

ECON 440 ANALYSIS OF PUBLIC FINANCE
UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL
SPRING 2019 SYLLABUS

Lectures:

T/Th 9:30-10:45 (440-002, Gardner 007)

T/Th 11:00-12:15 (440-003, Gardner TBA)

Prerequisites: ECON 400 and 410

Instructor: Qing Gong

Email: qinggong@email.unc.edu

Office: Gardner Hall 201

Office hours: Th 4-6 pm or by appointment

Textbook: Jonathan Gruber: *Public Finance and Public Policy* (5th edition). Worth Publishers, 2016. The 4th and the 3rd editions are both good substitutes.

SAKAI: Course announcements and materials (lecture notes, readings, problem sets and solutions, review sheets, etc.) will be posted on SAKAI. Please make sure that you can access the course site for this class and check for updates regularly.

Course synopsis: In this course, we will study the role of government in the economy. The main goal is to develop a set of tools for analyzing the role the government plays and the impacts of its policies on the lives of its citizens. In particular, we will begin by discussing why government intervention is needed in a market economy; we then examine government expenditures (e.g. social security, education, health care) and government revenues (different types of taxation). We will cover a wide range of classic topics in public finance, with a focus on current policy issues on the environment, social security, health care, education, and taxation. Some examples are:

- When and why does the market fail and it's time for the government to intervene?
- What's the economic reason for environmental problems? What are the key reasons for the success of the Montreal Protocol, and for the difficulty of Kyoto Treaty?
- What are the major expenditure categories for different levels of the government? Why are different levels of the government responsible for providing different types of goods/services?
- What is an educational voucher program? What are the pros and cons of voucher programs compared with free public education?
- What is the difference between a fully funded social security system and the pay-as-you-go system? What is the nature of the U.S. social security system?
- What are the twin problems with the U.S. health care system? What are the key provisions of the 2010 Health Care Reform?
- What's the reason for the "marriage penalty" in the US tax system? Is it true that all married couples pay more taxes than if they were single?

Course requirements and grading policy: The course grade will be based on three problem sets, in-class participation, and three exams. A numeric grade for the course will then be calculated based on the weights specified below, and then converted to a letter grade according to the grading scale in the *Class Policies* at the end of this syllabus. The grade distribution will resemble that for the same course in the past, with about 25-30% in the A range and 40-55% in the B range.

- Problem sets (×3): 8% each

The problem sets include problems indicative of those in the exams and will be assigned throughout the semester.

- Participation: 6%

Participation in the discussions during lectures is an effective way to assess and, more importantly, help with your learning. Sometimes there are required readings (papers, articles, etc.) that you need to do before class in order to participate. I will post them on SAKAI in advance, and provide guidelines/questions that will help you digest the materials.

- Exams (×3):

- Midterm 1: 20% [given in class on Tue. 2/12]

- Midterm 2: 20% [given in class on Tue. 3/26]

- Final exam: 30% [Fri. May 3 at 8-11a for the T/Th 9:30 section (440-002); Mon. Apr 29 at 12-3p for the T/Th 11:00 section (440-003)]¹

Please make sure that you schedule your travels, including job interviews, to avoid the exam dates. If you do have to miss an exam, please notify the instructor as early as possible and refer to the *Class Policies* about your options.

Class schedule: Below is a tentative schedule for the semester, with the corresponding chapters in the Gruber textbook (5th edition). I will constantly update the *Additional readings* section with reading materials (papers, articles, etc.) that are needed for in-class discussions and other activities.

***** Please carefully read the Class Policies at the end of the syllabus *****

Registering for this class implies your agreement to these policies

¹As scheduled by the Office of the University Registrar (<https://registrar.unc.edu/academic-calendar/final-examination-schedule-spring/>)

Week	Date	Topic	Chapter in Gruber	Additional readings
Part 0. Introduction				
1	1/10	Background and Introduction to Public Finance	1	
2	1/15	Review of Theoretical and Empirical Tools	2, 3	
Part I. The Economics Basis for Government Activity				
1	1/17	Externalities and Government Intervention	3, 6	
3	1/22	Externalities and Government Intervention	3, 6	
	1/24	Externalities: Applications	3, 6	
4	1/29	Public Goods and Free Riding	7	
	1/31	Public Goods: Applications	7	
5	2/5	Public Choice and Political Economy	9	
	2/7	Public Choice and Political Economy / Review of Part I	9	
6	2/12	MIDTERM 1 (60 min, in class)		
Part II. Selected Issues of Government Expenditures and Policy in the United States				
	2/14	State and Local Government Expenditures	10	
7	2/19	Education	11	
	2/21	Social Insurance	12	
8	2/26	Social Security	13	
	2/28	Other Social Insurance Programs	14	
9	3/5	Health Care: Essential Health Economics	15, 16	
	3/7	Health Care and Health Insurance in the US	15, 16	
10		***Spring Break***		
11	3/19	Health Care Reform	15, 16	
	3/21	Income Distribution and Welfare Programs / Review of Part II	17	
12	3/26	MIDTERM 2 (60 min, in class)		
Part III. Government Revenue, Government Debts & Economics of Taxation				
	3/28	Introduction to Taxation	18	
13	4/2	Theory of Tax Incidence	19	
	4/4	Theory of Tax Incidence	19	
14	4/9	Deadweight Loss of Taxation and Theory of Optimal Taxation	20	
	4/11	Theory of Income Taxation	21	
15	4/16	The US Personal Income Tax System in Practice	21	
	4/18	Taxation of Savings	22	
16	4/23	Taxation of Corporate Income and Ideas for Fundamental Tax Reforms	23-25	
	4/25	Review		
17		FINAL EXAM: Fri. May 3 at 8-11a for the T/Th 9:30 section (440-002) Mon. Apr 29 at 12-3p for the T/Th 11:00 section (440-003)		

**CLASS POLICIES FOR
ECON 440 ANALYSIS OF PUBLIC FINANCE
SPRING 2019**

1. Attendance Regular attendance is both required and essential for doing well in this course. If you do have to miss a class (for example, because of a job interview), please let me know beforehand. Please note that it is your responsibility to get the content/announcements you missed during the class you did not attend.

2. Problem Sets

- a. **Due dates:** I will post the problem sets at least 7 days before they are due. Hardcopies of the problem sets are *due at the beginning of the class* on the due dates. Late submissions *before* solutions are posted will receive discounted grades. Submissions *after* solutions are posted will not be accepted.
- b. **Submission:** Please submit your problem sets in class; do *NOT* put hardcopies in my mailbox, slip them under my office door, or give them to the department staff members. Also, please do *not* submit electronic copies, unless you are unable to attend the lecture on the due date, have informed me of the anticipated absence, and we have a mutual agreement.
- c. **Collaboration:** You may discuss the reading materials and questions in the problem sets with each other; however, each individual must submit a separate problem set (i.e., you need to write/type up your own answers, not copies of others' answers) and each individual will be graded separately on the assignment.

3. Exams

- a. **Aids during exams:** All exams are closed-book and closed-notes. You may not communicate or cooperate with your peers during the exams. Simple, non-programmable calculators are allowed in the exams; other calculators (including cellphone calculators) are not allowed.
- b. **Missing exams:** If a student misses a midterm, the weight of that midterm in the course grade will be added to the weight on the student's final. There will be no make-up exams. An exception will be made for University-approved absences;² students with this type of absence may request a make-up examination at a time convenient to both student and instructor. Please notify the instructor before the exam (if at all possible) and provide supporting documentation within two business days of the exam.

²See <http://catalog.unc.edu/policies-procedures/attendance-grading-examination/>

4. Grading

- a. **The grading scale:** Participation, problem sets, and exams will be given numeric grades; they are weighted to generate a numeric course grade (0-100), which is then converted to a letter grade using the following table:

Numeric score	Letter grade	Grade points	Numeric score	Letter grade	Grade points
[93, 100]	A	4.0	[77,80)	C+	2.3
[90,93)	A-	3.7	[73,77)	C	2.0
[87,90)	B+	3.3	[70,73)	C-	1.7
[83,87)	B	3.0	[67,70)	D+	1.3
[80,83)	B-	2.7	[60,67)	D	1.0
			[0,60)	F	0

- b. **Regrading requests:** Please submit requests to re-grade a problem set or an exam in writing within 7 calendar days after your work is returned. Please include a short note together with the complete, original work. In such a case, I will re-evaluate the entire problem set or exam.

5. Course material re-distribution Documents for this course, regardless of whether they are physically distributed in class or are posted on SAKAI, are only intended for the enrolled students. Any re-posting of the documents (including lecture notes, problem sets, practice exams, exams and their solutions) online or any other forms of re-distribution is prohibited.

6. Textbook affordability I support the Textbook Affordability Pledge by the UNC Student Government.³ I suggest that you make decisions about whether to buy/rent a textbook (and which edition) *after* attending the first (two) lectures. Older editions of the book are really good substitutes. I will also work with the library to make digital copies of chapters that are particularly important to read available on course reserve. Please feel free to talk to me if you have any remaining questions or concerns.

7. Reasonably Accommodations I am more than happy to work with the Accessibility Resources and Service (ARS) Office to provide reasonable accommodations if you need them and are eligible. Please see the ARS Website for contact information and relevant policies: <https://ars.unc.edu>.

8. The Honor Code Information, including your responsibilities as a student is outlined in the *Instrument of Student Judicial Governance*.⁴ Your full participation and observance of the Honor Code is expected.

³<http://executivebranch.unc.edu/affordability-launches-textbook-pledge/>

⁴<https://studentconduct.unc.edu/sites/studentconduct.unc.edu/files/documents/Instrument.pdf>