

Public Economics (Upper-Elective Course)
01:220:360:02 Spring 2014
Syllabus

INSTRUCTOR

O. Carbonell
106A New Jersey Hall, College Avenue Campus
848 228 2947 (voice)
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HOURS

Tuesday-Thursday 2:50PM-4:10PM

BUILDING-ROOM

Frelinghuysen Hall-A6, College Avenue Campus

OFFICE HOURS

Held in 106A New Jersey Hall Tuesday 4:30PM-5:30PM, Wednesday 1:30PM-2:30PM, and by appointment.

PREREQUISITES

01:220:320 and 01:220:322

LEARNING OUTCOMES

This course uses tools of microeconomic analysis to study the taxing and the spending activities of government. It emphasizes the standard economic rationales for government intervention in market economies and the effects of Pareto improving and redistributive policies on welfare. Students will learn theories that explain the role of government in the production and financing of education and the provision of social insurance and welfare programs. Insight will be gained into the distortions generated by taxation and their effects on welfare.

COURSE WEB SITE

<https://sakai.rutgers.edu>

This link will take you to the Sakai web site. You can log on to Sakai using your net ID and password. The course worksite is entitled "01:220:360:02 Sp14".

GRADING

Announced in-class quizzes will determine your grade. There will be no hourly or final examinations, ***nor will any extra credit work be provided. Each quiz will carry the same weight.***

The following is the correspondence between average percentage scores and letter grades that will be used for this class:

| <i>Grade</i> | <i>Minimum average percentage score</i> |
|--------------|---|
| A | 90% |
| B+ | 85% |
| B | 75% |
| C+ | 65% |
| C | 60% |
| D | 55% |

Note: Missed exams are excused only for medical reasons or emergencies, and only with a note from the Dean's office or a signed form from a physician's office and confirmation of the visit by the instructor.

CLASS PREPARATION

Practice problems will be distributed via the Sakai site for the course. *These are intended as practice for the quizzes.* You should attempt to solve all practice problems. Simply reading the solutions to the problem sets will not insure your passing the course. Solutions to select problems will be distributed via the course web site. However, solutions to problems that are solved in class *will not* be posted.

ABSENCES

If you expect to miss one or two classes because of illness or a family emergency, please use the University absence reporting website <https://sims.rutgers.edu/ssra> to indicate the date and reason for your absence. An email is automatically sent to the instructor.

IMPORTANT DATES

- Last day for undergraduates to drop a course without a “W” will be Tuesday, January 28 (no refunds after January 28).
- Last day for undergraduates to add a course will be Wednesday, January 29.
- Last day to drop a course by withdrawal will be March 24. Traditional students must maintain a minimum load of 12 credits not including the course they are withdrawing from.

COURSE OUTLINE

1. Introduction. The economic rationale for government
2. Externalities
 - 2.1. Externality theory
 - 2.2. Traditional solutions to the externality problem
 - 2.3. Applications
3. Public goods
 - 3.1. Efficient provision of public goods
 - 3.2. Private provision of public goods
 - 3.3. Public provision of public goods
4. Education
 - 4.1. Rationale for government intervention
 - 4.2. Free public education *vs.* educational vouchers
5. Social Insurance
 - 5.1. The role of insurance
 - 5.2. Asymmetric information and adverse selection
 - 5.3. The role of social insurance
 - 5.4. Empirical evidence
6. Welfare programs
 - 6.1. Welfare policy: cash and in-kind programs
 - 6.2. Welfare policy and moral hazard
 - 6.3. Reducing the moral hazard costs of welfare policy
7. Taxation
 - 7.1. Tax incidence
 - 7.2. Optimal taxation
 - 7.3. Taxes on labor supply
 - 7.4. Taxes on savings
 - 7.5. Corporate tax
8. Optimal law enforcement

Note: Time constraints may cause some topics to be omitted.

REFERENCES

While there is no required textbook, the following references may help as a complement—*not as a substitute*—for the material covered in class. Copies of the references have been placed on reserve at Alexander Library.

- Gruber, Jonathan, *Public Finance and Public Policy*, Worth Publishers, Fourth Edition, 2013
- Rosen, Harvey S., and Ted Gayer, *Public Finance*, McGraw Hill, Tenth Edition, 2014
- Stiglitz, Joseph E., *Economics of the Public Sector*, W. W. Norton and Company, Third Edition, 2000