Course Overview
This course will explore the reasons for government intervention in the economy, the extent of that intervention, and the response of private agents to the government’s actions. The goal of the course is to use economic models and research to inform our thinking about public policy issues. A wide range of current issues will be examined, such as privatizing Social Security, extending health insurance to the uninsured, and eliminating the estate tax. While most examples will be drawn from the United States, the lessons from the course are applicable to other countries.

Prerequisites
The prerequisites for the course are Economics 201 and 203, as the theoretical models and empirical research discussed in the course require familiarity with these tools. Unfortunately, it will not be possible to take either of the pre-requisites concurrently with this course, since we will be relying on these tools starting early in the semester.

Readings
The required readings for the course include:


b) Articles from economic journals and excerpts from books. These will be made available through the e-reserves section of the course conference. For this type of reading, I will post reading questions on the conference to help you identify the article’s key points as you read.

c) Readings from newspapers or magazines may also be assigned from time to time on an ad hoc basis (e.g., they are not on the syllabus below). These readings will also be made available through e-reserves.

Public economic issues are very frequently in the news, yet we cannot discuss every relevant article in class. Readings from newspapers and magazines that I don’t plan to discuss in class but that are still interesting and relevant will be posted in the “in the news” section of the course conference. I strongly encourage you to post articles you find there also. While articles posted on “in the news” are not required reading, I hope that having access to them will deepen your appreciation of the relevance of the material we are learning.
Course Requirements
There are three requirements for the course:

1. Assignments: 30%
The course will feature weekly assignments, due on Fridays. The content of the assignments will vary from week to week, but may include mathematical problems, short answer questions, and/or short essays. You may work on the assignments in groups of up to 3 people; however, each student should turn in her own work. If you work in a group, please indicate who else you worked with on your assignment.

2. Final Paper: 20%
For this assignment, you will work in groups of 3 to analyze a public policy question of interest to you that has not been discussed extensively in class. I will work with each group to identify a suitable topic. The paper will explore the reasons for government involvement in this situation and the responses of individuals or firms to the policy, drawing on the existing economic literature. The paper will be 10-12 pages long and each group will make a 15-minute presentation of its paper during the last week of classes.

3. Exams: 50%
There will be a midterm (worth 20%) and final exam (worth 30%). The midterm will be given in class and the final will be a regular self-scheduled exam. Both exams are closed book.

4. Class Participation
While not formally a part of the final grade, your participation in class discussions of the readings and other material is essential for creating an interesting and intellectually stimulating classroom environment. Class participation may be taken into account if you are on the border between one grade and the next.

Course conference
You will automatically be subscribed to the course conference and should check it periodically. I will use the course conference to make announcements and post readings, assignments, and other handouts; you can use the conference to communicate with me and with your fellow students.
Syllabus

Tues, Sept 5  Introduction to Public Economics
Gruber, Chapters 1-3

I. Taxation

Fri, Sept 8  Commodity Taxes I: Incidence
Gruber, Chapter 19

Tues, Sept 12  Commodity Taxes II: Efficiency
Gruber, Chapter 20

Fri, Sept 15  Introduction to Income Taxation
Gruber, Chapter 18
Gruber, “The Incidence of Mandated Maternity Benefits”

Tues, Sept 19  Income Taxes & Labor Supply I: Theory
Gruber, Chapter 21

Fri, Sept 22  Income Taxes & Labor Supply II: Evidence
NBER Digest, “Changing Work Behavior of Married Women”

Tues, Sept 26  Income Taxes & Savings
Gruber, Chapter 22
Duflo et. al., “Savings Incentives for Low- and Middle-Income Families: Evidence from a Field Experiment with H&R Block”

Fri, Sept 29  Taxes on Risk-Taking and Wealth
Gruber, Chapter 23
Auten and Cordes, “Policy Watch: Cutting Capital Gains Taxes”
Gale and Slemrod, “Policy Watch: Death Watch for the Estate Tax?”

Tues, Oct 3  Tax Reform I: Fundamental Tax Reform
Gruber, Chapter 25

Fri, Oct 6  Tax Reform II: Recommendations of the President’s Advisory Panel
President’s Advisory Panel on Tax Reform, “Simple, Fair, and Pro-Growth: Proposals to Fix America’s Tax System,” Executive Summary
Lazear and Poterba, “Reforming Taxes to Promote Economic Growth”
Burman and Gale, “The Tax Reform Proposals: Some Good Ideas, but Show Me the Money”
Graetz, “Tax Reform: Time for a Plan C?”
**Tues, Oct 10** Fall Break: No Class

**II. Externalities and Public Goods**

Fri, Oct 13  
Externalities I: Theory  
Gruber, Chapter 5

Tues, Oct 17  
Externalities II: Evidence & Valuing Environmental and Human Health Benefits  
Gruber, Chapters 6 and 8  
Schmalensee et. al., “An Interim Evaluation of Sulfur Dioxide Emissions Trading”

Fri, Oct 20  
**MIDTERM**

Tues, Oct 24  
Tanner Conference: No Class

Fri, Oct 27  
Public Goods I: Theory  
Gruber, Chapter 7

Tues, Oct 31  
Public Goods II: Evidence  

Fri, Nov 3  
Public Goods III: Education  
Gruber, Chapter 11  

**III. Social Insurance and Redistribution**

Tues, Nov 7  
Introduction to Social Insurance I  
Gruber, Chapter 12

Fri, Nov 10  
Introduction to Social Insurance II

Tues, Nov 14  
Health Insurance I: Overview and Theory  
Gruber, Chapter 15  
Manning et. al., “Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment”

Fri, Nov 17  
Health Insurance II: Covering the Uninsured  
Gruber, Chapter 16  
Cutler and Gruber, “Does Public Insurance Crowd Out Private Insurance?”  
Burman and Gruber, “Tax Credits for Health Insurance”

Tues, Nov 21  
Social Security I: Overview and Theory  
Gruber, Chapter 13

Fri, Nov 24  
**Thanksgiving Break: No Class**
<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Text</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fri, Dec 1</td>
<td>Redistribution I: Overview and Theory</td>
<td>Gruber, Chapter 17</td>
</tr>
<tr>
<td>Fri, Dec 8</td>
<td>Class Presentations I</td>
<td></td>
</tr>
<tr>
<td>Tues, Dec 12</td>
<td>Class Presentations II</td>
<td></td>
</tr>
</tbody>
</table>