

ECON 205: Public Finance
Spring 2017
(Monday/Thursday 2:35, Griffin 7)

Professor Tara Watson
Schapiro Hall 204
Tara.Watson@williams.edu
Teaching Assistant: Ryan Kelley, rjk1@williams.edu

Office hours starting 2/8:
Weds/Thurs 10:00-11:30
and by appointment

Course description. Public finance is the branch of economics concerned with government's role in the economy. We will focus primarily on microeconomic aspects of expenditure and taxation, and emphasize the U.S. context. Public finance provides a useful framework for analyzing questions such as: When should government intervene? How might it do so? What are the impacts? And why do governments make the choices they do?

Course materials. There is one required textbook for the course: *Public Finance and Public Policy, 5th edition*, by Jonathan Gruber. It can be purchased at Water Street Books. Please do not use older editions as they will be quite out of date. In addition, there will be supplemental readings available in the coursepack. Coursepacks can be picked up in the packet room; the same materials will be available on Glow. All reading represents potentially testable material and many readings will enter into class discussions. The reading list will be supplemented with additional articles during the course of the semester.

Course announcements, problem sets, exam and problem set solutions, helpful links, and review materials will be posted on Glow.

Course requirements. There will be three short op-eds and five problem sets. There will also be a midterm, a final, and a final 8-page paper. Your grade will be determined according to the following grading scheme:

Problem sets (5):	10%
Op-Eds (3):	15%
Midterm:	25%
Final Paper:	20%
Final exam:	30%
Class engagement	5%

Problem sets. Problem sets will be graded on a check, check plus, check minus scale. Working on the problem sets in groups is encouraged. However, if you work out an answer as part of a study group, be sure you understand exactly how to arrive at the answer. You must write up the answer to the problem on your own, in your own words. Turning in an identical problem set answer to a classmate is a violation of the honor code. Utilizing answer sheets from previous semesters of Economics 205 is also a violation of the honor code. TA sessions will be held before problem sets are due. The lowest problem set grade is dropped.

Op-Eds. We will have five in-class debates on policy issues over the course of the semester. You will choose three of these dates to submit an op-ed of 700-900 words plus references. It will take a stand on an issue, defend the argument in a well-reasoned, non-inflammatory way, acknowledge counter – arguments, include three statistics or findings from the literature, and include references. More details will be forthcoming.

Exams. The midterm will be in class on Thursday, March 16. The final will be scheduled during the normal final exam period. It is a violation of the honor code to discuss an exam with anyone who has not yet taken it, or to ask someone about an exam you have not yet taken. If you need to reschedule the exam or receive accommodations please let me know right away.

Policy Analysis paper. You will choose one public policy to analyze in depth, resulting in a 7-8 page paper. A detailed proposal is due on April 21 and the final paper is due May 15. More details will be forthcoming.

Late policy. Problem sets and op-eds may not be turned in late. If a student is sick and cannot complete a problem set, it will be considered the lowest grade and dropped. Late submission of op-eds cannot be accepted. In the event of illness, the student should see the instructor for an alternative assignment. Late policy analysis papers will lose 1/2 of a grade per 24 hours late.

Disabilities. Students with disabilities who may need disability-related classroom accommodations for this course are encouraged to set up an appointment to meet with me as soon as possible.

Getting help. Office hours are available for questions and concerns about the course. E-mail me to make an appointment if scheduled office hours conflict with your other courses. You are encouraged to see me early if you are struggling with the course. Do not wait until the week of the midterm if you are having trouble. You will find the answers to most administrative questions (e.g. due dates) on Glow. The TA will hold help sessions in advance of problem set deadlines.

Key Dates (subject to change).

Monday, February 13. Op-Ed #1 opportunity.

Friday, February 17. Problem Set #1 due.

Thursday, March 2. Op-Ed #2 opportunity.

Friday, March 10. Problem Set #2 due.

Monday, March 13. Op-Ed #3 opportunity.

Thursday, March 16. Midterm Exam.

Monday, April 10. Op-Ed #4 opportunity.

Friday, April 14. Problem Set #3 due.

Friday, April 21. Paper Proposal due.

Friday, April 28. Problem Set #4 due.

Monday, May 8. Op-Ed #5 opportunity.

Friday, May 12. Problem Set #5 due.

Tuesday, May 16. Policy analysis paper due.

Exam Period TBA. Final Exam.

Reading List/Course Outline (subject to change)

Wednesday, February 1: Introduction to Public Finance

- No readings due.

Monday, February 6: Social Welfare Theory

- Syllabus.
- Gruber, Chapters 1 – 3.
- Milton Friedman, 1962. “The Role of Government in a Free Society,” from *Capitalism and Freedom*, University of Chicago press.
- William J. Congdon, Jeffrey R. Kling and Sendhil Mullainathan, 2011. Chapter 3, “Policy and Choice: Public Finance through the Lens of Behavioral Economics,” Brookings Institution.

Thursday, February 9: Externalities

- Gruber, Chapters 5 and 6.
- Daniel Gross, 2007. “What’s the Toll? It Depends on the Time of Day,” *New York Times Economic View*.

Monday, February 13: Op-Ed #1 (Cap and Trade) & Public Goods

- Gruber, Chapter 7.1-7.2.
- Robert Stavins, 2007. “A U.S. Cap-and-Trade System to Address Global Climate Change,” *Hamilton project policy proposal*.
- Lawrence H. Goulder, 2013. “Markets for Pollution Allowances: What Are the (New) Lessons?” *Journal of Economic Perspectives*, 27(1), pp. 87-102.

Thursday, February 16: Public Goods

- Gruber, Chapter 7.3-7.4.
- Anna Malinovskaya and David Wessel, 2017. “Larry Summers v. Edward Glaeser: Two Harvard economists debate increased infrastructure investments,” *Brookings Institution* event summary.

Monday, February 20: Political Economy

- Gruber, Chapter 9.

Thursday, February 23: State & Local Government

- Gruber, Chapter 10.
- Charles Tiebout, 1956. "A Pure Theory of Local Expenditures," *Journal of Political Economy*, 64(5), pp.416-424.

Monday, February 27: Education

- Gruber, Chapter 11.
- Michael Greenstone, Adam Looney, Jeremy Patashnik, and Muxin Yu, 2013. "Thirteen Facts about Social Mobility and the Role of Education," Hamilton Project Brief.
- David Deming and David Figlio, 2016. "Accountability in US Education: Applying Lessons from K-12 Experience to Higher Education," *Journal of Economic Perspectives*, 30(3), pp. 33-56.

Thursday, March 2: Op-Ed #2 (Student Loans) and Theory of Social Insurance

- Gruber, Chapter 12.
- Christopher Avery and Sarah Turner, 2012. "Student Loans: Do College Students Borrow Too Much – Or Not Enough?" *Journal of Economic Perspectives*, 26(1), pp. 165-192.
- Susan Dynarski and Daniel Kreisman, 2013. "Loans for Educational Opportunity: Making Borrowing Work for Today's Students," Hamilton project discussion paper.

Monday, March 6: U.S. Social Insurance Programs – Social Security

- Gruber, Chapter 13.
- Center for Budget and Policy Priorities, "Policy Basics: Top Ten Facts About Social Security."
- Peter Diamond and Peter Orszag, 2005. "Saving Social Security: The Diamond-Orszag Plan," *The Economists' Voice*, 2(1), Article 8.
- Ezra Klein, 2015. "Raising Social Security's retirement age is a disaster for the poor," Vox.com.

Thursday, March 9: U.S. Social Insurance Programs – UI, WC, and DI

- Gruber, Chapter 14.
- Center for Budget and Policy Priorities, 2015. "Policy Basics: Unemployment Insurance."
- Center for Budget and Policy Priorities, 2016. "Policy Basics: Social Security Disability Insurance."

Monday, March 13: Op-Ed #3 (Disability Insurance) & Catch-Up

- Congressional Budget Office, 2012. "Policy Options for the Social Security Disability Insurance Program."
- David H. Autor and Mark Duggan, 2010. "Supporting Work: A Proposal for Modernizing the U.S. Disability System," Hamilton project policy proposal. (Focus on pp.1-27.)

Thursday, March 16: Midterm Exam

****SPRING BREAK****

Monday, April 3: Health Insurance

- Gruber, Chapters 15 and 16.

Thursday, April 6: Health Spending

- Goldhill, David, September 2009. "How American Health Care Killed My Father," *The Atlantic Monthly*.
- Gawande, Atul, June 1, 2009. "The Cost Conundrum: What a Texas Town Can Teach Us about Health Care," *The New Yorker*.
- David Blumenthal, Kristof Stremikis, and David Cutler, Ph.D., 2013. "Health Care Spending — A Giant Slain or Sleeping?," *New England Journal of Medicine*, 369 (25), pp. 2551-2557.

Monday, April 10: Op-Ed #4: ACA High Risk Pools & Income Distribution

- Gruber, Chapter 17.
- Karen Pollitz, 2016. "High-Risk Pools for Uninsurable Individuals," Kaiser Family Foundation Issue Brief.
- Timothy Jost, 2016. "Taking Stock of Health Reform: Where We've Been, Where We're Going," *Health Affairs*.
- Jonathan Fischer and Timothy Smeeding, 2016. "State of the Union: Income Inequality," Stanford Center on Poverty and Inequality.

Thursday, April 13: Poverty and Mobility

- Melissa S. Kearney, Benjamin H. Harris, and Karen Anderson, 2015. "Policies to Address Poverty in America: Introduction," The Hamilton Project.
- Justin Wolfers, 2015. "Why the New Research on Mobility Matters: An Economist's View," *New York Times Upshot*.
- Linda Tirado, 2014. *Hand to Mouth*, G.P. Putnam's Sons, excerpts.

Monday, April 17: Safety Net Programs

- Center for Budget and Policy Priorities, 2015. "Policy Basics: An Introduction to TANF."
- Center for Budget and Policy Priorities, 2016. "Policy Basics: Introduction to SNAP."
- Andrew Flowers, 2015. "What would happen if we just gave people money?," *Five-thirty-eight.com*.

Thursday, April 20: Introduction to Taxation

- Gruber, Chapter 18.

Monday, April 24: Tax Incidence

- Gruber, Chapter 19-20.

Thursday, April 27: EITC and Labor Supply

- Gruber, Chapter 21.
- Center for Budget and Policy Priorities, 2016. "Policy Basics: Earned Income Tax Credit."
- Alana Semuels, 2015. "When Tax Credits Are About More Than Money," *The Atlantic*.

Monday, May 1: Behavioral Responses to Taxation

- Gruber, Chapters 22-23.
- Jared Bernstein, Aparna Mathur, Kim Rueben, Tom Hungerford, and Jeffrey A. Miron, 2015. "Can Tax Policy Distinguish the Rich from the Middle Class?," *New York Times Room for Debate*.

Thursday, May 4: Corporate Tax and Tax Reform

- Gruber, Chapters 24-25.

Monday, May 8: Op-Ed #5: VAT & Budgeting and Deficits

- Gruber, Chapter 4.
- William G. Gale and Benjamin H. Harris, 2013. "Creating an American Value-Added Tax," Hamilton project policy paper.
- James Bickley, 2011. "Value Added Tax as a Revenue Option: A Primer," *Congressional Research Service*.

Thursday, May 11: Catch Up and Review

- No new reading.