New York University  
Robert F. Wagner Graduate School of Public Service  
PADM-GP 2140 Public Economics and Finance, Fall 2011  

Section 1: Wednesday 6:45-8:25pm, 25W4 C-13  
Professor Joseph Morreale  
Office hours: Wednesday, 5-6:30pm, Puck 3045  
Email: jcm468@nyu.edu  
Phone: 914-420-3034  

Section 2: Thursday 1:35-3:15pm, Silver 410  
Professor Sewin Chan  
Office hours: Thursdays 4-5pm, Puck 3041.  
Email: sewin.chan@nyu.edu  
Phone: 212.998.7495  

PADM-GP 140 Recitation: Tuesday 8:35-9:35pm, Silver 410  
Teaching Colleague Randi Chmielewski  
Office hours: Mondays 5-6:30pm by appointment only (please email in advance), Puck 3045  
Email: rmc425@nyu.edu  

Administrative assistant: Ann Lin  
Email: ann.lin@nyu.edu  
Phone: 212.998.7429  Fax: 212.995.3890  
Office location: Puck 3rd floor, adjacent to the elevators.  

COURSE OBJECTIVES  

Public finance (also known as public economics) is the study of how public policy affects 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 answer these questions: When should the government intervene in the economy? How might the government intervene? And, what are the effects of those interventions on economic outcomes?  

PREREQUISITES  

P11.1011 Statistics  
P11.1018 Microeconomics  
P11.1021 Financial management  

This class is challenging and will require substantial effort. Your proficiency will depend in part on having a working knowledge of the material learned in these prerequisite courses. You should review your textbooks and notes from these prerequisites course before the semester begins, and refer to them throughout the semester as needed.
BLACKBOARD & E-MAIL

All announcements and class related documents will be posted to the class Blackboard. Emails will be sent via Blackboard so it is important that you check the email address in that system.

COURSE REQUIREMENTS

Class Participation (10 percent): You must complete the reading assignments before class and come to class prepared to discuss them. You will also co-lead one classroom discussion related to the course readings. Your grade will be based on the quality (not quantity) of your contributions to class discussions.

Nine Homework Assignments (10 percent): Homework assignments are an opportunity to review and apply the principles and tools developed in class. You are strongly encouraged to work in teams, however, remember that there are good and bad ways to work with others. Tackle all the problems on your own and then discuss them: good. Split the problems up so that you do not actually see some of them: bad. You will receive full credit for an assignment if it is submitted on time and you have attempted all parts to all questions. If you work with others, you may hand in only one copy, noting the names of the authors at the top. Late assignments will not be accepted. Your assignment will be returned to your Wagner mailbox if you write your mailbox number at the top. Otherwise, you can pick up from Ann Lin.

Two Policy Memos (30 percent): Each policy memo is worth 15 percent of your grade. Memos may be completed individually or with one partner (both team members will receive the same grade). Late memos will not be accepted. Your memos will be returned to your Wagner mailbox if you write your mailbox number at the top. Otherwise, you can pick up from Ann Lin.

Exams (50 percent): There is a midterm and a final, each worth 25 percent 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 dates, please do not take the course at this time.

RECITATIONS

Each lecture class is followed by a recitation that focuses on applying course concepts to specific problems. A set of recitation problems will be posted on Blackboard for each week and you are encouraged to attempt these on your own before going to the recitation. Homework assignments will also be reviewed in recitation. While attendance is not mandatory, the ability to understand and complete the materials reviewed in these recitations is. You will not do well on the examinations unless you master doing problems. We strongly encourage you to attend.
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

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

Policy memos and assignments: 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 remand to the discipline committee for further action.
COURSE OUTLINE

The readings listed below should be completed before each class. Additional readings may be added to this list during the semester. Assignments and memos are due by the beginning of the class for which they are listed.


Other readings: All other readings will be posted on Blackboard or distributed in class.

Class 1: Introduction to Public Finance


Class 2: Introduction to Taxation

Assignment 1 due at the start of class.
Gruber: (18) Taxation in the United States and Around the World.

Class 3: Tax Incidence

Assignment 2 due at the start of class.
Gruber: (19) The Equity Implications of Taxation: Tax Incidence, including appendix, (23.4) Property Taxation.

Class 4: Tax Inefficiencies and the Effect of Taxes on Labor Supply

Assignment 3 due at the start of class.
Gruber: (20) Tax Inefficiencies and Their Implications for Optimal Taxation, including formula for deadweight loss in the appendix, (21) Taxes on Labor Supply.
Class 5: The Effect of Taxes on Saving, Capital Gains and Transfers

Assignment 4 due at the start of class.
Gruber: (22) Taxes on Savings, (23.2) Capital Gains Taxation, (23.4) Transfer Taxation.

Class 6
Corporate Taxation

Assignment 5 due at the start of class.
Gruber: (24) Corporate Taxation.

Class 7
Midterm Exam

Class 8
Fundamental Tax Reform

Gruber: (25) Fundamental Tax Reform.

Class 9
Government Budgets

Policy memo 1 due at the start of class.
Gruber: (4) Tools of Budget Analysis.

Class 10
Market Failures and Social Insurance

Assignment 6 due at the start of class.
Class 11
Social Insurance Programs

Assignment 7 due at the start of class.
Gruber: (13) Social Security, (14) Unemployment Insurance, Disability Insurance and Workers’ Compensation, including appendix.
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 12
Health Insurance

Policy memo 2 due at the start of class.

Class 13
Welfare Programs

Assignment 8 due at the start of class.
Gruber: (16) Income Distribution and Welfare Programs

Class 14
Fiscal Federalism and Local Public Finance

Assignment 9 due at the start of class.
Gruber: (10) State and Local Government Expenditures.

Class 15: Final Exam
## Schedule

These dates deviate from the normal schedule.

**Times and locations will be announced in class.**

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<tr>
<th>1</th>
<th>7 Sep</th>
<th>8 Sep</th>
<th>13 Sep</th>
<th>Introduction to public finance</th>
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<tr>
<td>2</td>
<td>14 Sep</td>
<td>15 Sep</td>
<td>20 Sep</td>
<td>Introduction to taxation</td>
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<td>3</td>
<td>21 Sep</td>
<td>22 Sep</td>
<td>27 Sep</td>
<td>Tax incidence</td>
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<td>4</td>
<td>28 Sep</td>
<td>29 Sep</td>
<td>4 Oct</td>
<td>Tax inefficiencies, taxes on labor supply</td>
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<td>5 Oct</td>
<td>6 Oct</td>
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<td>Taxes on saving, capital gains and transfers</td>
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<td>9 Nov</td>
<td>10 Nov</td>
<td>15 Nov</td>
<td>Market failures, social insurance</td>
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<td><strong>TBA</strong></td>
<td>State and local public finance</td>
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<td>FINAL EXAM</td>
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