Instructor: Kathleen Deloughery  
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Office Hours: Tuesday 2-3 PM, Wednesday 5:30-6:30 PM, and by appointment  
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Objectives:
This course builds on material learned in the microeconomics course PAD 503 by applying microeconomic tools to the study of the role of the government’s fiscal policies in the economy. The course will begin with an overview of the role of the public sector in the economy and continue with an analysis and evaluation of revenue generation methods. The primary goals of this course are:

i) To enable students to understand the effects of taxes and transfers on economic efficiency and the distribution of income;

ii) To assess stakeholders’ competing claims about these effects; and

iii) To understand the institutional features of the largest tax and transfer programs.

The economic field of Public Finance examines the effect of the government on individuals in the economy. The field looks primarily at taxes and spending. Within the context of the MPA electives, RPAD 648 focuses on revenue generation of governments, whereas RPAD 643 focuses on expenditure programs.

In RPAD 648, we have two main objectives:

1) to learn key general principles about how government taxes work  

2) to apply those general principles to the sorts of specific questions/problems facing civil servants on a daily basis  

Readings:
Jonathan Gruber, 2007, Public Finance and Public Policy (on order at Mary Jane’s books )

Professional articles can be found online, most likely at one of the following sources: nber.org, jstor.org, or http://ntanet.org/tax-resources/ntj-full-text-articles.html

We may also read pieces at http://www.taxpolicycenter.org/ occasionally.
Grading:

10% Commentaries  
20% Policy briefs  
30% Problem Sets  
30% Term paper  
10% Class Participation

Assignments:

Commentaries are due every week that readings other than those in the textbook have been assigned. The commentaries should consist of 2 questions or comments (or one of each) that focus on something you find interesting, surprising, disagree with, etc. Additionally, comments may “connect the dots” between assigned readings and the various cases we will discuss during the semester. Importantly, the commentaries should not be summaries of the reading. Instead they should reflect your thoughts and analysis on the week’s topic and cases. Commentaries are due the day before class. They are to be submitted no later than 24 hours before the scheduled class time, and are to be submitted through the Assignments area in Blackboard, in electronic form only. Each comment/question should be 4-10 sentences in length. Assignments submitted less than 24 hours in advance will receive an initial penalty of 20%. Assignments will not be accepted once class has started. Your lowest response grade will be dropped.

You will write two policy briefs (1500 words) on a feature of the tax/transfer system. Each brief must present the arguments made from different viewpoints and compare them using the criteria of efficiency and equity. More detail will be given with the first assignment. Policy briefs must be handed in at the beginning of class on the day they are due.

There will also be 3 problem sets throughout the semester. Problem sets must be handed in at the beginning of class on the day they are due. Students are strongly encouraged to work in small groups on the homework assignments, but each student must write up his or her answers separately. Do not submit the same answer word for word. Answers that are identical to those of a study partner will receive no more than half credit on the first offense. The second offense will be considered academic misconduct.

Any late assignments should be placed in my faculty mailbox (Milne 101). Late assignments will receive a 20% penalty. Assignments will not be accepted more than 1 week late.

Additionally, each student will write a term paper (8000 words) on tax reform (more details to come with the assignment). A student can petition to write a paper on another aspect of the tax/transfer system of their choosing, but the petition must be approved by the professor. I will be
available throughout the semester to read/comment on rough drafts. The final term paper will not be accepted late.

If you feel you have received an incorrect grade on any assignment, I will re-grade it. The request must be made in writing within two weeks of the assignment being returned to you. The entire assignment will be regarded, and your grade may increase, decrease, or remain the same.

**Plagiarism and Citations:**
I assume you are familiar with the University standards regarding plagiarism. You must familiarize yourself with the information at [http://library.albany.edu/usered/plagiarism/index.html](http://library.albany.edu/usered/plagiarism/index.html). Plagiarism is a major offense and can receive severe punishments, from automatically failing the course to being expelled from the program. If in doubt about acceptable use of sources, ask.

Correct citations are one of the more important elements in avoiding plagiarism. When you use a source in a memo, make sure to cite it using any standard academic citation method. (I personally prefer the author-date parenthetical citation method used in economics, but you may use the norm for your field.) Three things I do care about, no matter which standard you adopt: a) the titles of sources do not belong in the main text of your paper, but rather in the Works Cited page or a footnote, b) article titles go in quotes; book and journal titles go in italics, and c) do not cite Wikipedia.

The key to a citation is that the reader must be able easily to track down the source. Your work may be subject to plagiarism software.

**Grammar Help:**
For individual assignments, you should feel free to seek help in proof-reading your drafts, provided that you

a) make all changes yourself, and

b) acknowledge any such help explicitly on the first page of your assignment.
Schedule:

Aug 27: Course Introduction
- Why study Public Finance (Ch 1)
- Review Microeconomics Tools (Ch 2,3 (maybe))
- Learn about Indifference Curves

Sept 3: No Class

Sept 10: Externalities and Public Goods
- Review role of government in regards to market failures (Ch 5, Ch 7)
- Measuring costs and benefits (Ch 8) - Review
- Lizette Alvarez “Senate Votes to Federalize Job of Airport Screening” New York Times, October 12, 2001

Sept 17: No Class

Sept 24: Fiscal Federalism
- How to transfer voters’ preferences into public policy (Ch 9)
- Which activities should take place at which level of government (Ch 10)
- Mason, Ruth. “Federalism and the Taxing Power”
Oct 1: Equity and Efficiency of Taxation

- Problem Set 1 Due

- How do market reactions to taxes affect equity and efficiency (Ch 19 and 20)


  
  http://faculty.chicagobooth.edu/austan.goolsbee/research/broadb.pdf (Read around some of the math)

Oct 8: Taxation in the US and around the World

- Institutional knowledge necessary to understand tax policy and its effects (Ch 18)


Oct 15: State and Local Revenue Generation

- Policy Brief 1 Due

- Brueckner, Saavedra “Do Local Governments Engage in Strategic Property-Tax Competition?”, *National Tax Journal* 54, 203-229 (June 2001)


  http://chronicle.com/article/article-content/125558/
Oct 22: Taxes on Labor Supply

- Topic for Term Paper Due
- Chapter 21

Oct 29: Taxes on Savings

- Chapter 22
- [http://www.dallasfed.org/research/ei/ei9602.pdf](http://www.dallasfed.org/research/ei/ei9602.pdf)

Nov 5: Taxes on Risk Taking/Wealth

- Problem Set 2 Due
- Chapter 23
Nov 12: Behavioral Economics and Taxation

- Chetty, Raj, 2011, “Salience and Taxation: Evidence and Policy Implications,” Testimony before the Committee of Finance, United States Senate (see attached)

Nov 19: Corporate Taxation

- Policy Brief 2 Due
- Implications for a firm’s investment/financing decisions (ch 24)
- Bob Purtell?

Nov 26: Tax Compliance, and Enforcement

- Kaplow “How Tax Complexity and Enforcement Affect the Equity and Efficiency of the Income Tax” *National Tax Journal*
Dec 3: Fundamental Tax Reforms

- Benefits and barriers to different reforms (Ch 25)
  http://www.brookings.edu/research/papers/2012/05/03-taxes-greenstone-looneysamuels
- Ashworth, John and Bruno Heyndels “Politicians’ Opinions on Tax Reform,” Public Choice, April 2000, Vol 103 No 0.5

Dec 10

- Term papers due
- Presentation and Group discussion of term papers

Dec 17

- No Final Exam
- Problem Set 3 Due