COURSE OBJECTIVES & PREREQUISITES

Course Description: Public finance (the economic analysis of revenues and expenditures of the public sector) and public economics (economic analysis of the public sector in a market economy) analyze the impact of public policy on the allocation of resources and the distribution of income in the economy. In this course, you will learn how to interpret economic analyses and how to use the tools of microeconomics and empirical analysis to investigate and predict the effects of public expenditures, regulation and government revenue-raising activities.

Prerequisites are:
P11.1011 Statistics
P11.1018 Microeconomics
P11.1021 Financial management (may be taken concurrently)
This course requires a working knowledge of the material learned in these prerequisite courses. Students should be prepared to review and reference their books and notes from these prerequisite classes throughout the semester – the prerequisite material will not be reviewed in class.

Objectives: At the end of this course you should be able to:

- Understand the distinctive economic characteristics of the public sector and how they affect resource allocation and the functioning of the economy.
- Understand the extent to which the assumptions inherent in microeconomics are applicable to the public sector.
- Understand and apply the tools of microeconomics to the public sector and policy analysis.
- Explain the causes of government involvement and intervention in the market economy.
- Understand the government's role in providing, financing, and regulating public services and the ability to evaluate alternative proposals for policy considerations.
- Explain the various causes of market failures in a market system and examine the appropriate government policy and action in each case.
• Understand the major expenditure revenue sources of the various levels of government in the U.S. Federal System.
• Analyze the impact of taxing and subsidy policies of government on businesses and labor.

BLACKBOARD & E-MAIL
You must have access to the class Blackboard site at http://classes.nyu.edu/
All announcements and class related documents (extra readings, discussion questions, class handouts, answers to assignments etc.) will be posted here. Your NYU net account must be activated to access Blackboard (go to http://start.nyu.edu for details). Some class announcements will be distributed via NYU e-mail. Thus, it is important that you actively use your NYU e-mail account, or have appropriate forwarding set up on NYU Home https://home.nyu.edu/

READINGS

Books:

Other readings:
Most other readings will either be posted on Blackboard or made available on reserve at Bobst Library.

COURSE REQUIREMENTS

Class Participation (10 percent):
Your participation in class discussion is expected. Required readings should be done before the class for which they are listed and you should be prepared to summarize and discuss them in class.

Practice and review questions:
Most weeks, I will recommend a series of end-of-chapter questions from Gruber for practice and review. These are not graded but you are encouraged to do them. They will help you to learn the material and to prepare for the exams. Answers will be posted on Blackboard.

Four Written Assignments (10 percent):
These are selected end-of-chapter problems from Gruber. You will receive credit if you make a good faith effort to solve all of the problems in each assignment and turn in the assignment on time. Please make a copy of your assignment before turning it in. Solutions will be posted on Blackboard.

Two Policy Memos (@20 percent each):
The policy memo can be completed individually or in teams of two (both team members will receive the same grade). Details will be provided in class. To receive any credit, the memo must be turned in on time.
**Midterm Exam (20 percent):**
There will be an in-class exam worth 20 percent of the grade.

**Final Exam (20 percent)**
There will be an in-class final exam worth 20 percent of the grade. The final exam will not be cumulative; it will cover material in the second half of the course.

**Tutoring**
Ginny Adey (ginnyadey@gmail.com) is the tutor for this course. Her office hours will be posted.

**STATEMENT OF ACADEMIC INTEGRITY**

As members of the NYU Wagner community, we are all expected to adhere to high standards of intellectual and academic integrity. Wagner’s academic code can be found here: [http://wagner.nyu.edu/current/policies/index.php](http://wagner.nyu.edu/current/policies/index.php)

For this particular course, there are some specific behaviors required to meet our standards of academic integrity:

**Assignments:** While I strongly encourage all students to work in groups, the final write up of assignments must be done individually with no sharing of written answers.

**Policy Memos:** If submitting as a team, all members of the team must contribute to the joint effort. There must be no free-riders!

**Exams:** All exams must be the sole work of the individual student.

Violations of these standards will automatically result in failure of the course.
WEEK 1 – January 21
Introduction to Public Finance

Required Readings:

WEEK 2 – January 28
Income Distribution and Welfare Programs

Required Readings:
Gruber: (17) Income Distribution and Welfare Programs

Supplemental Readings:

WEEK 3 – February 4
Introduction to Taxation

Required Readings:
Gruber: (18) Taxation in the United States and Around the World.

Supplemental Readings:

Assignment 1 due in class
Gruber: 2.10, 3.14, 17.16
WEEK 4 – February 11
Tax Incidence and Efficiency

Required Readings:

Supplemental Readings:

WEEK 5 – February 18
The Effect of Taxes on Labor Supply and Saving

Required Readings:

Supplemental Readings:

Assignment 2 due in class
Gruber: 18.1, 19.13, 20.7

WEEK 6 – February 25
The Effect of Taxes on Risk-Taking and Wealth; Corporate Taxation

Required Readings:

Supplemental Readings:

**WEEK 7 - March 4**
**Fundamental Tax Reform and Alternative Tax Systems**

**Required Readings:**
Gruber: (25) Fundamental Tax Reform.
The President’s Advisory Panel on Federal Tax Reform, “Chapter 5 – The Panel’s Recommendations” Final Report, November 2005

**Supplemental Readings:**

Assignment 3 due in class
Gruber: 21.8, 22.9, 23.8, 24.2

**WEEK 8 – March 11**
**MIDTERM EXAM IN CLASS, covering material of weeks 1-7.**

**Spring Break March 18 (No Classes)**

**WEEK 9 - March 25**
**Government Budgets**

**Required Readings:**
Gruber: (4) Tools of Budget Analysis.
Supplemental Readings:

**WEEK 10 – April 1**
Market Failures; Public Goods; Cost-Benefit Analysis

**Required Readings:**
Gruber: (5) Externalities: Problems and Solutions, (6) Externalities in Action
Gruber (7) Public Goods, (8) Cost-Benefit Analysis

**Supplemental Readings:**

Policy Memo #1 due in class

**WEEK 11 – April 8**
Local Public Finance

**Required Readings:**
Gruber: (10) State and Local Government Expenditures

**Supplemental Readings:**

Assignment 4 due in class
Gruber: 5.17, 8.13, 8.15a
WEEK 12 – April 15
Social Insurance; Social Security
Required Readings:

Supplemental Readings:

WEEK 13 – April 22
Social Insurance in Labor Markets
Required Readings:
Gruber: (14) Unemployment Insurance, Disability Insurance and Workers’ Compensation

Supplemental Readings:

WEEK 14 – April 29
Health Insurance
Required Readings:

Supplemental Readings:

Policy Memo #2 due in class

WEEK 15 – May 6 FINAL EXAM IN CLASS: covering material of weeks 8-14.