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

Public Economics and Finance
Spring 2013

Lectures:
PADM-GP 2140.001: Wednesday 1:00-2:40pm 25 West 4th Street, Room C-20
PADM-GP 2140.002: Wednesday 6:45-8:25pm GCASL, Room 369

Recitation:
PADM-GP 140: Wednesday 8:35-9:35pm
PADM-GP 140: Thursday 8:35-9:35pm

Professor Nirupama Rao
Office hours: Friday 1-2pm, Puck 3048
Email: nirupama.rao@nyu.edu
Phone: 212.992.9861

Teaching Colleague: Leslie Cook
Office hours: Wednesday 5:30-6:30pm
Email: lac522@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 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 NYU Classes (http://newclasses.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 NYU Classes 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 NYU Classes 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 do not have a Wagner mailbox, 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. The final will be during the final exam
period. 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. The Wednesday and Thursday recitations will present the exact same material. A set of recitation problems will be posted on NYU Classes 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](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:

<table>
<thead>
<tr>
<th>Lecture - Wednesdays</th>
<th>Recitation - Wednesday or Thursday</th>
<th>DUE in lecture</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 30</td>
<td>January 30 or 31</td>
<td>Intro to Public Finance</td>
</tr>
<tr>
<td>2 February 6</td>
<td>February 6 or 7</td>
<td>Intro to Taxation Assignment 1</td>
</tr>
<tr>
<td>3 February 13</td>
<td>February 13 or 14</td>
<td>Tax Incidence Assignment 2</td>
</tr>
<tr>
<td>4 February 20</td>
<td>February 20 or 21</td>
<td>Tax Inefficiencies, Taxes on Labor Supply Assignment 3</td>
</tr>
<tr>
<td>5 February 27</td>
<td>February 28</td>
<td>Taxes on Saving, Capital Gains and Transfers Assignment 4</td>
</tr>
<tr>
<td>6 March 6</td>
<td>March 6 or 7</td>
<td>Corporate Taxation Assignment 5</td>
</tr>
<tr>
<td></td>
<td>Exam review: Saturday March 9 @ 11am</td>
<td></td>
</tr>
<tr>
<td>7 March 13</td>
<td>Spring Break</td>
<td>MIDTERM EXAM</td>
</tr>
<tr>
<td>8 March 20</td>
<td>Spring Break</td>
<td>SPRING BREAK</td>
</tr>
<tr>
<td>9 March 27</td>
<td>March 27 or 28</td>
<td>Tax Reform</td>
</tr>
<tr>
<td>10 April 3</td>
<td>April 3 or 4</td>
<td>Government Budgets Memo 1</td>
</tr>
<tr>
<td>11 April 10</td>
<td>April 10 or 11</td>
<td>Market Failures and Social Insurance Assignment 6</td>
</tr>
<tr>
<td>12 April 17</td>
<td>April 17 or 18</td>
<td>Social Insurance Programs Assignment 7</td>
</tr>
<tr>
<td>13 April 24</td>
<td>April 24 or 25</td>
<td>Health Insurance Memo 2</td>
</tr>
<tr>
<td>14 May 1</td>
<td>May 1 or 2</td>
<td>Income Distribution and Welfare Programs Assignment 8</td>
</tr>
<tr>
<td>15 May 8</td>
<td>May 8 or 9</td>
<td>Local Public Finance Assignment 9</td>
</tr>
<tr>
<td></td>
<td>Exam review: Saturday May 11 @ 11am</td>
<td></td>
</tr>
<tr>
<td>15 May 15-21</td>
<td>FINAL EXAM DURING FINAL EXAM PERIOD</td>
<td></td>
</tr>
</tbody>
</table>
**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