



**UNIVERSITY OF NORTH CAROLINA  
DEPARTMENT OF ECONOMICS  
ECON 440-003: ANALYSIS OF PUBLIC FINANCE  
Fall 2016**

**Instructor:** Dr. Geetha Vaidyanathan  
**Class Meeting Time:** MWF: 11:15 a.m. to 12:05 p.m.  
**Classroom:** Genome Science Building G010  
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**Office Hours:** Mondays: 1:00 p.m. to 3:00 p.m.  
Wednesdays: 1:15 p.m. to 3:00 p.m.  
Thursdays: 10:00 a.m. to 12:00 noon.  
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 400 and ECON 410

**Course Description and Objectives:**

This is an elective course for Economics Majors who wish to understand the role of government in the economy. Specifically, the course will discuss why there is need for a government and address issues such as the federal budget, externalities, public goods provision, education, social security, healthcare, and taxation of individuals and corporations. Most of the topics will also include a comparison of similar policies across the OECD countries. The course will thus provide the foundation and framework to analyze important government spending and taxation policies.

Some of the specific questions that will be discussed in the course are:

- a) Why should the government intervene in some markets?
- b) What type of role does the government play to deal with environmental issues such as pollution and global warming?
- c) Why should Education be a public good and what is the government role in providing K-12 education?
- d) What is the government role in providing public goods such as libraries and highways?
- e) Why should some types of insurance be provided by the government?
- f) What is the role of the government in providing Social Security, Medicare, Medicaid, Unemployment Insurance, Disability Insurance and Workmen Compensation?

- g) What are the features of the Affordable Care Act and what are some important issues surrounding it?
- h) What are the popular “Welfare” programs in the United States and how do they affect household decision to work?
- i) What are the different types of taxes in the United States?
- j) Who bears the tax burden of different types of taxes?
- k) What are the important details/points of the Personal Income Tax structure in the United States?
- l) Are the different types of taxes regressive or progressive in the United States?
- m) How is worker behavior likely to be affected by taxes?
- n) How different are the average and marginal income tax rates among the OECD countries?
- o) What is the structure of Corporate Tax in the U.S and how is the investment behavior of firms affected by this?
- p) Should the Corporate Tax be restructured in the U.S.?
- q) Is the budget deficit and debt a problem in the U.S.?

**Textbook:**

**Public Finance and Public Policy** by Jonathan Gruber, 5<sup>th</sup> edition. The 4<sup>th</sup> and 3<sup>rd</sup> editions are good substitutes.

**Companion Website:** [worthpublishers.com/gruber4e](http://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, Quantitative Problems and Short Answer Questions. There will be two midterm exams and a final exam. Students are

expected to take the midterm exams at the announced time. If a student misses a midterm exam for an excusable reason, the student has to take the exam within a week of the scheduled date. The student will be expected to provide documentation to excuse the absence. The student can also opt to get the weight of the final exam increased. The final exam will be given according to the University final exam schedule.

**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:

Midterm Examination @ 25% each	50%
Homework Assignments	15%
Final Exam (Comprehensive)	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 60% but less than 67%:	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.**

**Academic Integrity:** All students are expected to adhere to the Honor Code (<http://instrument.unc.edu> ). Any violation will result in an F for the course, and other sanctions may apply.

**Miscellaneous:**

1. Regular attendance is required for understanding the material and doing well in the course.
2. Please check *Announcements* in Sakai regularly for updates on readings, homework help sessions and other announcements.
3. Unless explicitly authorized, you are not permitted to use a laptop computer, tablet computer, smart phone, or cell phone during class. Watching movies and videos, playing games, checking the scores on espn.com, and chatting with your friends are disruptive

behavior that will not be tolerated. (Please read <http://www.newyorker.com/tech/elements/the-case-for-banning-laptops-in-the-classroom> about why laptops are banned even in Computer Science courses in some major universities).

4. If you miss a class, it is your responsibility to catch up.
5. 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. Given the nature of the topics of the course, additional readings outside the textbook on contemporary issues in Public Finance will be assigned throughout the semester. These readings will be made available in Sakai. **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.

**Please note that October 17<sup>th</sup> and 19<sup>th</sup> classes have substitute meetings.**

Date	Topic	Reading
08/24/16	Introduction – Why Study Public Finance	Gruber: Chapter 1
08/26/16 08/29/16	Tools of Public Finance – Review Section 2.1 on your own	Gruber: Chapter 2 – Sections 2.1 and 2.3
08/31/16 09/02/16 09/07/16	Externalities: Problems and Solutions	Gruber: Chapter 5
09/09/16	Externalities in Action: Environmental and Health Externalities	Gruber: Chapter 6- Sections 6.1 & 6.2
09/12/16 09/14/16 09/16/16	Public Goods	Gruber: Chapter 7
09/19/16 09/21/16	Education	Gruber: Chapter 11
09/22/16	<b>Overview of Chapters 1, 2, 5, 6, 7 &amp; 11 from 6:30 p.m. to 8:00 p.m. Room to be determined. This is a substitute meeting for October 17, 2016</b>	
09/23/16	MIDTERM EXAM 1	
09/26/16 09/28/16	Political Economy	Gruber: Chapter 9
09/30/16 10/03/16 10/05/16	Social Insurance: The New Function of Government	Gruber: Ch Chapter 12

10/07/16 10/10/16	Social Security in the United States	Gruber: Chapter 13
10/12/16	Unemployment Insurance, Disability Insurance, and Workers Compensation	Gruber: Chapter 14 - Section 14.1
10/14/16 10/24/16	Health Economics and Private Health Insurance	Gruber: Chapter 15
10/26/16	Medicare, Medicaid and Health Care Reform	Gruber: Chapter 16 – Sections 16.1, 16.2 & 16.3
10/27/16	<b>Overview of Chapters 9, 12, 13, 14 &amp; 16 from 6:30 p.m. to 8:00 p.m. Room TBD. This is a make-up meeting for October 19, 2016</b>	
10/28/16	MIDTERM EXAM 2	
10//31/16 11/02/16	Income Distribution and Welfare Programs	Gruber: Chapter 17 - Sections 17.1, 17.2 & 17.3 Chapter 2 – Section 2.2
11/04/16 11/07/16	Income Taxation in the United States and Around the World	Gruber: Chapter 18 – Sections 18.1, 18.2 & 18.3
11/09/16 11/11/16	The Equity Implications of Taxation: Tax Incidence	Gruber: Chapter 19 – 19.1, 19.2, 19.4
11/14/16 11/16/16 11/18/16	Taxes on Labor Supply	Gruber: Chapter 21 – Sections 21.1 and 21.3,
11/21/16 11/28/16 11/30/16	Corporate Taxation	Gruber: Chapter 24
12/02/16 12/05/16	Budget Analysis	Gruber: Chapter 4
12/07/16	<b>Wrap Up - Last Day of Class.</b>	
12/13/16	FINAL EXAM AT NOON	