ECO 341: Public Finance
Princeton University

Professors:
Henrik J. Kleven, Owen M. Zidar

Course Outline:
This course covers the microeconomic functions of government – the way in which government policies affect resource allocation and the distribution of income. Policies to be covered include fiscal policy, taxation and tax enforcement, welfare policy, parental leave, childcare, social insurance, public goods, and place-based policies.

Course Materials:
Lecture notes will be made available online prior to each lecture. All required readings are available online and marked with [*] in the reading list below. A useful background reference is the textbook by Jonathan Gruber, Public Finance and Public Policy, 6th edition, 2019 (or earlier editions), but this book is optional. Students are expected to read the media articles listed under each topic.

Restrictions and Prerequisites:
The course is not open to first-year undergraduates. As a prerequisite for the course, students must have taken ECO 300/ECO 310/WWS 300 as well as ECO 302/ECO 312.

Reading and Writing Assignments:
Around 75-100 pages of reading per week.

Grading:
Midterm Exam 50%
Final Exam 50%

Schedule:
Lectures: Tuesdays and Thursdays 2:30-3:20pm
Classes: C01 Tuesday 3:30-4:20pm, C02 Wednesday 1:30-2:20pm

Midterm:
In class on Tuesday 4/2/2020 from 2:30-3:20pm. Covers Topics 1-7.
**Background References**

**Public Economics:**


**Empirical Methods:**


**Lecture Topics and Readings**

1. **Overview of Public Finance and U.S. Fiscal Policy [Zidar]**

   **Media Readings:**


   **Academic Readings:**

   [*] Gale, William, 2019, *Fiscal Therapy: Curing America’s Debt Addition and Investing in the Future*. Chapters 1. Chapters 2 and 3 are not required but may also be of interest.


2. Low-Income Support: EITC and Welfare Programs [Kleven]

Media Readings:


Vox (2017). “Wages are stagnating, robots are taking our jobs. This Democrat has a $1.4 trillion solution”, September 16.

Vox (2019). “A major new study finds the biggest federal work subsidy doesn’t promote work”, October 2019.

Academic Readings:


3. Taxing the Rich: Inequality and Behavioral Responses [Kleven]

**Media Readings:**


**Academic Readings:**


4. Tax Evasion and Enforcement [Kleven]

**Media Readings:**


**Academic Readings:**


5. **Optimal Taxation and Redistribution [Kleven]**

**Media Readings:**


**Academic Readings:**


6. **Gender Inequality and Family Policies [Kleven]**

**Media Readings:**


**Academic Readings:**


7. Social Insurance [Kleven]

Media Readings:

Academic Readings:


**8. US Health Insurance: Medicare and Medicaid [Zidar]**

**Media Readings:**


**Academic Readings:**

Anderson, Gerard, Uwe Reinhardt, Peter Hussey, and Varduhi Petrosyan (2003). “It’s the Prices, Stupid: Why the United States is So Different from Other Countries”, *Health Affairs* 22(3), 89-105.


9. The distribution and taxation of wealth and capital income [Zidar]

Media Readings:

The Economist (2019). “Measuring the 1% Economists are rethinking the numbers on inequality,” November 28.


Academic Readings:


10. Firms and tax policy [Zidar]

**Media Readings:**


Furman, Jason, 2017, “How to make tax reform bipartisan,” WSJ.

**Academic Readings:**


11. Public Goods and Externalities [Zidar]

   Media Readings:

   Academic Readings:
   Currie, Janet and Reed Walker (2019). “What do economists have to say about the Clean Air Act 50 Years after the establishment of the Environmental Protection Agency?” Journal of Economic Perspectives, 33(4), 3-36.


12. State and Local Fiscal Policy and Place-based Policies [Zidar]

   Media Readings:
   Chetty, Raj, Nathan Hendren, Pat Kline, Emmanuel Saez, 2014 “Where is the land of opportunity? Intergenerational mobility in the US?” Voxeu.org


ECO 341: Public Finance  
Preliminary Syllabus

**Academic Readings:**


Busso, Matias, Jesse Gregory, Pat Kline, 2014, “Results of the federal urban Empowerment Zone program.”


**13. Social Security and Retirement [Zidar]**

**Media Readings:**


**Academic Readings:**


