New York University
Robert F. Wagner Graduate School of Public Service
P11.2140 Public Economics and Finance, Spring 2010

Prof. Claudia Ayanna Sharygin, Ph.D. (Economics)
Wednesday 1-2:40pm, Silver (room 509)
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Prof. Joseph C. Morreale, Ph.D. (Economics), MS Ed.(HEAdm.&Fin.)
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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 a market economy.
Understand the government's role in providing, financing, and regulating public services and the ability to evaluate alternative proposals for policy considerations.

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:
Required readings will be posted on Blackboard. Additional readings will also be posted during the semester.

COURSE REQUIREMENTS

Class Participation (10 percent):
Your participation in class discussion is expected. Additional readings (besides those listed in this document) will be assigned and posted on BB. All readings should be done before the class for which they are listed and you should be prepared to summarize and discuss them in class.
You will also be forming teams to lead the class in a discussion of the articles assigned each week. Details on the expected format and content of these presentations will be posted to the Blackboard site and explained in further detail during the first course meeting.

Four Homework Assignments (10 percent):
These are selected end-of-chapter problems from Gruber. You will receive full credit if it is 100% complete (even if the answers are not correct) and submitted on time at the beginning of class. Please make a copy of your assignment before turning it in. Late assignments will not be accepted.

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 memos 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. There are no make-ups.

**Tutoring:**
Grace Lee (email: gjl246@nyu.edu) will be the tutor for the course. Tutoring sessions will be held on Mondays, 4:30-6:30pm, in the Jersey conference room, Puck Building.

**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 students are strongly encouraged 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-riding.

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

Violations of these standards will automatically result in failure of the course and will be remanded to the disciplinary committee for further action.
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COURSE SYLLABUS  

WEEK 1 – January 20  
Introduction to Public Finance  

Required Readings:  
Gruber: (1) Why Study Public Finance?, (2) Theoretical Tools of Public Finance, (3)  
Empirical Tools of Public Finance, including appendix.  

WEEK 2 – January 27  
Income Distribution and Welfare Programs  

Required Readings:  
Gruber: (17) Income Distribution and Welfare Programs.  
Greenberg, Mark H. and Rebecca M. Blank, “Improving the Measurement of Poverty,”  

WEEK 3 – February 3  
Introduction to Taxation  

Required Readings:  
Gruber: (18) Taxation in the United States and Around the World.  
Tanzi, Vito and Howell Zee, “Tax Policy for Developing Countries,” IMF Economic  

Assignment 1 due in class  
Gruber: 2.10, 3.14, 17.16  

WEEK 4 – February 10  
Tax Incidence and Efficiency  

Required Readings:  
Gruber: (19) The Equity Implications of Taxation: Tax Incidence, including appendix,  
and (23.2) Capital Gains Taxation.  
Piketty, Thomas and Emmanuel Saez, “How Progressive is the U.S. Federal Tax System?  
A Historical and International Perspective,” Journal of Economic Perspectives, Winter  

WEEK 5 – February 17  
Tax Inefficiencies and the Effects of Taxes on Labor Supply  
Gruber: (20) Tax Inefficiencies and Their Implications for Optimal Taxation, and (21)  
Taxes on Labor Supply, sections 1 – 3.
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WEEK 6 – February 24  
The Effect of Taxes on Labor Supply and Saving

Required Readings:  
Gruber: (21) Taxes on Labor Supply, section 4, and (22) Taxes on Savings.  

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

WEEK 7 – March 3  
The Effect of Taxes on Risk-Taking and Wealth; Corporate Taxation

Required Readings:  
Gruber: (23) Taxes on Risk Taking and Wealth and (24) Corporate Taxation.  

Policy memo 1 is due in class

WEEK 8 – March 10  
MIDTERM EXAM IN CLASS, covering material of weeks 1-7.

March 17 – Spring Break (No Classes) Happy St. Patrick’s Day

WEEK 9- March 24  
Fundamental Tax Reform

Required Readings:  
Gruber: (25) Tax Reform.  

Assignment 3 due in class  
Gruber: 21.8, 22.9, 23.8, 24.2
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WEEK 10 - March 31  
Government Budgets

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

WEEK 11 – April 7  
Fiscal Federalism and Local Public Finance; Review of Market Failures

Required Readings:  
Gruber: (10) State and Local Government Expenditures and  
Goodnough, Abby, “States Turning to Last Resorts in Budget Crisis,” NYT, June 22, 2009  

Assignment 4 due in class

WEEK 12 – April 14  
Social Insurance; Social Security

Required Readings:  
Trustees of the Social Security and Medicare Trust Funds, Summary of the 2009 Annual Social Security and Medicare Trust Fund Reports, 2009.

Supplemental Readings:  

WEEK 13 – April 21  
Social Insurance in Labor Markets

Required Readings:  
Gruber: (14) Unemployment Insurance, Disability Insurance and Workers’ Compensation  
Eckholm, Erik, “Prolonged Aid to Unemployed is Running Out,” *NYT*, August 2, 2009
plus others.

Policy memo 2 is due in class

**WEEK 14 – April 28**
**Health Insurance**
**Required Readings:**
Gruber: (15) Health Insurance I: Health Economics and Private Health Insurance and
(16) Health Insurance II: Medicare, Medicaid, and Health Care Reform.

**READING DAY - May 5**

**WEEK 15 – May 12 FINAL EXAM IN CLASS: covering material of weeks 8-14.**