Public finance (also known as public economics) analyzes 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 use the tools of microeconomics and empirical analysis to analyze the effects of public expenditures, taxation, and regulation.

Prerequisites

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 review their textbooks and notes from these prerequisites before the course begins, and refer to them throughout the course as needed.

Website & Email

The course website is available on Blackboard (http://classes.nyu.edu). I will periodically post announcements and documents (journal articles, lecture slides, homework solutions, etc.) there. In addition, I will occasionally send announcements through Blackboard’s email system, so it is important that you regularly check your NYU email account or set up appropriate email forwarding (http://home.nyu.edu/).

Textbook

Jonathan Gruber, Public Finance and Public Policy, 3rd edition, Worth Publishers, 2010. (Note that chapters 5-7 of this textbook review material from the micro core; students may wish to skim these chapters before the course begins.)

Other Readings

Posted on Blackboard
Course Requirements

Class Participation (10%): Students must complete the reading assignments before class and come to class prepared to summarize and discuss them. In addition, each student will co-lead the discussion of one assigned reading.

Four Homework Assignments (10%): Each assignment is worth 2-3% of your course grade. You will receive full credit for an assignment if it is 100% complete (even if the answers are not correct) and submitted on time at the beginning of class. Late assignments will not be accepted.

Two Policy Memos (40%): Each policy memo is worth 20% of your grade. Memos may be completed individually or with a partner (both team members will receive the same grade). Late memos will not be accepted.

Two Exams (40%): There is a midterm and a final, each worth 20% of your grade. The final focuses on material from the second half of the course. There are no make-up exams. If you have a conflict with either of the scheduled exam dates, please do not take the course at this time.

Academic Integrity

As members of the NYU Wagner community, we are all expected to adhere to high standards of intellectual and academic integrity. Please review the academic code here: http://wagner.nyu.edu/current/policies/index.php.

For this particular course, there are some specific behaviors required to meet these standards of academic integrity, outlined below. Violations of these standards will automatically result in failure of the course and will be reported to the discipline committee for further action.

Homework Assignments: While I encourage students to work on the homework in groups, the final write-up of assignments must be done individually, with no sharing of written answers.

Policy Memos: If you choose to write memos as a team, both members of the team must contribute to the joint effort. There must be no free-riding.

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

Discussion Sessions

Teaching Colleague Dan Feder (daniel.feder@nyu.edu) will hold an optional (but strongly recommended) discussion session on Mondays and Wednesdays from 5:30 to 6:30 pm in Silver 500. Please note that the first discussion session meets on May 24, before the first lecture.
## Course Outline:

<table>
<thead>
<tr>
<th>DATE</th>
<th>CLASS</th>
<th>ASSIGNMENTS</th>
<th>DISCUSSION SESSION</th>
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<tbody>
<tr>
<td>Monday, May 24</td>
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<tr>
<td>Tuesday, May 25</td>
<td>Class 1: Intro to public finance</td>
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<td>Discussion 1: Intro to public finance</td>
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<td>Wednesday, May 26</td>
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<tr>
<td>Thursday, May 27</td>
<td>Class 2: Intro to taxation</td>
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<td>Discussion 2: Intro to taxation</td>
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<td>Monday, May 31</td>
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<tr>
<td>Tuesday, June 1</td>
<td>Class 3: Tax incidence &amp; efficiency</td>
<td>HW 1 due</td>
<td>Discussion 3: Tax incidence &amp; efficiency</td>
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<tr>
<td>Wednesday, June 2</td>
<td>Class 4: Labor supply &amp; saving</td>
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<td>Discussion 4: Labor supply &amp; saving</td>
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<td>Thursday, June 3</td>
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<td>Monday, June 7</td>
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<tr>
<td>Tuesday, June 8</td>
<td>Class 5: Risk-taking, wealth &amp; corporations</td>
<td>HW 2 due</td>
<td>Discussion 5: Risk-taking, wealth &amp; corporations</td>
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<td>Wednesday, June 9</td>
<td>Class 6: Tax reform</td>
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<td>Discussion 6: Tax reform</td>
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<td>Thursday, June 10</td>
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<td>Monday, June 14</td>
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<tr>
<td>Tuesday, June 15</td>
<td>Class 7: Deficits and debt</td>
<td>HW 3 due</td>
<td>Discussion 7: Midterm review (continued)</td>
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<td>Wednesday, June 16</td>
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<td>Thursday, June 17</td>
<td>Class 8: MIDTERM EXAM</td>
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<td>JUNE 18-JUNE 28</td>
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<tr>
<td>Tuesday, June 29</td>
<td>Class 9: Social insurance</td>
<td>Memo 1 due</td>
<td>Discussion 8: Social insurance</td>
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<tr>
<td>Wednesday, June 30</td>
<td>Class 10: Social Security</td>
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<td>Thursday, July 1</td>
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<td>Monday, July 5</td>
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<td>Tuesday, July 6</td>
<td>Class 11: Health insurance</td>
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<td>Discussion 9: Social Security</td>
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<td>Wednesday, July 7</td>
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<td>Thursday, July 8</td>
<td>Class 12: Welfare</td>
<td>Memo 2 due</td>
<td>Discussion 10: Health &amp; welfare</td>
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<td>Monday, July 12</td>
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<td>Discussion 11: State &amp; local, education</td>
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<td>Tuesday, July 13</td>
<td>Class 13: State &amp; local public finance</td>
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<td>Wednesday, July 14</td>
<td>Class 14: Education</td>
<td>HW 4 due</td>
<td>Discussion 12: Final review</td>
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<td>Thursday, July 15</td>
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<tr>
<td>Monday, July 19</td>
<td>Class 15: FINAL EXAM</td>
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<td>Tuesday, July 20</td>
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Detailed Course Outline:

Class 1: Introduction to Public Finance (May 25)

Chapters 1, 2, and 3 (including appendix)

Class 2: Introduction to Taxation (May 27)

Chapter 18


Class 3: Tax Incidence and Efficiency (June 1)

Chapters 19 (including appendix) and 20


Assignment 1 Due: Textbook problems 1.9, 2.11, 2.13, 3.14

Class 4: The Effect of Taxes on Labor Supply and Saving (June 3)

Chapters 21 and 22


Class 5: Taxes on Risk-Taking and Wealth; Corporate Taxation (June 8)

Chapters 23 and 24


Assignment 2 Due: Textbook problems 18.1, 18.7, 19.13, 20.15
Class 6: Fundamental Tax Reform (June 10)

Chapter 25


Class 7: Deficits and Debt (June 15)

Chapter 4


Assignment 3 Due: Textbook problems 21.8, 22.9, 23.8, 24.2

Class 8: MIDTERM EXAM (June 17)

************************* June 22 and 24: NO CLASS *************************

Class 9: Social Insurance (June 29)

Chapters 12 and 14


Memo 1 Due

Class 10: Social Security (July 1)

Chapter 13


Cogan, John F. and Olivia S. Mitchell, “Perspectives from the President’s Commission on Social Security Reform,” *Journal of Economic Perspectives* 17(2), Spring 2003, 149-172.
**Class 11: Health Insurance (July 6)**

Chapters 15 and 16


**Class 12: Welfare Programs (July 8)**

Chapter 17


Memo 2 due

**Class 13: State and Local Public Finance (July 13)**

Chapter 10


**Class 14: Education (July 15)**

Chapter 11


Assignment 4 due: Textbook problems 2.10, 17.16, 10.1, 11.13

**Class 15: FINAL EXAM (July 20)**