

Economics 479-001: Public Economics

University of Kentucky

Fall Semester 2007

URL: <http://gatton.uky.edu/Faculty/yelowitz/479/fall2007.html>

Lectures

Tuesday/Thursday, 12:30pm-1:45 pm, Business and Economics Building 301.

Relevant info on me

Professor Aaron Yelowitz

Office: 335W Business and Economics Building

Office hours: Tuesday/Thursday, 3:30-5 pm, and by appointment.

Email: aaron@uky.edu

Phone: 859-257-7634

My background: I am an associate professor in the economics department. This is my 7th year at UK. Before I joined UK, I was an assistant professor in the economics department at UCLA, from 1994 to 2001. I received my Ph.D. in economics from MIT in 1994, and my B.A. from UC Santa Barbara in 1990. My research interests have focused on low-income households – especially concerning the housing and health insurance decisions that these groups are faced with. I've also examined living wages and health insurance mandates more recently. In some parts of the course, particularly on the U.S. welfare and health care system, I will incorporate some of my previous research.

Enrolling in this class

If you want to enroll in this class, there is a new online process for doing overrides. Go to

<http://gatton.uky.edu/undergraduates/forms/all/override.aspx> .

Course Description

This course examines the role of federal, state and local governments in the economy, both from a theoretical perspective and with analyses of U.S. institutions in particular. Both the taxation side and the expenditure side of the government budget will be analyzed. Questions to be answered include: Why should the government intervene in the working of private markets or goods or services? What kind of interventions are most desirable? What efficiency consequences result from government regulation or taxation? How would individuals or firms change their behavior in response to government policies?

Prerequisites

Economics 401 or equivalent. Agricultural Economics majors may substitute AEC 303 for this prerequisite. Calculus will be used in this course; you cannot get through this class without it. The tests will have a math-emphasis.

Textbook / On-line class notes

Jonathan Gruber, *Public Finance and Public Policy*, 2nd edition (Worth Publishers, 2007, ISBN-10: 0716766310 or ISBN-13: 978-0716766315). Unlike past semesters, due to student feedback, there will be less emphasis on Powerpoint presentations. A summary of the lectures will be made available online after each lecture, but these will not be a substitute for class attendance.

The Internet

The web site will have links to lecture notes, and also PowerPoint slides from previous semesters. In addition, I will sometimes send announcements on the web site.

Preparing for Class

We will generally follow the order of topics in the textbook (although we will skip various sections). The best

way of preparing for the class is to read the chapter ahead of time, and come prepared with questions to ask during the lecture.

Studying for the Exams

The exams for this semester will generally be based on the Gruber textbook and class lecture. During the course of the semester, I will point out relevant questions in the back of the chapters, and will also create additional questions for you to work on. I will try to distribute these questions when we start on a new chapter in the textbook.

Grading

1. The final is on Tuesday, December 11, 2007 from 1-3 pm. The final will be cumulative. It will count for 40% of your grade. It will take place in this classroom.
2. You will be given one midterm exam, on Tuesday, October 16, 2007. It will count for 40% of your grade and will last 75 minutes.

- In June 2007, the Provost sent an email to all deans regarding changes to mid-term grades. He is requiring mid-term grades “for every undergraduate class regardless of whether it is taught by full-time or part-time faculty or by Teaching Assistants, effective fall 2007. Instructors should adjust their course syllabi accordingly.”

- Because of this, my goal is for you to gather a clear signal of where you stand in the course and what letter grade you can expect. I can't send you an informative signal unless the midterm has real weight.

3. Homework: You will be given three homework assignments that will help you prepare for the exams. You are expected to do these on your own, and they will be graded. This will count for 15% of your grade. Additional ungraded problem sets may also be distributed.
4. Class attendance: At five random times during the semester, I will take attendance. This will count for the final 5% of your grade.

Grading Policy

Grades will be based on midterms, homework, attendance and the final exam.

Procedure for re-evaluation of disputed exam scores: Requests must be submitted *in writing* with an explanation of the error the student believes has been made. Written requests and test sheet must be submitted within 1 week of the date on which the exams are returned. All tests submitted for re-evaluation will be entirely regraded.

University Holidays / Cancelled Classes

According to the university calendar, there will be no class on November 22, 2007 for Thanksgiving.

Economics 479 Course Outline, Fall 2007

I. Introduction and Background

- A. Why Study Public Finance
Gruber, Chapter 1
- B. Theoretical Tools of Public Finance
Gruber, Chapter 2, including appendix
- C. Empirical Tools of Public Finance
Gruber, Chapter 3, including appendix

II. Externalities and Public Goods

- A. Externalities: Problems and Solutions
Gruber, Chapter 5
- B. Externalities in Action: Environmental and Health Externalities
Gruber, Chapter 6
- C. Public Goods
Gruber, Chapter 7
- D. Education
Gruber, Chapter 11

III. Social Insurance and Redistribution

- A. Social Insurance: The New Function of Government
Gruber, Chapter 12
- B. Social Security
Gruber, Chapter 13
- C. Unemployment Insurance, Disability Insurance, and Workers' Compensation
Gruber, Chapter 14
- D. Health Insurance I: Health Economics and Private Health Insurance
Gruber, Chapter 15
- E. Health Insurance II: Medicare, Medicaid, and Health Care Reform
Gruber, Chapter 16
- F. Income Distribution and Welfare Programs
Gruber, Chapter 17

IV. Taxation in Theory and Practice

- A. Taxation in the United States and Around the World
Gruber, Chapter 18
- B. Taxes on Labor Supply
Gruber, Chapter 21
- C. Taxes on Savings
Gruber, Chapter 22