

ECON 454: PUBLIC FINANCE

Spring 2011

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Office hours: Thursday 10:30 to 12:30, or by appointment.

Course Description: This course examines the role of the public sector in the economy. The aim of the course is to provide an understanding of the reasons for government intervention in the economy, the extent of that intervention, and the response of individuals and firms to government programs and policies. The course explores both theoretical models and empirical evidence related to public sector issues.

Class Meetings: Tydings 1132, Monday and Wednesday 10:30-11:45

Requirements and Grading: There are four sets of requirements for this course:

- 1) Readings – The textbook is Jonathan Gruber, Public Finance and Public Policy.
- 2) Midterm Exam (30% of course grade) and a Final Exam (50% of course grade)

Students are required to take both exams on class exam dates. Make-up exams will be granted only to those students who communicate with the professor within 48 hours of the scheduled exam time and provide written verification of a reason that complies with University policy: medical conditions, religious observances, participation in University events at the request of University authorities, and compelling circumstances beyond your control. If you miss an exam and cannot document a valid excuse, your grade will be recorded as a zero.

- 3) Four problem sets (16% of course grade)
- 4) Class participation (4% of course grade) – you are expected to attend class and be engaged in class discussions. Class participation will matter especially for students on the margin between two grades at the end of the semester.

Academic Integrity: The University of Maryland, College Park has a nationally recognized Code of Academic Integrity, administered by the Student Honor Council. This Code sets standards applicable to all undergraduate students, and you are responsible for upholding these standards as you complete assignments and take exams in this course. See www.studenthonorcouncil.umd.edu.

Course Website: Please use your directory ID and password to access www.elms.umd.edu. Relevant documents and announcements will be posted on the course website. It is expected that you will check the course website every week.

The University has adopted email as the primary means of communication outside the classroom, and I

will use it to inform you of important announcements. Students are responsible for updating their current email address via the appropriate link on <http://www.testudo.umd.edu/Registrar.html> Failure to check email, errors in forwarding email, and returned email due to “mailbox full” or “user unknown” will not excuse a student from missing announcements or deadlines.

Students with disabilities who require special accommodations must get in touch with the instructor within the first three weeks of class.

Course Outline

(Note that this is tentative; weeks are subject to change per instructor's notice)

<u>Lecture</u>		<u>Topic</u>
1	1/24	<u>Introduction to Public Finance</u> Gruber, Chapter 1
2, 3	1/26, 1/31	<u>Theoretical Tools of Public Finance</u> Gruber, chapter 2
4	2/2	<u>Empirical Tools of Public Finance</u> Gruber, chapter 3
5, 6	2/7, 2/9	<u>Externalities and public goods</u> Gruber, chapters 5, 6, 7
7	2/14	<u>Cost-Benefit analysis</u> Gruber, chapter 8
8, 9	2/16, 2/21	<u>State and Local Government Issues</u> Fiscal Federalism Gruber, Chapter 10 Melissa Kearney, "The Economic Winners and Losers of Legalized Gambling," <i>National Tax Journal</i> , June 2005, 58: 281-302.
10, 11, 12	2/23, 2/28, 3/2	<u>Income Distribution and Anti-Poverty Programs</u> - Poverty in the U.S. - Cash Transfer Programs - Earned Income Tax Credit Gruber, Chapters 17 and 21.3 Nada Eissa and Jeffrey Liebman, “Labor Supply Responses to the

Earned Income Tax Credit,” *Quarterly Journal of Economics*, May 1996, pages 605-636.

13, 14	3/7, 3/9	<u>Social Insurance</u> Gruber, Chapter 12
15, 16	3/14, 3/16,	<u>Issues in the Economics of Health Care</u> - Health Insurance - Medicare and Medicaid Gruber, Chapters 15 and 16
<i>* Spring Break -- 3/21-3/25*</i>		
17	3/28	- Health Care Reform
	3/30	<i>* Midterm Exam *</i>
18		
19, 20	4/4, 4/6	<u>Social Security</u> Gruber, Chapter 13
21, 22	4/11, 4/13	<u>Unemployment Insurance, Disability Insurance, and Workers Compensation</u> Gruber, chapter 14
23	4/14	<u>Issues in the Economics of Education</u> Gruber, Ch 11
24	4/18	<u>Taxation: Background</u> Gruber, Chapter 18
25	4/20	<u>Taxation: Incidence and Optimality</u> Gruber, Chapters 19-20
26	4/25	<u>Taxation and Labor Supply</u> Gruber, Chapter 21
27, 28	4/27, 5/2	<u>Taxation, Savings, and Risk-Taking</u> Gruber, Chapter 22 & 23
29	5/4	<u>Corporate Income Taxation</u> Gruber, Chapter 24

30

5/9

Political Economy
Gruber, Ch 9

* ***Final Exam:*** Will be administered during scheduled exam time during the week of May 12-18, per University scheduling