

# ECONOMICS 131: PUBLIC ECONOMICS

## Spring Term 2022

### **Professor Emmanuel Saez**

Email: [saez@econ.berkeley.edu](mailto:saez@econ.berkeley.edu)

Office Hours: Mondays 9am-12pm in Evans Hall 623

Lectures – Mondays and Wednesdays 5:10pm-6:30pm in Latimer 120

**All lecture notes, assignments, and solutions posted at**

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

### **Graduate Student Instructors (GSIs):**

**Section times and place:** <https://classes.berkeley.edu/content/2022-spring-econ-131-001-lec-001>

### **Pavel Bacherikov**

Email: [pbacherikov@berkeley.edu](mailto:pbacherikov@berkeley.edu)

Section materials: <https://tinyurl.com/PavelECON131>

Office hours Mondays 3-5pm on zoom at <https://berkeley.zoom.us/j/6871795637>

Sections 102: Monday: 2-3pm, 104: Thursday 1-2pm, 105: Thursday 11-12 initially on zoom at <https://berkeley.zoom.us/j/6871795637>

### **Yige Wang**

Email: [yigewang@berkeley.edu](mailto:yigewang@berkeley.edu)

Section materials: [Dropbox](#)

Office hours: Fridays 10am-12pm on zoom at <https://berkeley.zoom.us/j/92155231165>

Sections: 101: Monday: 1-2pm, 103: Wednesday: 3-4pm, 106: Friday: 9-10am initially on zoom at <https://berkeley.zoom.us/j/92155231165>

### **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, tax reform, or health care policy.

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. All section notes and solutions will be uploaded to the GSIs websites listed above.

### **Requirements**

- 1) Lectures – Mondays and Wednesdays 5:10pm-6:30pm.  
Attendance is required and is part of the grade (monitored with in class questions).  
Each student can miss up to 4 classes (out of 24) before losing points.  
**No class on Wed February 23**

## 2) Readings –

Jonathan Gruber, Public Finance and Public Policy, 6th edition, Macmillan, 2019 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 20%, Wednesday, March 9, 5:10pm-6:30pm** during class time.

**Final 40%, Friday, May 13, 3-6pm.**

Final will be cumulative and based on the full material covered in class, including material tested in the mid-term.

**If in person (current plan), midterm and final are closed books and closed notes (no access to any electronic device).**

If remote (not the current plan), the exams will be open books, open notes but students are not allowed to communicate with each other (with slight variations on exams and severe penalties for violators). Exams will be emailed to students. Students have to upload a pdf version of their exam on Gradescope within 10 minutes after the end of exam time (with penalties for late submissions). For overseas students, an alternative exam and date will be provided.

**2) Problem sets:** 3 problem sets 30% due on **Wednesdays at 11:59pm PT March 2, March 30, April 20.**

Group work is permitted for problem sets, but each student must write up and turn in his/her own solutions. All problem sets will be due on specific Wednesdays, and all problem sets must be submitted online through Gradescope by the designated time (no exceptions for late problem sets as solutions will be posted at the due time).

**3) Attendance:** 10% of the grade based on attendance and participating in questions (students can miss up to 4 lectures with no penalty). Attendance and in-class questions through [iClicker cloud](#).

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.

### Academic Honesty Policy:

In fairness to students who put in an honest effort, cheaters will be punished. Any evidence of cheating will result in a score of zero (0) on that assignment. Cheating on a midterm, or the final exam results in an “F” for the course. Cheating includes copying off another person's exam or

assignment, allowing someone to copy off of your exam or assignment, having someone take an exam or assignment for you, changing an exam answer after an exam is graded. Incidences of cheating are reported to Center for Student Conduct, which administers additional punishment. See also <http://sa.berkeley.edu/conduct/students/standards>

### Re-grading:

Midterm re-grade requests must concern an issue that is worth at least 3 points. For problem sets, re-grade requests must be accompanied by a one-page explanation for why you think you deserve a re-grade. Re-grade 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 – 4 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 – 5 Lectures
  - A) Overview (Gruber, Chapter 12)
  - B) Health Insurance (Gruber, Chapters 15 & 16)
  - C) Social Security and Retirement (Gruber, Chapter 13)
  - D) Unemployment Insurance and Disability Insurance (Gruber, Chapter 14)