

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

PADM-GP.2140
Public Economics and Finance
Fall 2015

Professor Francesco Brindisi
Email: francesco.brindisi@nyu.edu

Time: 6:45-8:25
Building: Silver Center for Arts and Sciences (31 Washington Pl.)
Classroom: 206
Office hours: Thursday after class

Teaching colleague Luke Bo'sher
Recitation: Tuesday 7:45-8:45pm, GCASL Room 269
Office hours: Tuesday 6:00-6:45pm, Puck 3045
Email: luke.bosher@nyu.edu

Teaching colleague Melissa Rosenberg
Recitation: Thursday 8:35-9:35pm, TISC Room LC9
Office hours: Friday 5:30-6:15, Puck 3045
Email: mkr355@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

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://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 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/>).

Textbook

Jonathan Gruber, *Public Finance and Public Policy*, 4th edition, Worth Publishers, 2013.

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. 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 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 with a partner (both team members will receive the same grade). Teams must be different for each memo. 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.

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 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. Exams are closed-book.

Course Schedule

CLASS DATE	CLASS NUMBER AND TOPIC	ASSIGNMENT DUE	RECITATION DATE
9/3	1. Intro to public finance		9/8, 9/10
9/10	2. Intro to taxation	HW 1	9/15, 9/17
9/17	3. Tax incidence	HW 2	9/22, 9/24
9/24	4. Tax inefficiencies, taxes on labor supply	HW 3	9/29, 10/1
10/1	5. Taxes on savings, capital gains and transfers	HW 4	10/6, 10/8
10/8	6. Corporate taxation	HW 5	10/13, 10/10*
10/15	7. Midterm		
10/22	8. Tax reform		10/27, 10/29
10/29	9. Government budgets	Memo 1	11/3, 11/5
11/5	10. Market failures and insurance	HW 6	11/10, 11/17
11/12	11. Social insurance programs	HW 7	11/17, 11/19
11/19	12. Health insurance	Memo 2	11/24, 12/3
12/3	13. Welfare programs	HW 8	12/1, 12/10
12/10	14. Fiscal federalism and local public finance	HW 9	
12/17	15. Final exam		

* **Note different day for Melissa's Lecture 6 recitation** (time and location to be finalized).

Midterm exam review (Melissa): Saturday 10/10 (time and location to be finalized, following Melissa's Lecture 6 recitation).

Final exam review (Luke): Tuesday 12/15 (Luke's time and classroom).

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.

Class 1: Introduction to Public Finance

Gruber: (1) Why Study Public Finance?, (2) Theoretical Tools of Public Finance, (3) Empirical Tools of Public Finance, including appendix.

Class 2: Introduction to Taxation

Gruber: (18) Taxation in the United States and Around the World.

Piketty, Thomas and Nancy Qian, "Income Inequality and Progressive Income Taxation in China and India, 1986–2015." *American Economic Journal: Applied Economics* 1(2): 53-63, 2009.

Class 3: Tax Incidence

Gruber: (19) The Equity Implications of Taxation: Tax Incidence, including appendix, (23.4) Property Taxation.

Brown, Samuel, William G. Gale, Adam Looney, "On the Distributional Effects of Base-Broadening Income Tax Reform" Tax Policy Center Research Report, August 2012.

Piketty, Thomas, and Emmanuel Saez, "How Progressive is the U.S. Federal Tax System? A Historical and International Perspective" *Journal of Economic Perspectives* 21(1) 2007.

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

Gruber: (20) Tax Inefficiencies and Their Implications for Optimal Taxation, including formula for deadweight loss in the appendix, (21) Taxes on Labor Supply.

Mankiw, N. Gregory, Matthew Weinzierl and Danny Yagan. "Optimal Taxation in Theory and Practice," *Journal of Economic Perspectives*, 23(4), 2009: 147-74.

Council of Economic Advisors, *Economic Report of the President 2013*, Chapter 3: Fiscal Policy.

Class 5: The Effect of Taxes on Saving, Capital Gains and Transfers

Gruber: (22) Taxes on Savings, (23.2) Capital Gains Taxation, (23.3) Transfer Taxation.

Benartzi, Shlomo, and Richard Thaler. 2007. "Heuristics and Biases in Retirement Savings Behavior" *Journal of Economic Perspectives*, 21(3): 81–104.

Class 6: Corporate Taxation

Gruber: (24) Corporate Taxation (excluding 24.6).

Class 7: Midterm Exam

Class 8: Fundamental Tax Reform

Gruber: (24.6) International Tax, (25) Fundamental Tax Reform.

Graetz, Michael J., "Tax Reform Unraveling," *Journal of Economic Perspectives*, 21(1), 2007: 69-90.

Class 9: Government Budgets

Gruber: (4) Tools of Budget Analysis.

Ball, Laurence and N. Gregory Mankiw, "What do budget deficits do?" in *Budget Deficits and the Debt: Issues and Options*, Federal Reserve Bank of Kansas City, 1995, 95-119.

Class 10: Market Failures and Social Insurance

Gruber: (5) Externalities, (7) Public Goods, (12) Social Insurance.

Class 11: Social Insurance Programs

Gruber: (20.4) Tax-benefit Linkages and the Financing of Social Insurance Programs, (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

Gruber: (15) Health Economics and Private Health Insurance, (16) Medicare, Medicaid, and Health Care Reform.

White, Chapin, "The Health Care Reform Legislation: An Overview" *The Economists' Voice* 7(5), December 2010.

Class 13: Welfare Programs

Gruber: (17) Income Distribution and Welfare Programs

Gneezy, Uri, Stephan Meier and Pedro Rey-Biel, "When and Why Incentives (Don't) Work to Modify Behavior" *Journal of Economic Perspectives* 25(4), Fall 2011, 191-210.

Class 14: Fiscal Federalism and Local Public Finance

Gruber: (10) State and Local Government Expenditures.

Feyrer, James and Bruce Sacerdote, "Did the Stimulus Stimulate? Real Time Estimates of the Effects of the American Recovery and Reinvestment Act" National Bureau of Economic Research working paper no. 16759, February 2011.

Class 15: Final Exam