

Econ 425: Economics of Public Expenditures

Penn State University
Spring 2015

Syllabus

Lectures: TTh 1pm-2.15pm 111 Wartik Lab

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Textbook

Gruber J., *Public Finance and Public Policy*, 4th edition, Worth Publishers, 2012

This is recommended reading for this course and serves mainly as complimentary material to lectures.

Course description

The objective of this course is to examine public expenditure decisions with a rigorous and advanced analytical approach. We will discuss rationale for government interventions - efficiency and equality concerns - in the provision of public goods, education and social insurance. For all of these topics we will go over underlying theory, existing empirical evidence, and implications for public policy. Real world applications will focus on United States primarily and since there are competing views on the proper role of the government, some issues might be controversial.

Prerequisites

Econ 302 or Econ 323 are prerequisites for this course. Basic calculus and constrained optimization techniques will be used throughout the course. Working knowledge of Microsoft Excel is needed for parts of homework assignments that deal with data.

Grading

Final grade will be computed by choosing the highest of the following three grading options.

	Option A	Option B	Option C
Assignments	25%	25%	25%
Quizzes	5%	5%	5%
Midterm exam	30%	20%	40%
Final exam	40%	50%	30%

Below are the grading cut-off points:

92%-100%	90%-92%	88%-90%	82%-88%	80%-82%	78%-80%	70%-78%	60%-70%	below 60%
A	A-	B+	B	B-	C+	C	D	F

Attendance and Class Participation

Attendance is in general not mandatory, but rewarded - see section Quizzes below. **Attendance is mandatory for any student who scores 75% or less on the midterm.** Participation is not graded, but is highly valued and I will bump up your grade if you are a borderline case and if you have been active in class discussions. I will never lower your grade if you don't participate or if your comments are off.

Exams

Midterm Exam: Tuesday, March 3, in class

Final Exam: Thursday, May 7, 4:40pm-6:30pm, 111 Chambers Building

Please see <http://handbook.psu.edu/content/examinations> for policies regarding time conflicts and the details on final exam conflict filing.

Quizzes

Between 5 and 10 short quizzes, each around 15 minutes long, will be given in class on random days.

Assignments

All assignments are due in class, **before** the lecture. Assignments submitted late will be penalized by 10 points (out of 100) for each day it is late. Two points will be deducted if assignment is not stapled.

HW1	Thursday, January 22
HW2	Tuesday, January 29
HW3	Thursday, February 12
HW4	Thursday, February 26
HW5	Tuesday, March 24
HW6	Tuesday, April 2
HW7	Thursday, April 14
HW8	Tuesday, April 23

Students are encouraged to work in study groups. However, each student is responsible for writing up his/her own problem set and has to acknowledge the people worked with on the submitted assignment. Identical or essentially similar assignments will get a grade of zero.

Course Timetable

This is tentative and will be revised as needed as we go along.

Week 1	Introduction. Tools: Math
Week 2	Tools: Econ and Econometrics
Week 3	Four questions of Public Finance. Efficiency.
Week 4	Public Goods.
Week 5	Education.
Week 6	Uncertainty and Introduction to Insurance.
Week 7	Insurance under Imperfect Information.
Week 8	Review and Midterm
Week 9	Spring Break
Week 10	Health Insurance.
Week 11	Social Security.
Week 12	Unemployment Insurance.
Week 13	Wealth and Income Inequality. Social Mobility.
Week 14	Redistribution. Efficiency vs Equality.
Week 15	Welfare Programs.
Week 16	Review and Wrap Up.

PROCEDURES AND POLICIES

VALID REASONS FOR MISSING AN EXAM

Illness or injury, family emergencies, certain University-approved curricular and extra-curricular activities, and religious holidays can be legitimate reasons to be excused from a scheduled examination. In the case of illness or injury, confirmation from a physician, physician's assistant, a nurse-practitioner, or a nurse is required. Barring extraordinary circumstances, confirmation must be presented prior to the missed exam. With regard to family emergencies, you must provide verifiable documentation of the emergency. Unless the emergency is critical you should notify the instructor in advance. In cases of critical emergencies, you must notify the instructor within one week of your absence. For University-approved curricular and extra-curricular activities, verifiable documentation must be presented to the instructor at least one week prior to the first absence. In the case of religious holidays, notify the instructor by the third week of the course of any potential conflicts. See <http://econ.la.psu.edu/undergraduate/valid-excuses> for details.

STATEMENT OF ACADEMIC INTEGRITY:

Penn State defines academic integrity as the pursuit of scholarly activity in an open, honest and responsible manner. All students should act with personal integrity, respect other students' dignity, rights and property, and help create and maintain an environment in which all can succeed through the fruits of their efforts (Faculty Senate Policy 49-20). Dishonesty of any kind is not tolerated. Dishonesty includes, but is not limited to, cheating, plagiarizing, fabricating information or citations, facilitating acts of academic dishonesty by others, having unauthorized possession of examinations, submitting work of another person or work previously used without informing the instructor, or tampering with the academic work of other students. Students who are found to be dishonest will receive academic sanctions and will be reported to the University's Judicial Affairs office for possible further disciplinary sanction. See <http://econ.la.psu.edu/undergraduate/academic-integrity> for further information.

STATEMENT OF NONDISCRIMINATION:

Penn State University is committed to the policy that all persons shall have equal access to programs, facilities, admission, and employment without regard to personal characteristics not related to ability, performance, or qualifications as determined by University policy or by state or federal authorities. Penn State University does not discriminate based on age, ancestry, color, disability or handicap, national origin, race, religious creed, sex, sexual orientation, or veteran status.

DISABILITY ACCESS STATEMENT:

Penn State University encourages qualified people with disabilities to participate in its programs and activities and is committed to the policy that all people shall have equal access to programs, facilities, and admissions without regard to personal characteristics not related to ability, performance, or qualifications as determined by University policy or by state or federal authorities. If you anticipate needing any type of accommodation in this course or have questions about physical access, please tell the instructor as soon as possible.

UNDERGRADUATE ADVISERS:

See <http://econ.la.psu.edu/undergraduate/advising-schedule> for information on advising and how to set up an appointment. Undergraduate Advising Handbook is available at <http://handbook.psu.edu>

COMPLAINTS OR CONCERNS ABOUT COURSES:

Please contact your instructor or TA if you have any complaints/concerns about the course. If your concerns are not resolved after talking with your instructor you can contact David Brown, Director of Undergraduate Studies drb39@psu.edu, 405 Kern Graduate Building.