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

PUBLIC ECONOMICS AND FINANCE
SPRING 2014

Lectures:
PADM-GP 2140.001: Wednesday 11:00am-12:40pm 25 West 4th Street, Room C-20
PADM-GP 2140.002: Wednesday 6:45-8:25pm Bobst, Room LL138

Recitation:
PADM-GP 140: Wednesday 8:35-9:35pm Silver, Room 411

Professor Nirupama Rao
Office hours: Wednesday 1:30-2:30pm, Puck 3048
Please make an appointment via Google Appointments
Email: nirupama.rao@nyu.edu
Phone: 212.992.9861

Teaching Colleague: Amanda Warco
Office hours: Tuesdays, 5-6pm
Email: akw316@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/). Please understand that it may take me up to 24 hours to reply to your email.

Also, all the lectures for this course were taped during Spring 2012 as part of NYU’s Open Education initiative (http://www.nyu.edu/academics/open-education/coursesnew/public-econ-finance.html). While lectures are never identical, the material is very similar. They have proved a valuable resource for students in previous semesters.

Readings

The required textbook is:
All other readings will be posted on NYU Classes or distributed in class.
If you choose to use another edition of the textbook, it is at your own risk. There will be a copy of the 4th edition on reserve at Bobst.

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 take part in a discussion of a set of newspaper/magazine articles related to a course topic during one of three discussion sessions.

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 material from a lecture on Thursday will be covered the following Tuesday. 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.

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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<th>Lecture – Wednesday</th>
<th>Recitation – Wednesday</th>
<th>Topic</th>
<th>DUE in Lecture</th>
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<td>1: January 29\textsuperscript{th}</td>
<td>January 29\textsuperscript{th}</td>
<td>Intro to Public Finance</td>
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<td>2: February 5\textsuperscript{th}</td>
<td>February 5\textsuperscript{th}</td>
<td>Intro to Taxation</td>
<td>Assignment 1</td>
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<td>3: February 12\textsuperscript{th}</td>
<td>February 12\textsuperscript{th}</td>
<td>Tax Incidence</td>
<td>Assignment 2</td>
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<td>4: February 19\textsuperscript{th}</td>
<td>February 19\textsuperscript{th}</td>
<td>Tax Inefficiencies, Taxes on Labor Supply</td>
<td>Assignment 3</td>
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<td>February 26\textsuperscript{th}</td>
<td>Taxes on Saving, Capital Gains and Transfers</td>
<td>Assignment 4</td>
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<td>Corporate Taxation</td>
<td>Assignment 5</td>
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<td>March 12\textsuperscript{th}</td>
<td>None</td>
<td>MIDTERM</td>
<td>Assignment 6</td>
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<td>March 19\textsuperscript{th}</td>
<td>None</td>
<td>Spring Break (No Class)</td>
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<td>7: March 26\textsuperscript{th}</td>
<td>March 26\textsuperscript{th}</td>
<td>Tax Reform Discussion 1</td>
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<td>8: April 2\textsuperscript{nd}</td>
<td>April 2\textsuperscript{nd}</td>
<td>Government Budgets</td>
<td>Memo 1</td>
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<td>9: April 9\textsuperscript{th}</td>
<td>April 9\textsuperscript{th}</td>
<td>Market Failures and Social Insurance</td>
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<td>10: April 16\textsuperscript{th}</td>
<td>April 16\textsuperscript{th}</td>
<td>Social Insurance Programs Discussion 2</td>
<td>Assignment 7</td>
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<td>11: April 23\textsuperscript{rd}</td>
<td>April 23\textsuperscript{rd}</td>
<td>Health Insurance</td>
<td>Memo 2 Assignment 8</td>
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<td>12: April 30\textsuperscript{th}</td>
<td>April 30\textsuperscript{th}</td>
<td>Income Distribution and Welfare Programs</td>
<td>Assignment 9</td>
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<td>13: May 7\textsuperscript{th}</td>
<td>May 7\textsuperscript{th}</td>
<td>Local Public Finance Discussion 3</td>
<td>Assignment 10</td>
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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

Class 3: Tax Incidence

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

Class 6
Corporate Taxation
Gruber: (24) Corporate Taxation.
Class 7
Fundamental Tax Reform
Gruber: (25) Fundamental Tax Reform.

Class 8
Midterm Exam

Class 9
Government Budgets
Gruber: (4) Tools of Budget Analysis.

Class 10
Market Failures and Social Insurance
Policy Memo 1 due at the start of class.

Class 11
Social Insurance Programs
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

Class 13
Income Distribution and Welfare Programs
Gruber: (17) Income Distribution and Welfare Programs

**Class 14**  
**Fiscal Federalism and Local Public Finance**

Gruber: (10) State and Local Government Expenditures.  

**Class 15: Final Exam**