

ECONOMICS 131: PUBLIC ECONOMICS

Spring Term 2017

Professor Emmanuel Saez

Email: saez@econ.berkeley.edu

Office Hours: Mondays 10am-12pm in Evans 623

Lectures – Mondays and Wednesdays 5pm-6:30pm (Cory 277)

<http://eml.berkeley.edu/~saez/course131/course131.html>

Graduate Student Instructors:

Dario Tortarolo

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Office hours: Mondays 10am-12pm room 640 Evans Hall

Sections: Mondays 4-5pm Latimer 105 and Mondays 7-8pm Latimer 105

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Office Hours: Fridays 8:30-10:30am, room 630 Evans Hall

Sections: Wednesdays, 7-8pm, Barrows 155 and Wednesdays, 8-9pm, Barrows 155

<https://sites.google.com/site/francisawong/teaching>

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 benefits of possible government policies, and the response of economic agents to the government's actions. The course covers tax policy and inequality, social insurance programs, public goods, environmental protection, and the interaction between different levels of government. Special emphasis is on current policy issues such as inequality and poverty, health care reform, income tax reform, and budget deficits.

Prerequisites: Economics 100a or 101a. Students should be comfortable with multivariate calculus.

Course Website: All lecture slides, handouts, and announcements will be posted online at:

<http://elsa.berkeley.edu/~saez/course131/course131.html>

Lecture notes might be slightly updated so it is best to print them only shortly before the lecture date.

This course DOES NOT use B-space.

Requirements

1) Lectures – Mondays and Wednesdays 5pm-6:30pm (Cory 277).

NO CLASS on Wed, Feb 22.

2) Readings –

Jonathan Gruber, Public Finance and Public Policy, 5th edition, Macmillan, 2016 is optional textbook (the lectures follow loosely the Gruber book). Earlier editions of the textbook are totally fine.

The other readings discussed in the lecture notes can be found in the reference list for each lecture with web links to the pdf files

Lecture slides will be posted on the course website. These slides are not comprehensive and not self-explanatory. Note also that lectures do not always cover 100% of the material from the slides. Therefore

attending the lectures is critical for learning and for success in the class.

Half of the credit for problem sets, mid-term, and final will be based on conceptual understanding of ideas taught in lectures. Half of the credit will be based on solving mathematical problems related to those covered in lectures and in sections.

Grading:

1) Exams: Midterm 30%, Wednesday, March 15, 5:10pm-6:30pm in class
Final 50%, Friday, May 12, 3-6pm.
Both midterm and final will be closed-notes (class notes, books, electronic devices or calculators are NOT allowed). Paper and pen only. Midterm and final will be
Final will be cumulative and based on the full material covered in class, including material tested in the mid-term.

2) Problem sets: 4 problem sets 20% due in class February 15, March 8, April 5, April 26.
Group work is permitted, but each student must write up and turn in his/her own solutions. All problem sets will be due on specific Wednesdays in class (no exceptions for late problem sets as solutions will be posted the same evening).

To facilitate grading, problem sets, midterm, and final exam assignments will have space in between questions where you can fill in your answers. No need to bring bluebooks for the midterm or final exam.

Regrading:

Midterm regrade requests must concern an issue that is worth at least 3 points. For problem sets, regrade requests must be accompanied by a one-page explanation for why you think you deserve a regrade. Regrade requests must be received within one week of the assignment/exam being returned to you. Note that any re-grade request will result in the entire assignment or test being re-graded, with the possibility of an upward or downward adjustment to your assigned grade.

COURSE OUTLINE

The twenty-four 1.5-hour long lectures loosely follow the Gruber textbook. We first cover chapters 1-4 of Gruber. Second, we cover the topics in chapters 17-25 but in a substantially different format than the Gruber textbook. Finally, we cover chapters 5-16 of the Gruber textbook.

- 1) Introduction to public economics and review of tools– 3 Lectures
Gruber, Chapter 1, 2, 4
- 2) Taxation and Redistribution I: Background and tax incidence – 4 Lectures
Gruber, Chapters 17, 18, 19 [lectures do not follow Gruber textbook closely]
- 3) Taxation and Redistribution II: Labor Income Taxes and Transfers – 3 Lectures
Gruber, Chapters 20, 21 [lectures do not follow Gruber textbook closely]
- 4) Taxation and Redistribution III: Capital Income Taxation – 3 Lectures
Gruber, Chapters 22 & 23 & 24 & 25 [lectures do not follow Gruber textbook closely]
- 5) Role of the government I: Externalities – 1 Lecture
Gruber, Chapters 5-6

6) Role of the government II: Public Goods – 4 Lectures.

- A) Basic theory (Gruber Chapter 7)
- B) Political Economy (Gruber Chapter 9)
- C) Local public goods (Gruber Chapter 10)
- E) Public Provision of Private Goods: Education (Gruber, Chapter 11)

7) Role of the government III: Social Insurance – 6 Lectures

- A) Overview (Gruber, Chapter 12)
- B) Social Security (Gruber, Chapter 13)
- C) Unemployment Insurance, Workers Compensation, Disability Insurance (Gruber, Chapter 14)
- D) Health Insurance (Gruber, Chapters 15 & 16)