

**Department of Economics, Rutgers University**  
**Public Economics (Upper-Elective Course)**  
**01:220:460:01 Fall 2017**  
*Syllabus*

**INSTRUCTOR**

Oriol Carbonell  
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**HOURS**

Tuesdays and Fridays 9:50AM-11:10AM.

**BUILDING-ROOM**

Hardenbergh Hall-A7, College Avenue Campus.

**OFFICE HOURS**

Held in 106A New Jersey Hall **Tuesdays and Fridays 1:00PM-2:00PM** and by appointment.

**PREREQUISITES**

01:220:320 and 01:220:322.

**LEARNING OUTCOMES**

This course uses tools of microeconomic analysis to study the taxing and the spending activities of government. It emphasizes the standard economic rationales for government intervention in market economies and the effects of Pareto improving and redistributive policies on welfare. Students will learn theories that explain the role of government in the production and financing of education and the provision of social insurance and welfare programs. Insight will be gained into the distortions generated by taxation and their effects on welfare.

**COURSE WEB SITE**

<https://sakai.rutgers.edu>

This link will take you to the Sakai web site. You can log on to Sakai using your net ID and password. The course worksite is entitled "PUBLIC ECONOMICS 01 F17."

**GRADING**

*Seven* announced in-class quizzes will determine your grade. There will be no final examination, *nor will any extra credit work be provided. Each quiz will carry the same weight.*

The following is the correspondence between average percentage scores and letter grades that will be used for this class:

<i>Grade</i>	<i>Minimum average percentage score</i>
A	90%
B+	85%
B	75%
C+	65%
C	60%
D	55%

*Note:* Missed exams are excused only for medical reasons or emergencies, *provided that the instructor is notified within 24 hours after the missed exam*, and only with a note from the Dean's office or a signed form from a physician's office and confirmation of the visit by the instructor.

## QUIZ DATES

Quiz 1: *Tuesday, September 19.*

Quiz 2: *Friday, September 29.*

Quiz 3: *Friday, October 13.*

Quiz 4: *Tuesday, October 31.*

Quiz 5: *Tuesday, November 14.*

Quiz 6: *Friday, December 1.*

Quiz 7: *Tuesday, December 12.*

## CLASS PREPARATION

Practice problems will be distributed via the Sakai site for the course. *These are intended as practice for the quizzes.* You should attempt to solve all practice problems. Simply reading the solutions to the problem sets will not insure your passing the course. Problem solutions will be distributed via the course web site when necessary. However, solutions to the problems that are solved in class *will not* be posted.

## ABSENCES

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. An email is automatically sent to the instructor.

## IMPORTANT DATES

- **Tuesday, September 12:** Last day for undergraduates to drop a course without a “W.”
- **Wednesday, September 13:** Last day for undergraduates to add a course.
- **Monday, October 30:** Last day to drop a course by withdrawal
- **Tuesday, November 21:** Change of designation day - Thursday classes meet.
- **Wednesday, November 22:** Change of designation day - Friday classes meet.
- **Thursday, November 23–Sunday, November 26:** Thanksgiving Recess.
- **Wednesday, December 13:** Last day of classes.

## COURSE OUTLINE

1. Introduction. The economic rationale for government.
2. Externalities.
  - 2.1. Externality theory.
  - 2.2. Traditional solutions to the externality problem.
  - 2.3. The tragedy of the commons.

*Quiz 1 on externalities (sections 2.1-2.2) on Tuesday, September 19.*

*Quiz 2 on externalities (section 2.3) on Friday, September 29.*

3. Public goods.
  - 3.1. Efficient provision of public goods.
  - 3.2. Inefficiency of private provision of public goods.
  - 3.3. Government intervention.

*Quiz 3 on public goods on Friday, October 13.*

## 4. Education.

- 4.1. Rationale for government intervention.
- 4.2. Free public education *vs.* educational vouchers.

## 5. Welfare programs.

- 5.1. Welfare policy: cash and in-kind programs.
- 5.2. Welfare policy and moral hazard.
- 5.3. Reducing the moral hazard costs of welfare policy.

***Quiz 4 on education and welfare programs on Tuesday, October 31.***

## 6. Social Insurance.

- 6.1. Asymmetric information and adverse selection.
- 6.2. The role of social insurance.

***Quiz 5 on social insurance on Tuesday, November 14.***

## 7. Taxation.

- 7.1. Tax incidence.
- 7.2. Optimal taxation.
- 7.3. Taxes on labor supply.
- 7.4. Taxes on savings.
- 7.5. Corporate tax.

***Quiz 6 on taxation on Friday, December 1.***

## 8. Economic analysis of crime and punishment.

***Quiz 7 on the economic analysis of crime and punishment on Tuesday, December 12.***

***Note:*** Time constraints may cause some topics to be omitted.

**REFERENCES**

While there is no required textbook, the following references may help as a complement—*not as a substitute*—for the material covered in class. Copies of these references have been placed on reserve at Alexander Library.

- Gruber, Jonathan, *Public Finance and Public Policy*, Worth Publishers, Fourth Edition, 2013.
- Rosen, Harvey S., and Ted Gayer, *Public Finance*, McGraw Hill, Tenth Edition, 2014.
- Stiglitz, Joseph E., *Economics of the Public Sector*, W.W. Norton and Company, Fourth Edition, 2015.