NEW YORK UNIVERSITY  
ROBERT F. WAGNER GRADUATE SCHOOL OF PUBLIC SERVICE  

P11.2140  
Public Economics and Finance  
Spring 2012  

Professor Nirupama Rao  
Email: nirupama.rao@nyu.edu  
Office hours: Monday 2-3pm  
Puck 3048  

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/).  

I will generally reply to email within 24 hours.  

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 participate in the discussion of a set of newspaper/magazine articles related to a course topic.

Nine Homework Assignments (10%): Each assignment is worth roughly 1% 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 (30%): Each policy memo is worth 15% 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 (50%): There is a midterm and a final, each worth 25% 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.

Recitation Sessions

Teaching Colleague Vincent Reina (ReinaV@exchange.law.nyu.edu) will hold an optional (but strongly recommended) discussion session on Wednesdays from 4:55-5:55pm in room C-13 of 25 West 4th Street.
# Course Schedule:

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<td>January 25</td>
<td>Class 1: Intro to Public Finance</td>
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<td>Discussion 1: Micro Review</td>
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<td>February 1</td>
<td>Class 2: Intro to Taxation</td>
<td>Assignment 1</td>
<td>Discussion 2: Intro to Public Finance</td>
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<td>February 8</td>
<td>Class 3: Tax Incidence</td>
<td>Assignment 2</td>
<td>Discussion 3: Intro to taxation</td>
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<td>February 15</td>
<td>Class 4: Tax Inefficiencies, Taxes on Labor Supply</td>
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<td>Discussion 4: Tax Incidence</td>
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<td>February 22</td>
<td>Class 5: Taxes on Saving, Capital Gains and Transfers</td>
<td>Assignment 4</td>
<td>Discussion 5: Tax Inefficiencies, Taxes on Labor Supply</td>
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<td>February 29</td>
<td>Class 6: Corporate Taxation</td>
<td>Assignment 5</td>
<td>Discussion 6: Taxes on Saving, Capital Gains and Transfers</td>
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<td>TBD</td>
<td>Class 7: MIDTERM EXAM</td>
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<td>Discussion 7: Corporate</td>
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<td>March 7</td>
<td>Class 7: MIDTERM EXAM</td>
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<td>March 21</td>
<td>Class 8: Tax Reform</td>
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<td>March 28</td>
<td>Class 9: Government Budgets</td>
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<td>April 4</td>
<td>Class 10: Market Failures and Insurance</td>
<td>Assignment 6</td>
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<td>April 11</td>
<td>Class 11: Social Insurance programs</td>
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<td>April 18</td>
<td>Class 12: Health Insurance</td>
<td>Memo 2</td>
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<td>April 25</td>
<td>Class 13: Welfare Programs</td>
<td>Assignment 8</td>
<td>Discussion 12: Welfare</td>
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<td>May 2</td>
<td>Class 14: State and Local Public Finance</td>
<td>Assignment 9</td>
<td>Discussion 7: State and Local</td>
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<td>TBD</td>
<td>Final Exam</td>
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March 12-16: Spring Break--No Class
Detailed Course Schedule:

The readings listed below should be completed before each class (except for the first 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, (23.3) 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