ECON 454: Public Finance and Public Policy
Fall 2015

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Class Meetings: Mondays & Wednesdays 5:00 – 6:15 in Tydings 0102.
Office Hours: Monday 3:30-5:00, or by appointment.
Course Website: www.elms.umd.edu. Students are expected to regularly consult this website, in order to remain up-to-date on assignments and material. Any necessary course updates will also be posted to this website.

General Course Description: This course will focus on gaining an understanding of the field of public finance and the relationship between economic theory and real world government policies. Time will be spent on the role of government intervention in the economy through both taxation and expenditure programs.

PALS Course Description: This course is designated a PALS (Partnership for Action Learning in Sustainability) course. This year, the University of Maryland has partnered with the Howard County government to provide technical assistance to Howard County, while improving the quality of hands-on experience for University of Maryland students. The PALS program will bring a real-world component into the class. As students learn about theoretical and empirical public finance, they will also work on a public finance project for Howard County. These projects are broadly titled “Bridging the Benefits Cliff.”

Each student will develop their own project. Project topics must be approved by the instructor. Students are free to submit their own ideas, but there is also a list of pre-approved topics to choose from.

The project has three deliverables. The first is a one page outline of the topic chosen, how you plan to address the topic, and what data you will need. The second is a draft of your paper, including an analysis of the topic, a theoretical model of the behavior of interest, and an analysis of the costs and benefits of proposed solutions. The final deliverable will be a final paper for presentation to the county.

It is crucial that students work on their paper each week. This is not the kind of project that can be done in a few nights. Students are also expected to meet with the instructor regularly regarding their project. Students should plan to meet individually with the instructor to receive feedback on their outline and their draft, and are welcome to plan additional meetings. Remember that the quality of your work is important to helping real people in Howard County.

Prerequisites: ECON326 (Intermediate Micro) and one of ECON321 (Economic Statistics)/STAT400 (Applied Statistics and Probability). These courses have as prerequisites ECON300 and one of MATH130/140/220, so knowledge of basic calculus will be assumed. ECON majors only.
Expectations: Class attendance and participation will be a key part of the class. Many of the lectures will include discussions of the material and current events. I am also happy to meet with students during my office hours or by appointment. I hope that many of you will take advantage of office hours to get help with the material or simply to discuss the material further. Given the large amount of material to cover, and the small time frame in which to do it, it is very important that students read the assigned chapters before class. This will allow our classes to focus on gaining an in-depth understanding of the material.

Readings: The main text for the course will be *Public Finance and Public Policy* by Jonathan Gruber, Fourth Edition. Students are responsible for all material from assigned chapters. We will also read a few academic papers during this class. In reading these papers, the focus will be on understanding the research plan and conclusions. Before reading each paper, I will share what sections to focus on.

Note on Grading: I am a tough but fair grader. Grades on each assignment will be curved as needed. The purpose of the curve is to ensure that everyone receives a fair grade for the work they do.

Course Requirements:
Your grade will be composed of:
1) Midterm Exam – 15%
2) Final Exam – 25% - Tentatively scheduled by the university for Thursday, December 17th at 4pm.
3) Paper
   - Initial 1 Page Overview – 5%
   - Draft Paper – 15%
   - Final Paper and Presentation – 25%
4) Two Problem Sets – 10% - Working together on problem sets is encouraged, but you should not be copying answers from other students. Each student should turn in their own problem set.
5) Class Participation – 5%

Excused Absence Policy: Exams and the paper sections are Major Graded Events and make-ups will only be given based on an excuse with documentation that complies with university policy (medical conditions, religious observances, participation in university events at the request of university authorities, and compelling circumstances beyond the student’s control). For medical absences, this means documentation from a physician.

Honor Code: The University Honor Code provides a set of standards of academic integrity that will be enforced in this class. For more information on the honor code, please visit www.shc.umd.edu

University Closings and Delays: In the event of a university wide change in schedule, information will be posted at www.umd.edu. Students can also call 301-405-7669 for university
closing updates. Information on the status of assignments in these situations will be given through the course website.

Copyright Notice: Course lectures and other material are copyrighted works and may not be reproduced for purposes beyond personal use without written permission. Recordings of class or lecture are also not permitted without written permission.

Accommodations: Any students who require disability accommodations in this course should provide documentation to the instructor within the first two weeks of class.

Class Schedule (Subject to change):

Week of Aug 31st: Chapter 1: Why Study Public Finance?  
Chapter 2: Theoretical Tools of Public Finance

Week of Sept 7th: Monday - Labor Day (No Class)  
Chapter 3: Empirical Tools of Public Finance

Chapter 13: Social Security

Week of Sept 21st: ***1 Page Paper Overview due 9/21***  
Chapter 14: Unemployment Insurance, Disability Insurance, and Workers’ Compensation

Week of Sept 28th: Chapter 7: Public Goods  
Chapter 4: Budget Analysis and Deficit Financing

Week of Oct 5th: Chapter 8: Cost-Benefit Analysis  
Chapter 9: Political Economy

Week of Oct 12th: ***Problem Set 1 due 10/14***  
Chapter 10: State and Local Government Expenditures

Week of Oct 19th: ***Midterm Exam 10/21***  
Chapter 5: Externalities: Problems and Solutions

Week of Oct 26th: Chapter 6: Externalities in Action: Environmental and Health Externalities  
Chapter 11: Education
Week of Nov 2nd:  ***Paper Draft due 11/4***  
Chapter 15: Health Insurance I: Health Economics and Private Health Insurance  
Chapter 16: Health Insurance II: Medicare, Medicaid, and Health Care Reform

Week of Nov 9th:  Chapter 17: Income Distribution and Welfare Programs  
Chapter 18: Taxation in the United States and Around the World

Week of Nov 16th:  Chapter 19: The Equity Implications of Taxation: Tax Incidence  
Chapter 20: Tax Inefficiencies and Their Implications for Optimal Taxation

Week of Nov 23rd:  Chapter 21: Taxes on Labor Supply  
Chapter 22: Taxes on Savings

Week of Nov 30th:  ***Final Paper due 12/2***  
Chapter 23: Taxes on Risk Taking and Wealth  
Chapter 24: Corporate Taxation

Week of Dec 7th:  ***Problem Set 2 due 12/7***  
Chapter 25: Fundamental Tax Reform