

Public Economics

Yale University

ECON S275 – Summer 2012

July 9 – August 10

Instructor: Doug McKee (douglas.mckee@yale.edu)

Teaching Fellow: Chris Neilson (christopher.neilson@yale.edu)

Classroom: Phelps 407

Class Hours: MWF, 1:00–3:15

My Office Hours: MWF 3:15–4:00 (Phelps 407)

My Office: 28 Hillhouse Ave., Room 308

TF Office Hours: Thurs, 3:30–4:30 (28 Hillhouse Ave., Room B1)

Course Description:

This course examines the role of the public sector in the economy. We begin by exploring when and how the government intervenes in the economy. We also consider the impact of government intervention. We then use this theoretical foundation to examine current issues in expenditure and tax policy. Examples will be drawn from the United States and around the world.

The prerequisites for this course are introductory microeconomics and familiarity with single variable calculus.

Grades:

Your grade will be composed of four parts.

1. Problem Sets: (25%)

There will be four problem sets composed of quantitative problems as well as more conceptual questions. Problem sets will only be accepted in printed form in class on the date due. No late problem sets will be accepted. Problem sets and course announcements will be posted on the classes*v2 web site.

2. In-class Presentation: (15%)

After the first day of class, each student will be randomly assigned to a group of 3-4. At the beginning of the second lecture, each group will choose a day to present. The presentation will be about a policy or issue related to the topic of that day's lecture. For example, if the topic is education, a group might tell the class about the Progres/Oportunidades program in Mexico that pays poor families when their children are enrolled in school. Given that our textbook provides few examples of policy outside the US, international topics and policies are preferred. Each group should send me a two page written summary of their subject and five proposed discussion questions the night before their presentation. For this example, one discussion question might be "Is this policy addressing any market failures?"

3. Midterm Exam: (25%)

Date: July 20

4. Final Exam: (35%)

Date: August 10

Textbook:

Public Finance and Public Policy, 3rd edition by Jonathan Gruber is required and should be available at the Yale Bookstore. This book is terrific. It covers all the important issues in public economics and places them in a solid theoretical context. It also contains a wealth of examples and detail about real public policies. It's only weakness is that it focuses almost exclusively on the United States, even though the principles of public economics are much more broadly applicable. It is extremely important that everyone do the assigned reading before each lecture as we will only be spending the first hour or so of class going over that material. The rest of the class will be spent applying the concepts in alternative (mostly international) environments.

Acknowledgements:

This class in in large part derived from the public economics course that Professor Ebonya Washington taught at Yale in Spring 2012. I'm extremely grateful to her for sharing her syllabus, problem sets, exams, and advice. All of these provided a fantastic starting point. That said, I take full responsibility for any mistakes that I may have added to the material.

Please do not redistribute any of these materials without my and Professor Washington's permission.

Schedule:

PART I: EXTERNALITIES AND PUBLIC GOODS

Monday, July 9: Introduction—Why Study Public Finance?

Read: Chapters 1, 2, and 4

Wednesday, July 11: Externalities

Read: Chapters 5 and 6

Friday, July 13: Public Goods: Theory and Methods

Read: Chapters 3, 7, and 8

Due: Problem Set 1

Monday, July 16: Political Economy and Optimal Fiscal Federalism

Read: Chapters 9 and 10

Wednesday, July 18: Education

Read: Chapter 11

Due: Problem Set 2

Friday, July 20: MIDTERM EXAM

PART II: SOCIAL INSURANCE

Monday, July 23: Social Insurance (Big Picture)

Read: Chapter 12

Wednesday, July 25: Unemployment Insurance, Disability and Workers Compensation

Read: Chapter 14

Friday, July 27: Social Security

Read: Chapter 13

Monday, July 30: Health Insurance

Read: Chapter 15 and 16

Due: Problem Set 3

Wednesday, August 1: Health Care Reform

Read: TBA

Friday, August 3: Redistribution and Welfare Policy

Read: Chapter 17

PART III: TAXATION

Monday, August 6: Tax Institutions, Incidence, and Inefficiencies

Read: Chapters 18, 19, and 20

Due: Problem Set 4

Wednesday, August 8: Impact on Individual Behavior

Read: Chapters 21, 22, and 23

Friday, August 10: FINAL EXAM