar</td>
<td>Problem set</td>
<td>Corporate taxation</td>
<td>Tax reform</td>
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<td>13 Mar</td>
<td>Spring Break</td>
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<td>7 20 Mar</td>
<td>Quiz 2</td>
<td>Government budgets and deficit financing</td>
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<td>8 27 Mar</td>
<td>Policy memo*</td>
<td>Externalities</td>
<td>Public goods</td>
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<td>9 03 Apr</td>
<td>Problem set</td>
<td>State and local governments</td>
<td>Adverse selection and moral hazard</td>
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<td>10 10 Apr</td>
<td>Problem set</td>
<td>Social insurance</td>
<td>Social Security</td>
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<td>11 17 Apr</td>
<td>Quiz 3</td>
<td>Unemployment and disability programs</td>
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<td>12 24 Apr</td>
<td>Problem set</td>
<td>Health economics</td>
<td>Medicare and Medicaid</td>
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<td>13 01 May</td>
<td>Problem set</td>
<td>The distribution of income</td>
<td>Programs to alleviate poverty</td>
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<td>14 08 May</td>
<td>Quiz 4</td>
<td>Recent policy ideas</td>
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*An automatic extension is provided to the end of this week. Late penalties begin at 12:01am Sunday April 2, 2017.*
Course Outline

The readings listed here may be updated over the semester. Additional readings (including newspaper articles) will be posted to the website. Unless noted, all readings are required and should be completed before class.

Class 1: Course introduction, theoretical tools and empirical tools


Class 2: Introduction to tax policy and the equity implications of taxation

Class 1 problem set due at the start of class.

Class 3: Tax inefficiencies, optimal taxation, and tax incidence in the U.S.

Class 2 problem set due at the start of class.
Gruber: (20) Tax Inefficiencies and Their Implications for Optimal Taxation.

Class 4: The effect of taxes on labor supply

Quiz 1 will be held during part one of class.
**Class 5: Taxes on savings and wealth taxes**

Class 4 problem set due at the start of class.  
Gruber: (22) Taxes on Savings, (23) Taxes on Risk Taking and Wealth.  

**Class 6: Corporate taxation and tax reform**

Class 5 problem set due at the start of class.  

**Class 7: Government budgets and deficit financing**

Quiz 2 will be held during part one of class.  
Gruber: (4) Tools of Budget Analysis.  

**Class 8: Externalities and public goods**

Policy memo due by the end of this week (midnight on Saturday).  

**Class 9: State and local governments, adverse selection and moral hazard**

Class 8 problem set due at the start of class.  

**Class 10: Social insurance and Social Security**

Class 9 problem set due at the start of class.  
Gruber: (13) Social Security  
Class 11: Unemployment and disability programs

Quiz 3 will be held during part one of class.
Gruber: (14) Unemployment Insurance, Disability Insurance and Workers’ Compensation, including appendix.

Class 12: Health economics, Medicare and Medicaid

Class 11 problem set due at the start of class.

Class 13: The distribution of income and programs to alleviate poverty

Class 12 problem set due at the start of class.
Gruber: (17) Income Distribution and Welfare Programs

Class 14: Recent policy ideas

Quiz 4 will be held during part one of class.
Readings to be added.