Course Description

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 economic effects of public expenditures and taxation.

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 a newspaper or magazine article related to a course 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 Natalie Pregibon (natalie.pregibon@gmail.com) will hold an optional (but strongly recommended) discussion session on Wednesdays from 4:55-5:55pm in Silver 520.
## Course Outline:

<table>
<thead>
<tr>
<th>DATE</th>
<th>CLASS</th>
<th>ASSIGNMENTS</th>
<th>DISCUSSION SESSION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wednesday, January 26</td>
<td>Class 1: Intro to public finance</td>
<td></td>
<td>Discussion 1: Intro to public finance</td>
</tr>
<tr>
<td>Wednesday, February 2</td>
<td>Class 2: Intro to taxation</td>
<td></td>
<td>Discussion 2: Micro &amp; tax review</td>
</tr>
<tr>
<td>Wednesday, February 9</td>
<td>Class 3: Tax incidence &amp; efficiency</td>
<td></td>
<td>Discussion 3: Intro to taxation</td>
</tr>
<tr>
<td>Wednesday, February 16</td>
<td>Class 4: Labor supply &amp; saving</td>
<td>HW 1 due</td>
<td>Discussion 4: Tax incidence &amp; efficiency</td>
</tr>
<tr>
<td>Wednesday, February 23</td>
<td>Class 5: Risk-taking, wealth &amp; corporations</td>
<td></td>
<td>Discussion 5: Labor supply &amp; saving</td>
</tr>
<tr>
<td>Wednesday, March 2</td>
<td>Class 6: Tax reform</td>
<td>HW 2 due</td>
<td>Discussion 6: Risk-taking, wealth &amp; corporations</td>
</tr>
<tr>
<td>Saturday, March 5</td>
<td></td>
<td></td>
<td>Discussion 7: Tax reform &amp; midterm review</td>
</tr>
<tr>
<td>Wednesday, March 9</td>
<td>Class 7: MIDTERM EXAM</td>
<td>HW 3 due</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>March 14-18: Spring Break--No Class</td>
</tr>
<tr>
<td>Wednesday, March 23</td>
<td>Class 8: Deficits &amp; Debt</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wednesday, March 30</td>
<td>Class 9: Social insurance</td>
<td>Memo 1 due</td>
<td>Discussion 7: Deficits &amp; Debt</td>
</tr>
<tr>
<td>Wednesday, April 6</td>
<td>Class 10: Social Security</td>
<td></td>
<td>Discussion 8: Social insurance</td>
</tr>
<tr>
<td>Wednesday, April 13</td>
<td>Class 11: Health insurance</td>
<td></td>
<td>Discussion 9: Social Security</td>
</tr>
<tr>
<td>Wednesday, April 20</td>
<td>Class 12: Welfare</td>
<td>Memo 2 due</td>
<td>Discussion 10: Health Insurance &amp; Welfare</td>
</tr>
<tr>
<td>Wednesday, April 27</td>
<td>Class 13: State &amp; local public finance</td>
<td></td>
<td>Discussion 11: State &amp; local</td>
</tr>
<tr>
<td>Wednesday, May 4</td>
<td>Class 14: Education</td>
<td>HW 4 due</td>
<td>Discussion 12: Education &amp; Final Review</td>
</tr>
</tbody>
</table>
Detailed Course Outline:

Class 1: Introduction to Public Finance (January 26)

Chapters 1, 2, and 3 (including appendix)

Class 2: Introduction to Taxation (February 2)

Chapter 18


Class 3: Tax Incidence and Efficiency (February 9)

Chapters 19 (including appendix) and 20


Class 4: The Effect of Taxes on Labor Supply and Saving (February 16)

Chapters 21 and 22


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

Class 5: Taxes on Risk-Taking and Wealth: Corporate Taxation (February 23)

Chapters 23 and 24

**Class 6: Fundamental Tax Reform (March 2)**

Chapter 25


**Assignment 2 Due:** Textbook problems 18.1, 18.7, 19.4, 20.1

**Class 7: MIDTERM EXAM (March 9)**

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

**Class 8: Deficits and Debt (March 23)**

Chapter 4


**Class 9: Social Insurance (March 30)**

Chapters 12 and 14


**Memo 1 Due**

**Class 10: Social Security (April 6)**

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 (April 13)

Chapters 15 and 16


Class 12: Welfare Programs (April 20)

Chapter 17


Memo 2 due

Class 13: State and Local Public Finance (April 27)

Chapter 10


Class 14: Education (May 4)

Chapter 11


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

FINAL EXAM (May 11)