

Spring 2017

Economics 460 PUBLIC ECONOMICS

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This course surveys the field of Public Finance. The public sector accounts for about a third of all economic activity in the United States; government affects almost everything that we do in our daily lives, sometimes for the better, sometimes for the worse. This course uses tools of microeconomic analysis to study the taxing and the spending activities of government. We examine how decisions are made about government interventions in markets, what kinds of expenditure activities the U.S. government pursues, how those activities are financed through revenue collection, and the effects of both expenditure and taxation programs on individual behavior and economic welfare. A central goal of the course is for students to understand the principles that determine optimal government intervention in market economies and to be prepared to apply those principles to current policy debates.

Required Purchases:

Jonathan Gruber, *Public Finance and Public Policy*, Fourth Edition, 2013, Worth Publishers. Note that this is **NOT** the current edition of the book. Used copies of the Fourth Edition are widely available online for less than \$100.

iClicker (either model 1 or 2 or +): Please register your clicker using the left-side-menu tool on your Sakai My Workspace page (the page you reach just after logging in before you choose one of your course sites).

Important Course Information:

I count on you to attend all classes. Attendance will be recorded, beginning in a few days, with the iClicker system. If you expect to miss one or two classes because of illness or a family emergency, please use the University absence reporting website <https://sims.rutgers.edu/ssra/> to indicate the date and reason for your absence from class. That system automatically sends an email to me.

Complete each day's reading assignment **before** coming to class. I may ask questions in lecture about the reading that you will need to answer with your iClicker. I will presume as I lecture that you have at least carefully read the assignment, even if you have not fully mastered the chapter.

You cannot do well on the exams without engaging with each assignment seriously and independently. Your scores on the problem sets will be based on the seriousness of your efforts to address all parts of each problem, rather than on the correctness of your results. The solutions manuals circulating illegally on the Internet are well known to your instructor and your TA. Usage of these materials defeats the purpose of assigning the problems and is, moreover, a violation of the Rutgers University Academic Integrity Policy. Such inappropriate usage is easy to detect and will be swiftly adjudicated under the RUAIP. Please submit homework answers that are neat, legible, orderly, well explained, and stapled securely. **They are due in class at the moment I begin to lecture, not at the moment you arrive in the classroom.** Axes in diagrams should be drawn with a straightedge and the diagrams themselves should be drawn large enough so that their lessons are clearly conveyed. Students whose submissions fall far short of this standard will not receive credit.

I request that you arrive on time and remain present, seated, and engaged in the classroom until I conclude. Do not wander in and out of the classroom. Please silence and stow out of sight your cell phones for the duration of the class period. You may not use a laptop or tablet in class.

Tentative Schedule of Lectures and Reading Assignments

Class	Topic	Reading
January 18	Introduction	
January 23	Microeconomic tools for public economics	Chapters 1, 2
January 25	Empirical methods for public economics	Chapter 3
January 30	Budget analysis: surpluses and deficits	Chapter 4
February 1	The theory of externalities	Chapter 5
February 6	Applications of externality theory	Chapter 6
February 8	Public goods theory	Chapter 7
February 13	Benefit-cost analysis	Chapter 8
February 15	Midterm 1	
February 20	Political economy of public-goods provision I	Chapter 9
February 22	Political economy of public-goods provision II	
February 27	State and local public expenditures	Chapter 10
March 1	Education as a public good	Chapter 11
March 6	The theory of social insurance	Chapter 12
March 8	Social Security	Chapter 13
March 11-19	Spring break	
March 20	Unemployment and disability insurance; Workers' Compensation	Chapter 14
March 22	The economics of health insurance	Chapter 15
March 27	Midterm 2	
March 29	Medicare, Medicaid, and the Affordable Care Act	Chapter 16
April 3	Income distribution and welfare policy	Chapter 17
April 5	Introduction to taxation	Chapter 18
April 10	Tax incidence	Chapter 19
April 12	Optimal taxation theory	Chapter 20
April 17	Taxes on labor supply	Chapter 21
April 19	Taxes on savings	Chapter 22
April 24	Taxes on risk-bearing and wealth	Chapter 23
April 26	Corporate taxation	Chapter 24
May 1	Tax reform	Chapter 25
May 9	Final exam 12 to 3 p.m.	

Exams and Other Components of Your Grade

Each of the two hour exams counts 20 percent in your grade, while the final counts 30 percent. Homework assignments count 10 percent. Quizzes on the textbook reading (found on Sakai under Tests and Quizzes) count 10 percent. Your answers to iClicker questions posed in the lecture count for an additional 10 percent. Other expectations, including attentive participation in each class and submission of web-based feedback forms, are not reflected in these weightings, but I reserve the right to lower your final course average by as much as 5 percent if you do not make ongoing good-faith efforts on these tasks. If you must miss an exam due to illness, please notify me in advance and be prepared to provide corroborating medical documentation.

The final exam is cumulative. It will be given at noon on May 9. I can make no exceptions to this schedule. If you have already unalterable plans that make taking the exam at the official time impossible, *you should drop the course now*.

Academic Integrity

Every Rutgers student needs to be familiar with the details of the university's academic integrity policy: <http://academicintegrity.rutgers.edu/policy-on-academic-integrity>. I take such matters very seriously and have no hesitation about pursuing charges against offenders.

iClicker instructions

1. BUY THE iCLICKER

Note the brand name is iClicker: **no other brand of clicker will work in this course**. You will need only the basic model; if another course requires the more expensive and fancier iClicker+ or iClicker2, it will work fine in our course. You are welcome to buy a used iClicker. You can use an iClicker in more than one class, but **you CANNOT share the same iClicker with another student** because the unique ID built into it must be associated with only one name.

2. REGISTER THE iCLICKER using the left-side-menu tool on your Sakai My Workspace page (the page you reach just after logging in before you choose one of your course sites).

- If you are **using iClicker in another class**, you need register only once on Sakai for both classes.
- If you lose your clicker and get another, you must register your new one (and tell me).
- Send yourself an email with the iClicker ID so you can retrieve it easily after the label wears off, which they inevitably do.
- As further insurance against losing your iClicker ID, I will ask you in my first-week online questionnaire to provide it.

3. USE THE iCLICKER

- Pull out the plastic tab on the back of the iClicker to activate the batteries.
- In class, turn it on with the on/off button – the solid blue power light will go on.
- When requested, respond to a question by pressing one of the A,B,C,D,E buttons – a green light will go on to show your response has been recorded. (A red light will go on if it has not been received—for example, if you try it at home.)
- No other student will know your response.
- The clicker has a low-battery LED that flashes RED when about 10 hours of battery life remain. Change the batteries ASAP when you see this signal. If you are reusing an old iClicker or have bought a used one, start the semester with a fresh set of batteries, preferably long-life ones marked for use in electronic devices.
- Figure out a system that guarantees you remember to bring your iClicker to every class. **If your iClicker is unavailable or non-functioning, you will receive no iClicker points for that day**. In our large class, I am not able to excuse individual lapses of this sort.
- You receive three points for responding to an iClicker question and a fourth point for answering correctly.

Official announcements

Official announcements about this class will appear **only** on the class Sakai site. In the very unlikely event that I must cancel class (it's happened exactly twice so far in my teaching career), you will receive an emailed announcement that you should confirm on the Sakai site.