COURSE LOGISTICS:

Class Meeting Time & Location: Tuesdays & Thursdays 10:30-11:50am at McNeil 103.
Office Hours: Monday: 3:30-5pm; Friday: 10-11am, and by appointment
Teaching Assistant: Naoki Aizawa (office: McNeil 430)
TA Office Hours: Tuesday: 3:30-4:30 pm; Wednesday: 5:00-6:00 pm.
Review Sessions: TBA.
Class Listserv Email: ECON231-001-11C@lists.upenn.edu

COURSE DESCRIPTION:

Prerequisites: Econ 101 (intermediate micro theory), Math 104 (Calculus, Pat I) and Math 114 (Calculus Part II) or Math 115 (Calculus Part II with Probability and Matrices). Econ 103 (Statistics for Economists) is also recommended.


Notes About Textbook: The publisher (Cengage Learning) sent me an email regarding e-access to the textbook:

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ECON231 PUBLIC FINANCE
Hyman
Public Finance (with Economic Applications, InfoTrac® 1-Semester Printed Access Card)
http://www.cengagebrain.com/shop/isbn/9780538754460?cid=D2S
As an added bonus, we’re offering an exclusive promotion for your students: $10 off any purchase of $80 or more with coupon code FALL2011* Please provide your students with this coupon code in addition to the ordering link so they can save even more money and get the right product for your course! *Coupon code expires 9/30/2011 and excludes rental, Aplia and microsite purchases.
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COURSE SYNOPSIS:

The main goal of this class is to develop a set of tools for analyzing the role that government plays in the economy and the lives of its citizens. In particular, we will consider some reasons for government intervention in a market economy and study the impact of government expenditure programs and taxation systems on the welfare and behavior of its citizens. The course will cover a wide range of issues in public finance with a focus on current policy debates and issues. Topics covered will include the common use of natural resources, the environment, health care reform, social security, public assistance program, and taxation.

CLASS BLACKBOARD:

We will use the class blackboard site: https://courseweb.library.upenn.edu for all postings of course materials, including problem sets and solutions, lecture notes, practice exams, and announcements.

COURSE REQUIREMENT AND GRADING POLICY

Requirements for this class include two in-class midterm exams, a final paper, and four problem sets. Each exam will cover material from roughly half of the class:

- The first midterm exam will be given in class at midterm on October 20th (Thursday);
- The second midterm exam will be given on the final day of class, December 8th (Thursday).
- The four problem sets will be dispersed at regular intervals throughout the semester and will include problems indicative of those that will be used on the exams.
- The final paper will be due at 5:00pm on the final day of the reading period, December 13th. No exceptions will be made concerning this due date except with the written permission of your college dean.

In the paper the student is required to summarize how his/her views about any public policy issues have been affected by this course; and also propose any new ideas and thoughts about these topics. You are expected to spell out the particular policy issue that you are trying to discuss; review the economic arguments relevant to the issue; discuss your original views on the issue; explain your current position and how it was affected by what you learned in class; and finally discuss any new ideas/proposals. During the course, I will provide a list of potential term-paper ideas for your consideration. The length of the term paper should be about 10-15 double-spaced pages.

- Grades for the class will be based on these requirements in roughly the following proportions:

  Problem Sets (4) 25%
  First In-Class Midterm Exam (October 20th) 25%
  Second In-Class Midterm Exam (December 8th) 25%
  Final Paper (Due: 5pm December 13th) 25%

- Two class debates are planned on health care reform and the U.S. debt crisis (see below). Also, additional credit will be given based on participation in the general class discussions.
CLASS SCHEDULE AND READING ASSIGNMENTS

**September 8:** Background/Introduction

Reading: Chapter 1

**Part I: The Economics Basis for Government Activity**

**September 13:** Free Market and Efficiency: Review of First Theorem of Welfare Economics

Reading: Chapter 2

**September 15:** Externalities, and Government Interventions: Coase Theorem; Markets for Pollution Rights

Readings: Chapter 3
Additional Readings:


**September 20:** Public Goods and the Free Riding Problem.

Readings: Chapter 4.
Additional Readings:


**September 22:** How Are Public Policies Made? Public Choice and Political Economy.

Readings: Chapter 5.

**Part II: Selected Issues of Government Expenditures and Policy in the United States**

**September 27:** Government Support Programs for the Poor

Reading: Chapter 7
Additional Readings:

**September 29**: Social Security

Reading: Chapter 8
Additional Reading:


**October 4**: Other Social Insurance Programs

Reading: Chapter 8
Additional Readings:

- Martin Feldstein: Rethinking Social Insurance. NBER Working Paper

**October 6**: *Floating Class* (to catch up, to review or to have discussions)

**November 1**: Theory of Tax Incidence

Reading: Chapter 11

**November 3**: Theory of Tax Incidence (continued)
Reading: Chapter 11

**November 8:** Budget Balance and Government Debt: Facts

Reading: Chapter 12

**November 10:** Theory of Income Taxation

Reading: Chapter 13

**November 15:** U.S. Personal Income Tax System in Practice

Reading: Chapter 14

**November 17:** Taxation of Corporate Income

Reading: Chapter 15

**November 22:** Taxation of Consumption and Sales

Reading: Chapter 16

Additional Reading:


**November 24:** Thanksgiving Break.

**November 29:** Taxes on Wealth, Property and Estates.

Reading: Chapter 17

Additional Reading:


**December 1:** Class Debates: Toward Solutions to the U.S. Debt Crisis!!!

**December 6:** Review and Discussions.

**December 8:** Second in-Class Midterm Exam.

**December 13:** Final paper due at 5pm (email or hard copy).
1. **Attendance:**
   Attendance of lectures is required. If a student repeatedly fails to attend classes without proper excuses, the student will receive a lower grade.

2. **Cooperation:**
   You may discuss homework assignments; however, each individual must submit a separate homework assignment, and each individual will be separately graded on the assignment. You may not cooperate while taking exams.

3. **Aids During Exams:**
   All exams are closed book. You may not communicate or cooperate with anyone on the exam.

4. **Format of Assigned Work:**
   All homework assignments and term paper must be typed. All hand written answers to exam questions should be legible. Spelling, grammar, style, etc. do not "count" per se. However, anything that the TA or I cannot read or understand is wrong. Poor spelling, grammar, style, etc are often confusing.

5. **Lateness:**
   Due and return dates for assignments will be announced in class. These dates are binding. Late assignments are not accepted without either proper arrangement and compelling, verifiable reason.

6. **Return of Homeworks and Exams:**
   Homeworks and exams will be returned to you during class. You are responsible for picking them up.

7. **Re-grade requests:**
   A request for a re-grade of a problem set or an exam must be submitted to me in writing. In such a case, I will reevaluate your complete homework set or exam.

8. **Missing an Exam:**
   If you miss an exam, you need to obtain a letter signed by the coordinator of the undergraduate studies, Lynn Costello, that excuses your absence. If you do not obtain such a letter, you will fail the exam.

9. **Make-up Exams:**
   There are no make-up exams. If you have to miss the first in-class midterm exam, the second in class midterm exam will be worth 50% of your grade. If you miss the second in class exam, there will be an oral exam which replaces it.