Public Finance (AECO 355, Class # 18256)

Fall 2009, TTh 2:45pm-4:05pm, BA 130

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Office: Department of Economics, BA 127A

Office Hours: T 1:30-2:30, Th 1:30-2:30, or by appointment.

Course Website: http://www.albany.edu/~aj4575/355.htm

Course Description:

This course surveys the role of governments in market economies. After describing U.S. government activities and reviewing basic microeconomics, we will examine justifications given for government involvement in the economy through taxation, transfers and provision of goods and services. We then focus on the effects of government policies on the economy. The goal is to provide a framework for evaluating economic policies so that students can apply microeconomic models to analyze new policy issues. Government expenditure, externalities, public goods, welfare analysis, taxation, social security programs are some of the topics we will cover in this course. In order to understand these topics, we will use basic economic tools borrowed from various economic models, as well as real-world examples.

Requirements:

The prerequisites for this course are AECO 110 and AECO 111. Although I will be reviewing some of the basic concepts in the class, I will expect you to make sure that you have mastered them. That is why I strongly recommend you to ask questions both in the class and in my office hours, whenever you cannot understand the material. If you can’t make it to the office hours, you are always welcome to make an appointment for a different time.

Throughout the class you will be expected to read relevant sections from the textbook. It is highly recommended that you read these parts of the book before each class, as it enables you to understand the course material much better and to get used to the economic jargon.

Class attendance and participation are very important to performing well in the class. All students are expected to attend the class regularly, although attendance will not be a part of your final grade. Please note also that it is YOUR responsibility to keep up with the material covered and/or assigned in classes you miss.

During the semester, I will be contacting you through your NETID@albany.edu e-mail address. Make sure that you check your UAlbany e-mail address at least once a week.

Required Textbooks:


Gruber (textbook) Website: http://bcs.worthpublishers.com/gruber2e/

Grading:

Assessment
Attendance 5%
Homework Assignments (4) and Quizzes (3) 20%
Midterm 35%
Final 40%

PLEASE NOTE THAT:
i. Anyone engaging in disruptive behavior will be given zero for attendance that day. This includes sending or receiving text messages or repeatedly leaving the classroom.

ii. Points will be deducted from any assignments turned in after they are due.

iii. There will be no make-up for quizzes.

iv. There will be no make-up for the exams, unless the case meets the requirements of the University regulations.

v. Academic dishonesty will be dealt according to University regulations.

Course Outline: This outline may be altered during the course. In such a case an updated version of the syllabus will be provided.

1. Introduction and Background
   - Sept 1 - The Role of Government, Section 1.1; Budget Analysis, Section 1.2
   - Sept 3, 8 - Sections 4.1, 4.2, and Applications on pgs 111 and 371; 4.3 and 4.4;
     Empirical Tools, Sections 3.2, 3.3
2. Externalities, Public Goods, and Economic Welfare
   - Sept 10 - Tools of Welfare Analysis, Sections 2.1, 2.3
   - Sept 15 - Externalities Basics, Sections 5.1, 5.2, 5.3, 5.4;
   - Sept 17 - Education as an externality, Sections 11.1, 11.2
   - Sept 22 - Public Goods Basics, Sections 7.1, 7.2
3. Social Security, Welfare and Health Insurance Programs
   - Sept 24 - Insurance and Social Insurance Basics, Sections 12.1, 12.2, 12.3
   - Sept 29, Oct 1 - Social Security, Chapter 13
   - Oct 6 - Income Support Programs, Sections 17.2, 17.3, 17.4 Section 21.3
   - Oct 8, 13 - Health Insurance, Chapters 15 and 16
   - Oct 15 - MIDTERM
4. Taxation: Incidence and Efficiency
   - Oct 20 - The Individual Income Tax, Chapter 18
   - Oct 29, Nov 3 - Tax Inefficiencies and Optimal Taxation, Sections 20.1, 20.2, 20.3, 20.4
5. Taxation: Structure
   - Nov 5 - Labor Supply Responses, Sections 21.1, 21.2
   - Nov 10 - Savings Incentives and Responses, Chapter 22
   - Capital Gains Tax, Section 23.2
   - Nov 12 - Transfer and Estate Taxation, Sections 23.3, Corporate Taxation, Sections 24.2, 24.3
6. Political Economy and State and Local Taxation
Nov 17 - Cost-Benefit Analysis - Chapter 8
Nov 19, 24 - Political Economy - Chapter 9
Dec 1 - State and Local Taxation - Chapter 10
Dec 3 - Fundamental Tax Reform - Chapter 25

FINAL EXAM - Thursday, Dec 10, 10:30am - 12:30pm.