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

Public Economics and Finance, Fall 2014

Lectures:
PADM-GP 2140.001: Thursday 10:00am-11:40am Tisch LC 9, Chan
PADM-GP 2140.002: Thursday 6:45pm-8:25pm GCASL 275, Tilis

Recitations:
PADM-GP 140.002: Monday 8:35-9:35pm, GCASL 269, Harvey
PADM-GP 140.001: Tuesday 8:35-9:35pm, GCASL 269, Stefanski

Professor Sewin Chan
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Professor Lisa Tilis
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Teaching Colleague Brian Warren Harvey
Office hours: Tuesday 5:15-6:00pm, Puck 3047
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Teaching Colleague Sarah Louise Stefanski
Office hours: Monday 4:45-5:30pm, Puck 3047
Email: sarah.stefanski@nyu.edu

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

CORE-GP 1011 Statistics
CORE-GP 1018 Microeconomics
CORE-GP 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). We will post announcements and all documents there. We will periodically send you email using the NYU Classes system so it is important that you regularly check your NYU email account or set up appropriate email forwarding.

**Readings**

Required: Jonathan Gruber, *Public Finance and Public Policy*, 4th edition, Worth, 2013. All other readings will be posted on the website or distributed in class. Using another edition of the required text 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.

**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. Occasionally, there will be questions from topics not yet covered in the lectures, but were covered in prerequisite classes – these questions are intended as review and preparation for the lecture. You will receive full credit for an assignment if it is 100% complete and submitted on time at the beginning of the lecture class. Late assignments will not be accepted. You should make a copy of your assignment to review in recitation. Your graded assignment will be returned to your Wagner mailbox if you write your mailbox number at the top.

**Two Policy Memos (30%):** Each policy memo is worth 15% of your grade. Memos may be completed individually or in a two-person team. Teams must be different for each memo. Late memos will not be accepted. Your memos will be returned to your Wagner mailbox if you write your mailbox number at the top.

**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 and will be held 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 led by a Teaching Colleague that focuses on applying course concepts to specific problems. Recitations do not start until the first lecture class has been held. Each recitation in a given week covers the same material and you may register for either one. A set of recitation problems will be posted on the website for each week. You should attempt these on your own before going to the recitation. Homework assignments will also be reviewed in recitation. While we do not record attendance, you will not do well in the examinations unless you master the material covered 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:

<table>
<thead>
<tr>
<th></th>
<th>Lectures: Thursdays 10:00am, 6:45pm</th>
<th>Recitations: Monday, Tuesday 8:35pm</th>
<th>Due at start of lecture</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>04 Sep</td>
<td>08, 09 Sep</td>
<td>Introduction to public finance</td>
</tr>
<tr>
<td>2</td>
<td>11 Sep</td>
<td>15, 16 Sep</td>
<td>Introduction to taxation</td>
</tr>
<tr>
<td>3</td>
<td>18 Sep</td>
<td>22, 23 Sep</td>
<td>Tax incidence</td>
</tr>
<tr>
<td>4</td>
<td>25 Sep</td>
<td>29, 30 Sep</td>
<td>Tax inefficiencies and labor supply</td>
</tr>
<tr>
<td>5</td>
<td>02 Oct</td>
<td>06, 07 Oct</td>
<td>Taxes on saving, capital gains and transfers</td>
</tr>
<tr>
<td>6</td>
<td>09 Oct</td>
<td>Exam review: Sat. 11 Oct*</td>
<td>Corporate taxation</td>
</tr>
<tr>
<td>7</td>
<td>16 Oct</td>
<td>--</td>
<td>Midterm Exam</td>
</tr>
<tr>
<td>8</td>
<td>23 Oct</td>
<td>27, 28 Oct</td>
<td>Fundamental tax reform</td>
</tr>
<tr>
<td>9</td>
<td>30 Oct</td>
<td>03, 04 Nov</td>
<td>Government budgets</td>
</tr>
<tr>
<td>10</td>
<td>06 Nov</td>
<td>10, 11 Nov</td>
<td>Market failures and social insurance</td>
</tr>
<tr>
<td>11</td>
<td>13 Nov</td>
<td>17, 18 Nov</td>
<td>Social insurance programs</td>
</tr>
<tr>
<td>12</td>
<td>20 Nov</td>
<td>Thanksgiving week</td>
<td>Health insurance</td>
</tr>
<tr>
<td></td>
<td>Thanksgiving week</td>
<td>01, 02 Dec</td>
<td>Memo 2</td>
</tr>
<tr>
<td>13</td>
<td>04 Dec</td>
<td>08, 09 Dec</td>
<td>Income distribution and welfare programs</td>
</tr>
<tr>
<td>14</td>
<td>11 Dec</td>
<td>Exam review: Sat 13 Dec*</td>
<td>Fiscal federalism and local public finance</td>
</tr>
<tr>
<td>15</td>
<td>18 Dec</td>
<td></td>
<td>Final Exam</td>
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</tbody>
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* Time and location to be confirmed.
**Detailed Course Outline:**

Additional readings (including newspaper articles) will be posted to the website. All readings should be completed before attending the lecture.

**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, (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 (excluding 24.6).

Class 7: Midterm Exam

Class 8: 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