

ECON 454: PUBLIC FINANCE

Spring 2016

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Office hours: Tuesday 3:30 – 5:00pm, or by appointment.

Course Description: This course examines the role of the public sector in the economy with an emphasis on government expenditure programs and tax policy. The aim of the course is to provide an understanding of the nature of government intervention in the economy and the response of individuals and firms to government programs and policies. The course explores both theoretical models and empirical evidence.

Class Meetings: Tydings 2102, Tuesday and Thursday 9:30 – 10:45am

Textbook: Jonathan Gruber, Public Finance and Public Policy.

The 4th edition is the most recent and has the most up-to-date examples and discussions. Students are welcome to use earlier editions to save money, and will not be at a disadvantage in terms of exposure to the substantive material. The textbook has an associated website with many helpful resources for students.

Grading:

- 1) Two Midterm Exams (20% of course grade each) and a Final Exam (35% 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 a student misses an exam and cannot document a valid excuse, the grade will be recorded as a zero.

- 2) Three problem sets (15% of course grade)

Problem sets are due at the beginning of class and will be graded on a 3-point scale: 1-satisfactory, 2-good, 3-excellent. A solution set will be provided and it is the student's responsibility to compare all the answers. Any problem sets turned in late will automatically be graded down one point. Failure to turn in a problem set will result in a 0. Problem sets will not be accepted over email or beyond 24 hours after due date/time. Students are encouraged to work in small groups on problem sets, but it is a violation of the university honor code to copy another student's problem set. Each student must turn in their own problem set.

- 3) Six in-class quizzes (10% of course grade)

Quizzes will be given at the beginning of class and will not be announced in advance. The highest four out of six scores will be counted. Quizzes will be graded on a 3-point scale: 1-satisfactory, 2-good, 3-excellent. No make-up quizzes will be given.

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: Students should use their 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 students 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.

Expectations of Students: Students are expected to read the assigned readings before the class in which they will be covered. Assigned problem sets are due by the beginning of class. Students that miss lectures are still responsible for the material that was covered.

Course Outline

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

<u>Lecture</u>		<u>Topic</u>
1	1/26	<u>Introduction to Public Finance</u> Gruber, Chapter 1
2	1/28, 2/2	<u>Theoretical Tools of Public Finance</u> Gruber, chapter 2
3	2/4	<u>Empirical Tools of Public Finance</u> Gruber, chapter 3
4	2/9	<u>Externalities</u> Gruber, chapters 5 & 6
5	2/11, 2/16	<u>Public Goods</u> Gruber Chapter 7
6	2/18	<u>Fiscal Federalism</u> Gruber, Chapter 10
		<i>* PSET 1 due *</i>
7	2/23	<u>Cost-Benefit analysis</u> Gruber, chapter 8
	2/25	<i>* Midterm Exam 1 *</i>
8	3/1, 3/3	<u>Education</u> Gruber, Chapter 11
9	3/8	<u>Social Insurance</u> Gruber, Chapter 12
10	3/10, 3/22	<u>Social Security</u> Gruber, Chapter 13
		<i>* PSET2 due 3/22 *</i>
11	3/24	<u>Unemployment Insurance, Disability Insurance, and Workers Compensation</u> Gruber, chapter 14

12	3/29, 3/31	<u>Health Insurance Part I: Health Economics and Private Health Insurance</u>
13	4/5	<u>Health Insurance Part II: Medicare and Medicaid</u> Gruber, Chapters 15 & 16
14	4/7	<u>Health Insurance Part III: Health Care Reform</u> Gruber, Chapter 16
	4/12	* Midterm Exam 2*
15	4/14, 4/19	<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
16	4/21, 4/26	<u>Taxation: Background</u> Gruber, Chapter 18
17	4/28	<u>Tax Incidence</u> Gruber, Chapter 19 * PSET3 due *
18	5/3, 5/5	<u>Taxation: Efficiency and Optimality Considerations</u> Gruber, Chapter 20
	5/10	Final exam review session

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