ECONOMICS 341: PUBLIC FINANCE

Spring Term 2012

Lectures – Monday and Wednesday, 10:00AM - 12:20PM, Frist Campus Center 302

Professor Andrew Shephard
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Office Hours: Tuesday 1pm-2:30pm or by appointment.
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Office hours of the preceptors will be announced shortly

Note: When contacting myself or the graduate student instructors by e-mail, please use your Princeton e-mail account and include ECO341 in the subject header.

Course Description

This course focuses on the role of the government in the economy. The aim is to provide an understanding of the reasons for government intervention in the economy, analyzing the merits of possible government policies, and the response of economic agents to the government's actions. The course covers topics including tax policy, social insurance programs, public goods, environmental protection, and the interaction between different levels of government.

Prerequisites:

Economics 100. Students should be comfortable with calculus, derivatives, and basic multivariate calculus. Open to Juniors and Seniors only.

Course Website

All handouts and announcements will be posted using the Blackboard course website. https://blackboard.princeton.edu/. In addition, I may communicate with you via e-mail regarding information about problem sets, exams, and posting of supplementary notes. Please check your e-mail on a regular basis, and keep your account under quota.

Textbook

Midterm Exam

The midterm exam will be held during class on Wednesday 14th March 2012.

Grading

The overall course grades will be determined by combining the grades on the midterm exam (30%), the final exam (50%), the problem sets (15%) and precept participation (5%). Both the midterm and final exam are closed-book.

There will be 4 problem sets and they all carry equal weight. The problem sets will be posted on the course web page, and will be due on the day specified. Late problem sets will not be accepted for any reason. Requests for problem set and exam regrading will only be considered within one week of the problem set/exam being returned.

Group work is permitted for the problem sets, and you are encouraged to form study groups. However, each student must write up and turn in his/her own solutions. Few marks will be awarded to inadequately explained answers. Similarly, in problems which require mathematical solutions few marks will be awarded if you do not show your working and explain your steps. This applies both to the problem sets, and to the examinations.

If circumstances arise which you feel warrant an exception to these rules, then you must either bring a letter from McCosh, or contact first your residential college dean about the reasons you have for requesting the exception, keeping them in the loop about your situation, and seeing if she or he has any concerns about my granting it. The preceptors and I will not consider any exceptions without such a written statement.
COURSE OUTLINE AND SCHEDULE

Note: This outline is preliminary and is subject to change. More detailed guidance on the readings will be given in the lectures.

Why Study Public Finance? – 1 Lecture

Gruber, Chapter 1

Theoretical Tools of Public Finance – 1 Lecture

Gruber, Chapter 2 + Appendix

Empirical Tools of Public Finance - 1 Lecture

Gruber, Chapter 3 + Appendix

Classic externalities – 2 Lectures

Gruber, Chapters 5 and 6

Public Goods – 6 Lectures.

Basic theory, optimality and pricing, Gruber, Chapter 7 + Appendix
Political economy, Gruber, Chapter 9
State and local government expenditures, Gruber, Chapter 10
Cost-benefit analysis, Gruber, Chapter 8
Public provision of private goods: education, Gruber, Chapter 11

Social Insurance – 6 Lectures

Overview, Gruber, Chapter 12 + Appendix
Income distribution and welfare, Gruber, Chapter 17
Social security, Gruber, Chapter 13
Unemployment Insurance, Chapter 14
Health insurance, Chapter 15 and 16

Taxation and Redistribution – 6 Lectures

Taxation in the US and around the world, Gruber, Chapter 18
Tax Incidence, Gruber, Chapter 19 + Appendix
Tax inefficiencies and optimal taxation, Gruber, Chapter 20 + Appendix
Taxes on labour supply, Gruber, Chapter 21
Taxes on savings, Gruber, Chapter 22