

RUTGERS UNIVERSITY
Department of Economics

Spring semester,
2017-2018

Economics 464:
Personal Economics and Public Policy

Mr. Killingsworth
201-B New Jersey Hall

Learning objectives: In the course, you will learn about some of the major economic decisions you'll need to make throughout life (your education, getting auto loans and a home mortgage, borrowing money, finding health and life insurance, saving for retirement, and making other decisions affecting your consumption, financial status and lifestyle); how economic analysis is relevant to these decisions; the costs and benefits of different public policies affecting these decisions (e.g., the tax deductibility of mortgage interest, state and local taxes and charitable contributions; proposed reforms of the health care system and the educational system); and how such public policy decisions affect and are affected by individuals' economic decisions and actions.

PLEASE NOTE: Laptops and cell phones may *not* be used at any time, for any purpose, during lectures or exams. Anyone who does not conform to this requirement will be removed from the classroom. Likewise, anyone talking to other members of the class during lectures or exams will be removed from the classroom. Anyone removed from the classroom will not be readmitted to the classroom without prior consultation with the instructor and the dean of students.

Office hours: Tuesdays, 1-3 pm, in 201-B New Jersey Hall, CAC; or by appointment. (Watch your email for announcements of additional office hours, usually on Fridays.) Feel free to make an appointment for another time if regular office hours are not convenient. You can leave messages for me at 848-932-7794 or at the Economics Department at 848-932-7363. Office hours are an INTEGRAL part of the course! My e-mail address is **mrk@economics.rutgers.edu**.

Quizzes, exams and grades: Grades will be based on a midterm exam (35%), a final exam (35%), and two quizzes (15% each).

The quizzes: Four quizzes will be given during the semester; your best *two* quiz scores will be used in computing your course grade. Dates of quizzes will not be announced in advance. *Anyone absent from a quiz will receive a score of zero for that quiz. There will be no makeups for any quiz.* (In lieu of makeups, you get to drop your two lowest quiz scores.) *If you arrive late, after a quiz is being distributed, you will not be allowed to take it.* Each quiz will be open-book/open-notes, consist of multiple-choice questions, and take no more than 30 minutes. The quizzes are graded using a Scantron form, so please always *bring a pencil with an eraser to class*.

The exams: Review questions and answers will be distributed before each exam. Students who miss the midterm exam or the final exam are required to take a makeup exam. Also, students who take an exam but want to improve their grade may, at their option, take the makeup to that exam. In this case, your grade will be based on the better of the two exams (i.e., if the makeup score is higher than the original exam score, the makeup score will be used; otherwise, the original exam score will be used). (For students who take the exam but not the makeup, the original exam grade will count as the actual exam grade.) Each exam will (i) consist entirely of essay questions that will stress the ability to apply principles of economics developed in the readings and lectures; and (ii) be open-book/open-notes (so that memorization and rote learning will be deemphasized).

Text and readings: The required text for the course is Koblner, *Get a Financial Life* ("Koblner"). Other readings for the course are given in the syllabus, below. Virtually all of these readings will be available from the Sakai site for the course. In addition to these readings, please download a copy of IRS Publication 17 (see next page for details). Finally, you'll need a calculator that can compute exponents ($10^{3.25}$, $e^{4.10}$, etc.) and common and natural logarithms.

Student subscriptions: You should regularly read one or more publications in economics and business (e.g., *The New York Times*; *The Wall Street Journal*; *Business Week*; *The Financial Times*; *The Economist*; etc.). You can order some of these publications at steeply-discounted student rates; see the Sakai site for the course for details.

Sakai site for the course: Check the Sakai site for the course for reading assignments, the full text of all readings, all lecture notes for the coming week, and other information. And be sure to check your email for announcements!

Prerequisites: Econ. 320 (Intermediate Microeconomics) and Econ. 322 (Econometrics).

Absences: I do not give credit for attendance, and I do not penalize students for absences. (However, note that if you're absent or arrive late on a day when a quiz is given, your quiz score will be recorded as a zero; see above.) The Rutgers Self-Reporting Absence Website can be accessed at <http://sims.rutgers.edu/ssra>.

Helpful hints:

- The midterm and final exams (1) consist of essay questions, (2) are open-book/open-notes, (3) do NOT require memorization and (4) emphasize clear thinking and application of economic analysis to economic questions (including questions that may not have been discussed in lectures).
- Do the required readings BEFORE they are discussed in class -- DON'T wait until exam time rolls around. (This is particularly important because the dates of quizzes will *not* be announced. You'll need to be prepared *before* you come to class!)
- Go over the readings at least TWICE – the material is too complicated to grasp fully after only one reading.
- Above all, if you need help, DO ask questions in class and DO go to office hours (preferably, well before exam time). REMEMBER that your tuition will NOT be increased if you go to office hours!
- Remember that there will be no makeup for any quiz, and there will be no makeups for any makeup exam. If you miss a quiz, you will receive a score of zero for that quiz. If you miss both an exam and the makeup to that exam, you will receive a score of zero for that exam. Latecomers will not be allowed to take any quizzes.
- If you encounter problems of any kind – family problems, personal problems, academic problems, emotional problems, health problems, work-related problems, etc. – you should deal with them *as soon as they arise* by contacting your college dean, by contacting me, etc. **Don't** wait until the end of the semester to contact me – at that point, it will be much too late to do anything about them!

SYLLABUS FOR THE COURSE

As soon as possible, download IRS Publication 17, "Your Federal Income Tax," available from the IRS website, at <http://www.irs.gov/uac/About-Publication-17>. Note that this document is over 300 pages long. Keep it on your hard drive, but don't print it unless you have lots of time and paper!

1. Introduction and some preliminaries

Kobliner, Chapters 1 and 2

Notes on regression analysis; Notes on the missing variables problem (both available on Sakai)

Sama, Weston and Cepeda, "Laptop multitasking hinders classroom learning for both users and nearby peers," *Computers & Education* 62 (2013), pp. 24-31

2. Learning

Angrist, Dynarski, Kane, Pathak, and Walters, "Inputs and Impacts in Charter Schools: KIPP Lynn," *American Economic Review* 100(2) (May 2010), pp. 239-243

Lavy, "Performance Pay and Teachers' Effort, Productivity and Grading Ethics," *American Economic Review* 99(5) (December 2009), pp. 1979-2011

Carrell and West, "Does Professor Quality Matter? Evidence from Random Assignment of Students to Professors," *Journal of Political Economy* 118(3) (June 2010), pp. 409-432

Johnson and Turner, "Faculty Without Students: Resource Allocation in Higher Education," *Journal of Economic Perspectives* 23(2) (Spring 2009), pp. 169-190

Achen and Courant, "What Are Grades Made Of?" *Journal of Economic Perspectives* 23(3) (Summer 2009), pp. 77-92

Bar, Kadiyali and Zussman, "Grade Information and Grade Inflation," *Journal of Economic Perspectives* 23(3) (Summer 2009), pp. 93-108

3. **Consuming**

Johnson, "'Petit Déjeuner Compris' – Is It Really Free?" *Journal of Wine Economics* 2(1) (May 2007), pp. 2-23

Lach, "Existence and Persistence of Price Dispersion: An Empirical Analysis," *Review of Economics and Statistics* 84(3) (August 2002), pp. 433-444

Chevalier and Goolsbee, "Are Durable Goods Consumers Forward-Looking? Evidence from College Textbooks," *Quarterly Journal of Economics* 124(4) (November 2009), pp. 1853-1884

Abramitzky, Einav and Rigbi, "Is Hanukkah Responsive to Christmas?" *Economic Journal* 120(545) (June 2010), pp. 612-630

Simonsohn, "Weather to go to College," *Economic Journal* 120(543) (March 2010), pp. 270-280

Leape, "The London Congestion Charge," *Journal of Economic Perspectives* 20(4) (Fall 2006), pp. 157-176

4. **Working (or not)**

Case and Paxson, "Stature and Status: Height, Ability, and Labor Market Outcomes," *Journal of Political Economy* 116(3) (June 2008), pp. 499-533

Hallock, "Job Loss and the Fraying of the Implicit Employment Contract," *Journal of Economic Perspectives* 23(4) (Fall 2009), pp. 69-94

Nicholson and Needels, "Unemployment Insurance: Strengthening the Relationship Between Theory and Policy," *Journal of Economic Perspectives* 20(3) (Summer 2006), pp. 47-70

Elias and Storrie, "Does Job Loss Shorten Life?" *Journal of Human Resources* 44(2) (Spring 2009), pp. 277-302

Kahn, "The long-term consequences of graduating from college in a bad economy," *Labour Economics* 17 (2010), pp. 303-316.

midterm exam (covering Parts 1-4 above): week of February 26 (probably!)

5. **Raising a family**

Baker, Gruber and Milligan, "Universal Child Care, Maternal Labor Supply, and Family Well-Being," *Journal of Political Economy* 116(4) (August 2008), pp. 709-745

Loughran and Zissimopoulos, "Why Wait? The Effect of Marriage and Childbearing on the Wages of Men and Women," *Journal of Human Resources* 44(2) (Spring 2009), pp. 326-349

Miller, "The Effects of Motherhood Timing on Career Path," *Journal of Population Economics* 24: 1071-1100 (2011)

Stevenson and Wolfers, "Marriage and Divorce: Changes and Their Driving Forces," *Journal of Economic Perspectives* 21(2) (Spring 2007), pp. 27-52

Black, Sanders and Taylor, "The Economics of Gay and Lesbian Families," *Journal of Economic Perspectives* 21(2) (Spring 2007), pp. 53-70

6. **Paying taxes, receiving transfers**

Kobliner, Chapter 9

Internal Revenue Service, *Publication 17*

www.datatools.taxpolicycenter.org/1040 (information on Form 1040 and Schedule A)

Mankiw, Weinzierl, and Yagan, "Optimal Taxation in Theory and Practice," *Journal of Economic Perspectives* 23(4) (Fall 2009), pp. 147-174

Poterba, "Taxation and Housing: Old Questions, New Answers," *American Economic Review* 82(2) (May, 1992), pp. 237-242

Glaeser and Shapiro, "The Benefits of the Home Mortgage Interest Deduction," pp. 37-82 in *Tax Policy and the Economy*, Vol. 17 (2003)

Slemrod, "Are Estimated Tax Elasticities Really Just Tax Evasion Elasticities? The Case of Charitable Contributions," *Review of Economics and Statistics* 71(3) (August 1989), pp. 517-522

6. **Paying taxes, receiving transfers** (continued)

Piketty and Saez, "How Progressive is the U.S. Federal Tax System? A Historical and International Perspective," *Journal of Economic Perspectives* 21(1) (Winter 2007), pp. 3-24

Hines, "Taxing Consumption and Other Sins," *Journal of Economic Perspectives* 21(1) (Winter 2007), pp. 49-68

Graetz, "Tax Reform Unraveling," *Journal of Economic Perspectives* 21(1) (Winter 2007), pp. 69-90

Agarwal, Liu, and Souleles, "The Reaction of Consumer Spending and Debt to Tax Rebates – Evidence from Consumer Credit Data," *Journal of Political Economy* 115(6) (December 2007), pp. 986-1019

Shapiro and Slemrod, "Did the 2008 Tax Rebates Stimulate Spending?" *American Economic Review* 99(2) (May 2009), pp. 374-379

Bertrand and Morse, "What Do High-Interest Borrowers Do with Their Tax Rebates?" *American Economic Review* 99(2) (May 2009), pp. 418-423

Currie and Gahvari, "Transfers in Cash and In-Kind: Theory Meets the Data," *Journal of Economic Literature* 46(2) (June 2008), pp. 333-383

7. **Staying healthy**

Propper and Van Reenen, "Can Pay Regulation Kill? Panel Data Evidence on the Effect of Labor Markets on Hospital Performance," *Journal of Political Economy* 118(2) (April 2010), pp. 222-273

Gruber, "Covering the Uninsured in the United States," *Journal of Economic Literature* 46(3) (September 2008), pp. 571-606

Garber and Skinner, "Is American Health Care Uniquely Inefficient?" *Journal of Economic Perspectives* 22(4) (Fall 2008), pp. 27-50

Cebul, Rebitzer, Taylor, and Votruba, "Organizational Fragmentation and Care Quality in the U.S. Healthcare System," *Journal of Economic Perspectives* 22(4) (Fall 2008), pp. 93-114

8. **Borrowing, saving, investing, and insuring**

Handout on compound interest, discounting, and present value (available on the Sakai site for the course)

Kobliner, Chapters 3-8

Dynarski, "Lowering Interest Rates on Loans Isn't the Best Way to Help College Students," *The New York Times*, August 25, 2014

Stegman, "Payday Lending," *Journal of Economic Perspectives* 21(1) (Winter 2007), pp. 169-190

Stango and Zinman, "What Do Consumers Really Pay on Their Checking and Credit Card Accounts? Explicit, Implicit, and Avoidable Costs," *American Economic Review* 99(2) (May 2009), pp. 424-429

Woodward and Hall, "Consumer Confusion in the Mortgage Market: Evidence of Less than a Perfectly Transparent and Competitive Market," *American Economic Review* 100(2) (May 2010), pp. 511-515

Woodward and Hall, "Diagnosing Consumer Confusion and Sub-Optimal Shopping Effort: Theory and Mortgage-Market Evidence," *American Economic Review* 102(7) (December 2012), pp. 3249-3276

Skinner, "Are You Sure You're Saving Enough for Retirement?" *Journal of Economic Perspectives* 21(3) (Summer 2007), pp. 59-80

Gustman, Steinmeier, and Tabatabai, "What the Stock Market Decline Means for the Financial Security and Retirement Choices of the Near-Retirement Population," *Journal of Economic Perspectives* 24(1) (Winter 2010), pp. 161-182

Lochner and Monge-Naranjo, "The Nature of Credit Constraints and Human Capital," *American Economic Review* 101(6) (October 2011), pp. 2487-2529

optional exam (covering ONLY Parts 5-8): Wednesday, May 2 (time and place TBA)

final exam (covering ONLY Parts 5-8): Wednesday, May 9, between 8-11 am

helpful information, websites, etc.:

This course meets between 9:50-11:10 on Tuesdays and Fridays in Murray Hall 210.

For the current **Academic Integrity Policy**, which defines, prohibits, and describes penalties for cheating and plagiarism, see <http://academicintegrity.rutgers.edu/academic-integrity-policy/>.

Student-Wellness Services:

Just In Case Web App, for a mental health crisis for you are a friend: <http://codu.co/cee05e>

Counseling, ADAP & Psychiatric Services (CAPS), for non-emergency psychological health issues:
(848) 932-7884 / 17 Senior Street, New Brunswick, NJ 08901 www.rhscaps.rutgers.edu/

Violence Prevention & Victim Assistance (VPVA)

(848) 932-1181 / 3 Bartlett Street, New Brunswick, NJ 08901 www.vpva.rutgers.edu/

Disability Services

(848) 445-6800 / Lucy Stone Hall, Suite A145, Livingston Campus, 54 Joyce Kilmer Avenue,
Piscataway, NJ 08854 / <https://ods.rutgers.edu/>

Scarlet Listeners, for confidential peer counseling and referral hotline:

<http://www.scarletlisteners.com/> or call (732) 247-5555