

## **ECONOMICS 131: PUBLIC ECONOMICS** **Fall Term 2016**

### **Professor Danny Yagan**

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Office Hours: Monday 12-2pm each week. Location: 647 Evans Hall.

### Graduate Student Instructors (GSIs):

#### **Jonathan Holmes**

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

Office hours: Tuesday, 9-11am, 636 Evans

Sections: Tuesday, 8-9am, Dwinelle 228, and Tuesday, 3-4pm, Barrows 155

#### **Francis Wong**

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Office hours: Thursday, 12-2pm, 630 Evans

Sections: Thursday, 4-5pm, Valley Life Sciences 2062 and Thursday, 5-6pm, Valley Life Sciences 2062

### Enrollment

Unlike other departments, the Economics Department staff---not this course's professor or GSIs---handles enrollment. We do not add students or sign forms in any way. The Department relies completely on CalCentral for handling enrollment. If you have any questions about enrollment, please contact the Department's Head GSI Katarina Jensen ([headgsi@econ.berkeley.edu](mailto:headgsi@econ.berkeley.edu)).

### Special Accommodations

If you require special accommodations for this class, please contact me no later than 3 weeks before the midterm/final exam and the Disabled Students Program (DSP). The DSP office is located at 260 César E. Chávez Student Center, #4250. Details can be found online at [dsp.berkeley.edu](http://dsp.berkeley.edu).

### 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 social security reform, 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 on the course website on bCourses.

The course website is: <https://bcourses.berkeley.edu/courses/1453089> Professor Yagan will bring printed lecture slides to each class. If you want to take notes on the lecture slides electronically, you can download the final lecture slides immediately before class from the bCourses website. For the first few weeks of the course, Professor Yagan will also post all course materials on his personal teaching website: <https://sites.google.com/site/dannyagan/teaching>. If you want to be manually added to bCourses because you are on the waitlist and not yet formally enrolled, email the GSIs, but all early course materials will be available on Professor Yagan's website.

## Requirements

1) Lectures – Mondays and Wednesdays 4pm-5:30pm (Wurster 112).

2) Readings –

Jonathan Gruber, Public Finance and Public Policy, 4th edition, 2012 is optional but recommended textbook (the lectures follow loosely the Gruber book). Earlier editions of the textbook or the latest 5th edition version

(<http://www.macmillanlearning.com/Catalog/product/publicfinanceandpublicpolicy-fifthedition-gruber>) 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 bCourse 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, October 19, 4:10pm-5:30pm in class  
Final 50%, Thursday, December 15, 8-11am  
Both midterm and final will be closed-notes (class notes, books, electronic devices or calculators are NOT allowed). Paper and pen only. Bring your own paper [and stapler if you don't use a blue book and need to staple separate sheets]  
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 September 26, October 12, November 7, November 30.  
Group work is permitted, but each student must write up and turn in his/her own solutions. All problem sets will be due in class (no exceptions for late problem sets as solutions will be posted the same evening).
- 3) Section Participation: Strong section participation can bump a small number of marginal students up one half grade (e.g. from a B+ to an A-).
- 4) Regrade policy: 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-five 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– 4 Lectures  
Gruber, Chapter 1-4
- 2) Taxation and Redistribution I: Background and tax incidence – 3 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)