

Economics 41  
**Public Economics**  
Spring 2017

Professor Bronchetti  
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Office hours: Tuesday 1:00-3:00 & by appt.  
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This course surveys the field of Public Finance, which explores the rationales for and consequences of government intervention in markets. The course begins with a review of welfare economics, the conditions associated with an “unfettered” market achieving an efficient allocation of resources, and situations in which a free market may fail to achieve efficiency. With this background, we study the activities of the government in the market economy of the United States. We examine how decisions are made about government interventions in markets, what kinds of expenditure activities the U.S. government pursues, how those activities are financed through revenue collection, and the effects of both expenditure and taxation programs on individual behavior and well-being. A primary goal is for students to understand the economic principles that determine optimal government intervention in market economies and to be prepared to apply those principles to current policy debates.

**Texts:**                    Public Finance and Public Policy, 4th edition, Jonathan Gruber (*required*).  
Public Finance, 8<sup>th</sup> edition, Harvey S. Rosen and Ted Gayer (*supplemental*), on Honors Reserve at McCabe.

**Other sources:**        Relevant journal articles for this course can be found in the *Journal of Economic Perspectives*, the *Journal of Public Economics*, and the *National Tax Journal*. I will post many appropriate readings on our Blackboard site. Unpublished working papers can be found at the National Bureau of Economic Research ([www.nber.org](http://www.nber.org)) or through think tanks like the Urban Institute ([www.urban.org](http://www.urban.org)), 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)), and Institute for Research on Poverty (IRP).

Other textbooks that can be found in McCabe’s Honors reserves section include: Handbook of Public Economics (4 volumes), Joseph Stiglitz’s Economics of the Public Sector, and Dennis Mueller’s Public Choice III.

**Grading:**                Midterm exam, 30 percent.  
Final exam, 30 percent.  
Problem sets, 15 percent.  
Blog post, 10 percent.  
Discussion preparedness and general class participation, 15 percent.

**Exams:**                 The midterm exam will take place either February 28 or March 2 during class.  
The final will not be cumulative. Date/time TBA when exam schedule is released.

**Homework:**            Problem sets will be assigned every couple of weeks. You may miss 1 over the course of the semester with no penalty, or you may drop your lowest score if you complete them all. I strongly encourage you to work on these with study partners or in groups; however, every student should write up and submit the answers. Problem sets will be posted on Moodle.

**Blog:**

Working in groups of 2-4, you will contribute to our course blog at least once over the course of the semester. Commenting on others' blog posts will help improve your participation grade and can also earn you extra credit points. Students are all responsible for reading the blog periodically and being prepared to discuss blog posts in class. The purpose of keeping a blog is to encourage you to actively draw connections between what you are learning in class and what you are reading in the news, on economics or policy blogs, in periodicals, or in the academic literature.

**Discussions:**

We will spend class time during most weeks discussing important and timely policy topics that relate to the course material. These topics are listed on the syllabus. For each topic, reading materials will be provided on Moodle. Your preparedness and participation in these discussions is crucial to the success of the course and is therefore given significant weight in your course grade.

**Policies:**

**Late assignments** -- Problem sets are due at the specified deadline and will not be accepted late. You may, however, forfeit one problem set with no penalty.

**Grade concerns or appeals** – If you feel that an assignment has been graded incorrectly, please submit a written explanation of the problem (along with the assignment) within one week. The written explanation may be very brief and may be sent by email but should be clear enough for me to understand your concern about your grade. This helps me to be consistent with any grade adjustments that I make.

**Missed exam** – Regardless of the reason for missing an exam, no make-up will be given unless arrangements are made with me prior to the scheduled time of the exam and you provide documented evidence of a circumstance that merits rescheduling (e.g. a university-sponsored event or an illness certified by the Dean's office or Worth). Final exams can be rescheduled only in accordance with the policies of the College (e.g., if you have three or more finals within a 24-hour period), but you must let me know as soon as possible if you will need to take the final at an alternate time. Travel plans are not sufficient reason for rescheduling of the final.

**Academic dishonesty** – Plagiarism and other forms of academic dishonesty will be punished in accordance with the College's policies and can involve penalties ranging from failing the course to expulsion from the College.

**Disabilities and accommodations** – If you believe that you need accommodations for a disability, please contact Leslie Hempling in the Office of Student Disability Services (Parrish 113) or email [lhempli1@swarthmore.edu](mailto:lhempli1@swarthmore.edu) arrange an appointment to discuss your needs. As appropriate, she will issue students with documented disabilities a formal Accommodations Letter. Since accommodations require early planning and are not retroactive, please contact her as soon as possible. For details about the accommodations process, visit the Student Disability Service Website at <http://www.swarthmore.edu/academic-advising-support/welcome-to-student-disability-service>. You are also welcome to contact me [the faculty member] privately to discuss your academic needs. However, all disability-related accommodations must be arranged through the Office of Student Disability Services.

**Draconian policies** – Despite the stern language above, I am a reasonable person and genuinely want your experience in this course to be a good one. Do not hesitate to see me with any issues that arise or to let me know if there is a way that I can be helpful.

## ROUGH SCHEDULE

Week	Dates	Topics	Reading	Problem Set
1	Jan. 17, 19	Introduction Theoretical Tools of Public Finance	Gruber 1 Gruber 2 Rosen 3	Problem Set #1 up on Moodle
2	Jan. 24, 26	Theoretical Tools of Public Finance, cont. Empirical Tools of Public Finance Budget Analysis	Gruber 3 Gruber 4	
3	Jan. 31, Feb 2	Externalities <i>Topic 1: The Social Cost of Carbon and Climate Policy in the Trump Era</i>	Gruber 5, 6	Problem Set #2 up on Moodle
4	Feb. 7, 9	Public Goods Cost-Benefit Analysis <i>Topic 2: Valuing a Human Life</i>	Gruber 7 Gruber 8	
5	Feb. 14, 16	Political Economy <i>Topic 3: The 2016 Presidential Election</i>	Gruber 9 Rosen 6	Problem Set #3 up on Moodle
6	Feb. 21, 23	Fiscal Federalism and Education <i>Topic 4: School Vouchers and School Choice</i>	Gruber 10 Gruber 11	
7	Feb 28, Mar. 2	<b>MIDTERM EXAM</b>		
	Mar. 7, 9	<b>SPRING BREAK</b>		
8	Mar. 14, 16	Social Insurance UI, SSDI, and WC <i>Topic 5: Trade, Inequality and Wage Insurance</i>	Gruber 12 Gruber 14	Problem Set #4 up on Moodle
9	Mar. 21, 23	Social Security <i>Topic 6: Social Security Reform</i>	Gruber 13	
10	Mar. 28, 30	Health Insurance, Medicaid and Medicare <i>Topic 7: Privatizing Medicare</i>	Gruber 15 Gruber 16	Problem Set #5 up on Moodle
11	Apr. 4, 6	Income Redistribution, Poverty and Welfare <i>Topic 8: Paul Ryan's Anti-Poverty Plan</i>	Gruber 17 Rosen 13	
12	Apr. 11, 13	Tax Incidence and Efficiency	Gruber 18 Gruber 19 Gruber 20	Problem Set #6 up on Moodle
13	Apr. 18, 20	Taxes on Labor Supply and Savings Taxes on Risk-taking and Wealth <i>Topic 9: Understanding Current Tax Proposals</i>	Gruber 21, 22 Gruber 23	
14	Apr. 25, 27	Tax Reform Wrap up, catch up, and/or review	Gruber 25	