

ECON 454: Public Finance and Public Policy

Spring 2016

Instructor: Kenneth Coriale

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Class Meetings: Tuesdays & Thursdays 12:30-1:45 in Tydings 0102.

Office Hours: Tuesdays 1:45-3:15, 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.

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. **Students with poor class attendance have historically earned poor grades in this class.** Many of the lectures will include discussions of the material and current events, all of which is possible material for examinations. 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 – 25%
- 2) Final Exam – 45%
- 3) Two Problem Sets – 20% - 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.
- 4) Class Participation – 10%

Excused Absence Policy: Exams 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 during the first two weeks of class.

Class Schedule (Subject to change):

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| Week of Jan 26th: | Chapter 1: Why Study Public Finance?
Chapter 2: Theoretical Tools of Public Finance |
| Week of Feb 2nd: | Chapter 3: Empirical Tools of Public Finance
Chapter 4: Budget Analysis and Deficit Financing |
| Week of Feb 9th: | Chapter 8: Cost-Benefit Analysis
Chapter 9: Political Economy |

Week of Feb 16th: Chapter 5: Externalities: Problems and Solutions
Chapter 6: Externalities in Action: Environmental and Health Externalities

Week of Feb 23rd: Chapter 7: Public Goods
Chapter 10: State and Local Government Expenditures

Week of March 1st: ***Problem Set 1 due 3/1***
Chapter 11: Education

Week of March 8th: ***Midterm Exam 3/8***
Chapter 12: Social Insurance: The New Function of Government

Week of March 15th: ***Spring Break***

Week of March 22nd: Chapter 13: Social Security
Chapter 14: Unemployment Insurance, Disability Insurance, and Workers' Compensation

Week of March 29th: Chapter 15: Health Insurance I: Health Economics and Private Health Insurance
Chapter 16: Health Insurance II: Medicare, Medicaid, and Health Care Reform

Week of April 5th: Chapter 17: Income Distribution and Welfare Programs

Week of April 12th: Chapter 18: Taxation in the United States and Around the World
Chapter 19: The Equity Implications of Taxation: Tax Incidence

Week of April 19th: Chapter 20: Tax Inefficiencies and Their Implications for Optimal Taxation
Chapter 21: Taxes on Labor Supply

Week of April 26th: Chapter 22: Taxes on Savings
Chapter 23: Taxes on Risk Taking and Wealth

Week of May 3rd: ***Problem Set 2 due 5/3***
Chapter 24: Corporate Taxation

May 10th: Chapter 25: Fundamental Tax Reform

The final exam is currently scheduled by the university for Tuesday, May 17th at 1:30pm