ECON S4465Q

Public Economics

Monday – Thursday: 2:25PM– 4:00PM

Location: International Affairs Building (IAB) 405

Instructor: Cameron LaPoint

Email: cameron.lapoint@columbia.edu
Office Location: International Affairs Building (IAB) 270
Office Hours: Wednesday, 11:00AM – 1:00PM

Course Description:

This course examines the role governments play in market economies. We will focus on developing theoretical and empirical tools to address normative questions (what should governments do?) as well as positive questions (what are the consequences of government intervention?). We will start by building upon foundations from microeconomic theory to determine the causes of market failures in commodity and insurance markets, and how government intervention might mitigate these inefficiencies. We then study theories that translate policymakers' preferences for redistribution into taxes on commodities, income, and wealth. The course covers tax policy, environmental protection, social insurance programs, welfare programs, and tax administration. Special emphasis is on issues particularly relevant to recent U.S. public policy debates: trends and sources of inequality, Social Security reform, health care reform, and tax evasion/avoidance.

Prerequisites:

This course assumes a background in microeconomic and macroeconomic theory at an intermediate level. These two prerequisites correspond to the courses UN3211 Intermediate Microeconomics and UN3213 Intermediate Macroeconomics offered at Columbia during the regular academic year. Although we will occasionally refer to concepts from econometrics, no formal background in econometrics is required.

Textbook:

The course will be heavily based on lecture slides, so there is no required textbook. A recommended book that may be used as a reference for most topics we will cover is: *Public Finance and Public Policy*, by Jonathan Gruber (Worth Publishers, 5th edition, 2016). The book is useful for providing policy context and graphical intuition. However, be advised that many topics in this course will be covered in greater depth than the treatment offered in the book.

Teaching Assistant (TA) & Recitations:

The TA for the course is XXXX. XXXX will hold office hours on ***Thursdays at 1:10 – 2:10pm*** in IAB 402 and recitations on ***Thursdays at 4:15 – 5:30pm*** in IAB 402. These TA recitations will provide a review of material covered in recent lectures and present solutions to practice problems similar to those that will appear on the problem sets and exams.

Grading Policy:

Your final grade will be determined as follows:

        20%   Problem Sets (only your top 4 scores out of 5 will be counted)
        40%   Max$\{$Midterm, Final$\}$
        40%   Final Exam

There is a strict *no make-up exam policy*. If you miss the midterm, you will not be granted a make-up exam. In the event that you do miss the midterm, your overall grade for the class will then consist of 20% from the problem sets and 80% from the final. The final will be *non-cumulative*. Overall letter grades will be based on a curve using a standard distribution of grades in the Department.

Problem Sets:

All problem sets will be posted on the course webpage available through Courseworks. These will be due exactly one week later at the beginning of class. There are *no late submissions*. You are encouraged to work in groups on the problem sets. However, each student must submit *separate* solutions written in his/her own words.

Questions & Communication:

If you have any questions/concerns about course material, policies, etc. please do not hesitate to send either the TA or the instructor an email. All materials related to the course, including problem sets, slides, and extra readings, will be available on Courseworks. The instructor's office hours will be held on *Wednesdays at 11:00am – 1:00pm* in International Affairs Building (IAB) 270.

Tentative Course Outline:

Lecture content is subject to change, as it depends on the progress of the class. Chapter numbers from the Gruber textbook corresponding to material presented in class are provided in parentheses.

Lecture Date	Content
L1: 7/3	Introduction (Chapters 1 & 4) Consumption/Leisure Choice (Chapter 2) *Problem Set #1 assigned*
L2: 7/5	Empirical Tools of Public Economics (Chapter 3) Incidence of Government Policies (Chapter 19)
L3: 7/6	Efficiency Costs of Government Policies (Chapter 20) Externalities & Internalities (Chapters 5 & 6)
L4: 7/10	Externalities & Internalities *cont.* (Chapters 5 & 6) *Problem Set #1 due; Problem Set #2 assigned*
L5: 7/11	Theoretical Motivation for Social Insurance (Chapter 12) Overview of Major Social Insurance Programs (Chapters 13 & 14)
L6: 7/12	Old-Age Retirement Insurance (Chapter 13)

L7: 7/13	Unemployment Insurance (Chapter 14)
L8: 7/17	Health Insurance (Chapters 15 & 16) *Problem Set #2 due; Problem Set #3 assigned*
L9: 7/18	Inequality: Measurement & Historical Trends
L10: 7/19	Overview of Welfare Programs (Chapter 17)
L11: 7/20	The Permanent Income Hypothesis Behavioral Responses to Government Transfers
L12: 7/24	Tax Policy in Practice (Chapters 18, 22, 23, 24) *Problem Set #3 due; Problem Set #4 assigned*
L13: 7/25	Optimal Commodity Taxation
L14: 7/26	Review for Midterm Exam
L15: 7/27	**Midterm Exam (in class)**
L16: 7/31	Optimal Income Taxation The Economics of Superstars *Problem Set #4 due; Problem Set #5 assigned*
L17: 8/1	Optimal Capital Income Taxation
L18: 8/2	Optimal Capital Income Taxation, *continued*
L19: 8/3	Behavioral Responses to Taxation (Chapter 21)
L20: 8/7	Tax Evasion and Avoidance *Problem Set #5 due*
L21: 8/8	Tax Evasion and Avoidance, *continued* Tax Administration
L22: 8/9	Review for Final Exam
L23: 8/10	**Final Exam (in class)**