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

Public Economics and Finance
Fall 2012

Lectures:
PADM-GP 2140.001: Thursday 1:35-3:15pm GCASL 275
PADM-GP 2140.002: Thursday 6:45-8:25pm GCASL 275

Recitation:
PADM-GP 140: Tuesday 8:35-9:35pm, Tisch LC11

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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 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 (may be taken concurrently)

If you have not taken these prerequisites, you must contact the instructors before the semester begins. This course requires a working knowledge of the material learned in these prerequisite courses. You should review the 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). We will periodically post announcements and documents (journal articles, lecture slides, homework solutions, etc.) there. In addition, we 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/).

Readings

The required textbook is:
All other readings will be posted on Blackboard or distributed in class.

Course Requirements

Class Participation (10%): You must complete the reading assignments before class and come to class prepared to summarize and discuss them. In addition, you will lead 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. Homework assignments are an opportunity to review and apply the principles and tools developed in class. 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. 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%): 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. 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.

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.
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. You should attempt these on your own before going to the recitation. Homework assignments will also be reviewed in recitation. While attendance is not mandatory, you will not do well in the examinations unless you master the material reviewed in these recitations.

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 we 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.
Course Schedule:

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Detailed Course Schedule:

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.

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, excluding 20.4, but 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.  
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
Income Distribution and Welfare Programs

Assignment 8 due at the start of class.
Gruber: (17) 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