



**UNIVERSITY OF NORTH CAROLINA  
DEPARTMENT OF ECONOMICS  
ECON 440: PUBLIC FINANCE  
Fall 2014**

**Instructor:** Dr. Geetha Vaidyanathan  
**Class Meeting:** MWF: 11:00 A.M. TO 11:50 A.M.  
**Classroom:** Gardner 309  
**Phone:** 919-966-5395  
**Office:** 200H Gardner Hall  
**E-Mail:** [geethav@email.unc.edu](mailto:geethav@email.unc.edu)  
**Office Hours:** Mon. & Wed: 3:15 p.m. to 4:30 p.m.  
Thu: 11:00 a.m. to 1:00 p.m.  
Please take appointment for a meeting at other times. Walk-ins are welcome but please do not come during the half hour before class time.

**Prerequisites:** ECON 410 or permission of the instructor

**Course Objectives:** The purpose of the course is to understand the role of Government in the Economy using microeconomic theory. Specifically, the course will discuss Government Policy to address issues such as the federal budget, externalities, public goods provision, education, social security, healthcare, and taxation of individuals and corporations.

**Textbook:**

**Public Finance and Public Policy** by Jonathan Gruber, 4<sup>th</sup> edition.

**Companion Website:**

<http://bcs.worthpublishers.com/gruber4e>

**Very Highly Recommended Materials:** *The Wall Street Journal (WSJ)*, *Washington Post*, *New York Times* and *The Economist*.

**Some Useful Websites:**

Urban Institute ([www.urban.org](http://www.urban.org))

<https://www.govtrack.us/congress/bills/browse>

The Brookings Institution ([www.brookings.org](http://www.brookings.org))

American Enterprise Institute ([www.aei.org](http://www.aei.org))

The Center on Budget and Policy Priorities ([www.cbpp.org](http://www.cbpp.org))

The Economic Policy Institute ([www.epi.org](http://www.epi.org))

**Homework Assignments:** I will be assigning a total of six problem sets during the session. The five best assignment grades will be used for determining the final grade. These are due at the

beginning of the class on the due dates. Late submissions will result in a 25 point penalty for each 24 hour delay. Please note that assignments WILL NOT be accepted after the answer key is posted. **Assignments will not be accepted under my office door, in my mailbox or via email. Hardcopies have to be submitted in person to me either in the class or in my office.** Students may cooperate on assignments but each student must hand in an individual copy of the assignment that is not a duplicate of another student or source. **If duplicate copies appear, all involved students will be given a zero on the assignment.**

**Examinations:** Exams will consist of Multiple Choice Questions (30%), problems and short answer questions (70%). Two midterm exams will be given and each will be 25% of the final course grade. Students are expected to take the midterms at the announced times. Exceptions may be made in rare cases and a legitimate excuse may need to be accompanied by proof. If a student misses an exam with an excusable reason, the weight on the final exam will be increased. A final exam will be given according to the University final exam schedule. The final will be 35% of the course grade.

**Calculator:** There is no need for a programmable calculator for this class. A simple calculator will be allowed for use in the exam. Cell-phone calculators will NOT be allowed in the exam.

**Grading weight:** The course grade will be assigned using the following weights:

2 Midterm Examinations	50%
Homework Assignments	15%
Final Exam	35%

Grading Scale:

At least 93%	A
At least 90% but less than 93%:	A-
At least 87% but less than 90%:	B+
At least 83% but less than 87%	B
At least 80% but less than 83%:	B-
At least 77% but less than 80%:	C+
At least 73% but less than 77%:	C
At least 70% but less than 73%:	C-
At least 67% but less than 70%:	D+
At least 63% but less than 67%:	D
At least 60% but less than 63%:	D-
Less than 60%:	F

Grades are earned through the percentage point schedule given above. **No extra credit** of any kind is given to adjust grades at the end of the semester. Percentages are calculated using a spreadsheet software package and results are posted rounded to the first decimal place. Grades are assigned based on these results according to the above scale. **There will be NO “rounding up” to the next grade level.**

### **Miscellaneous:**

1. Please come prepared to class by reading the assigned materials.
2. Regular attendance is required for understanding the material and doing well in the course.
3. When you are in class, please pay attention which means no newspapers, facebook, IM, etc.
4. Cheating will not be tolerated. UNC Honor Code will be strictly enforced for all course work. Please refer to honor.unc.edu if you have any questions about the honor code.
5. If you miss a class, it is your responsibility to catch up.
6. Please check your grades on Sakai periodically. Any grade related issues have to be settled **within a week** after the test or homework is returned. Please attach a **short petition/note with the test/homework**. Changes will not be made after a week.

The following is a tentative schedule. I will also be posting weekly reading schedule on Sakai. Please expect to be assigned additional readings throughout the semester. The professor reserves the right to make changes to the syllabus, including assignment due dates and test dates. These changes will be announced as early as possible.

#### **1. Introduction:**

- (i) Background (Gruber, Ch. 1)
- (ii) “The 113th Congress is historically good at not passing bills”, *Washington Post*, July 9, 2014
- (iii) Tools of Public Finance (Gruber, Ch.2 – Sections 2.1 and 2.3) – REVIEW SECTION 2.1 ON YOUR OWN.

#### **2. Externalities and Public Goods:**

- (i) Externalities (Gruber, Ch. 5 and 6)
- (ii) Public Goods (Gruber, Ch. 7)
- (iii) Political Economics (Gruber, Ch. 9)

### **MIDTERM TEST 1 IS ON SEPTEMBER 22, 2014**

#### **3. Social Security and Unemployment Insurance**

- (i) Social Insurance: The New Function of Government (Gruber, Ch. 12)
- (ii) Social Security (Gruber Ch. 13)
- (iii) Unemployment Insurance, Disability Insurance, and Workers Compensation (Gruber Ch. 14 – Section 14.1)

#### **4. Health Care**

- (i) Health Economics and Private Health Insurance (Gruber, Ch. 15)
- (ii) Medicaid, Medicaid and Health Care Reform (Gruber, Ch. 16)

#### **5. Income Distribution and Welfare Programs (Gruber, Ch. 17 – SECTIONS 17.1, 17.2 & 17.3 and Ch. 2 – SECTION 2.2)**

#### **6. Education: Education (Gruber, Ch. 11)**

**MIDTERM TEST 2 IS ON OCTOBER 24, 2014**

**7. Taxation:**

- (i) in the U.S. and Around the World( Gruber, Ch. 18 – SECTIONS 18.1, 18.2, 18,3)
- (ii) The Equity Implications of Taxation: Tax Incidence (Gruber, Ch. 19)
- (iii)Tax Inefficiencies and Their Implications for Optimal Taxation (Gruber, Ch. 20)
- (iv)Taxes on Labor Supply (Gruber, Ch. 21)
- (v) Corporate Taxation (Gruber, Ch. 24)
- (vi)“Democrats want to ban government contracts for companies that leave the U.S. to avoid taxes”, *Washington Post*, July 29, 2014

**8. Budget**

- (vii) Budget Analysis (Gruber, Ch. 4)
- (viii) State and Local Government Expenditures (Gruber, Ch. 10)

**FINAL EXAM IS ON DECEMBER 5, 2014 AT 12:00 NOON**