

ECO 4504: Public Economics

University of Florida - Fall 2020

Instructor: Robert Ainsworth (robert.ainsworth@ufl.edu)

Office hours: Mondays & Wednesdays, 4:00-5:00pm

TA: Ilia Kapelevich (ikapelevich@ufl.edu)

Office hours: TBA

Course description

This course is on the role of government in the economy. In the course, we will try to understand why governments intervene in the economy, the tools and mechanisms that governments use in intervening, and the effects of their interventions. In this way, we will consider both normative questions (what should governments do?) and positive ones (what are the impacts of actual government policies?).

In terms of course structure, we will begin by covering some necessary tools and concepts. We will then discuss externalities, public goods, social insurance, and tax policy. For each topic, we will combine economic theory with applications based on real-world policy issues. Some of the issues that we'll explore include: climate change, air pollution, residential segregation, health insurance, inequality, and the social safety net. One goal of the course will be to introduce students to empirical research in public economics. As such, we will read a few recent research papers and discuss data and empirical strategies.

Prerequisites

The prerequisites for the course are the Principles courses (ECO 2013 and ECO 2023), Intermediate Microeconomics (ECO 3101 or ECP 3703) and familiarity with calculus (MAC 2233 or higher). Also, while it is not necessary, it would be helpful to have taken (or be taking) econometrics (ECO 4421).

Class meetings and office hours

Classes are scheduled to take place from 1:55-3:50pm on Mondays and Wednesdays. However, in order to give students flexibility during this uncertain semester, much of the course will occur asynchronously. Each Monday, I will upload pre-recorded videos of the week's lectures to Canvas. Students are free to view the lectures when convenient. Nonetheless, I recommend watching them during the assigned class times. This way, students will keep pace with the course schedule.

On Wednesdays from 3:00-3:50pm, I will hold a *voluntary* Q&A session. I will also hold office hours on Mondays and Wednesdays from 4:00-5:00pm. Finally, the TA, Ilia Kapelevich, will hold office hours at a time TBD. The Q&A session is intended for questions that are of interest to everyone, such as questions regarding readings or lectures. My office hours are intended for questions that are of a more personal or private nature. Ilia's office hours are for questions

regarding readings, homework assignments, and homework grades. The best way to ensure that you get a thoughtful response to your question is to email it to me or Ilia (or to post it on the class discussion board) ahead of time.

Textbook and readings

The class will use a textbook by Jonathan Gruber:

Gruber, Jonathan. *Public Finance and Public Policy*. 6th ed. Worth Publishers, 2019.

It can be bought or rented from Amazon or Macmillan Learning. I will place all other readings on Canvas.

Exams

The course will have three non-cumulative exams. The exams will occur on Wednesdays during the scheduled class time (1:55-3:50pm). On the Monday before each exam, I will hold a live review session. The dates and topics for the exams are shown below:

Table 1: Exam details

Exam	Date	Topics
1	10/14	Externalities and public goods
2	11/18	Social insurance
3	12/09	Tax policy

The exams will occur online and be proctored using Honor Lock. The Canvas website lists best practices for Honor Lock. Importantly, you must have a strong and reliable internet connection. Some general best practices are the following:

1. Use a hardwired ethernet connection if possible.
2. If you must use WiFi, you should ensure that you have a strong and stable internet connection. As a rule of thumb, if you have trouble streaming videos, you will not be able to take an online exam.
3. If you must use WiFi, ask others to refrain from using the internet during your exam if possible.
4. Public WiFi and Hotspots are not suitable for taking online exams.

Homework and participation

The course will have four homework assignments. These will consist of (i) exercises that let you practice and absorb the theory and (ii) short answer questions related to readings and policy issues. For the homework assignments, late submissions will not be accepted. However, we will drop the assignment with the lowest grade. Homework assignments will be graded by the TA. As such, students can direct most questions about these to him.

Homework assignments should be typed and submitted via Canvas. This will involve typing some math. I believe it is possible to do this using Word or Google Docs. However, if you plan to continue in a quantitative field, I recommend taking the time to learn LaTeX. LyX is a free and open source program that allows producing documents in LaTeX without having to know all the code: <https://www.lyx.org/Download>.

Finally, the modules on Canvas include a few multiple choice quizzes. These are meant to help you absorb the readings and lectures. They will not be graded for correctness. Instead, they will count as your participation grade. If you complete them all, you will get full credit.

Grades

The grading structure for the course will be the following:

Table 2: Grading details

Component	Percent
Exam 1	20%
Exam 2	30%
Exam 3	30%
Homework	15%
Participation	5%

Course structure

A tentative list of the topics that we will cover is presented below. Please see the course modules on Canvas for the exact schedule.

Introduction

- Overview of the government in the economy
 - Gruber Ch. 1.
- Theoretical tools
 - Gruber Ch. 2.
- Empirical tools
 - Gruber Ch. 3.

Externalities and public goods

- Externalities: theory
 - Gruber Ch. 5.

- Externalities: examples
 - Gruber Ch. 6.0-6.2
 - Proistosescu, Cristian and Gernot Wagner. (2020). “Uncertainties in Climate and Weather Extremes Increase the Cost of Carbon.” *One Earth*, 2 (6): 515-517.
 - Optional: Auffhammer, Maximilian. (2018). “Quantifying Economic Damages from Climate Change.” *Journal of Economic Perspectives*, 32 (4): 33-52.
- Costs and benefits of the Clean Air Act:
 - Currie, Janet and Reed Walker. (2019). “What do economists have to say about the Clean Air Act 50 years after the establishment of the Environmental Protection Agency?” *Journal of Economic Perspectives*, 33 (4): 3-26
- Internalities
 - Gruber Ch. 6.3-6.4
 - Optional: Kahneman, D. (2011). *Thinking, fast and slow*. Chapter 1.
- Public goods:
 - Gruber Ch. 7
- Local public finance
 - Gruber 10.1-10.2
- Neighborhoods
 - Chetty, Raj and Nathaniel Hendren. (2015). “The Impacts of Neighborhoods on Intergenerational Mobility Childhood Exposure Effects and County-Level Estimates: Executive Summary”.
 - Matthews, Dylan. (2019). “America has a housing segregation problem. Seattle may just have the solution.” *Vox*.
 - Optional: Chetty, Raj and Nathaniel Hendren. (2018). “The Impacts of Neighborhoods on Intergenerational Mobility II: County-Level Estimates”. *The Quarterly Journal of Economics*, 133 (3): 1163-1228
- School competition
 - Abdulkadiroglu, Atila, Parag A. Pathak, and Christopher R. Walters. (2018). “Free to Choose: Can School Choice Reduce Student Achievement?” *American Economic Journal: Applied Economics*, 10 (1): 175-206

Social insurance

- Overview
 - Gruber Ch. 12
- Social security
 - Gruber Ch. 13
- Health insurance
 - Gruber Ch. 15-16
- Unemployment Insurance, Disability, Worker’s Comp.
 - Gruber Ch. 14

Taxes and redistribution

- Income inequality
 - Alvaredo, Facundo, Anthony B. Atkinson, Thomas Piketty, and Emmanuel Saez. (2013). “The Top 1 Percent in International and Historical Perspective.” *Journal of Economic Perspectives*, 27 (3): 3-20
- Taxes, redistribution, and labor supply
 - Gruber Ch. 17, 21
 - Hoynes, Hilary and Jesse Rothstein. (2019). “Universal Basic Income in the United States and Advanced Countries.” *Annual Review of Economics*, 11(1): 929-958
- Redistribution as investment in human capital
 - Bailey, Martha, Hilary Hoynes, Maya Rossin-Slater, and Reed Walker. (2020). “Is the social safety net a long-term investment? Large-scale evidence from the Food Stamps program.” NBER Working Paper 26942
 - Optional: Hendren, Nathaniel, and Ben Sprung-Keyser. (2020). “A Unified Welfare Analysis of Government Policies.” *Quarterly Journal of Economics*, 135 (3): 1209-1318