ECON 438 / PUBPOL 289 — Public Finance
Fall 2014

Instructor: Juan Carlos Suárez Serrato
Office Hours: Wednesday 11AM-12PM at Social Sciences 235
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Teaching Assistant: TBD

Meeting Times:
Mondays 8:30-11:15AM at Social Sciences 111

Pre-requisites:
Completion of Economics 205D or Public Policy Studies 303D

Course Description:
This course explores the role of economic analysis in the design, evaluation, and implementation of public policy. By the end of the course, students should be able to apply a framework of social welfare analysis to a variety of public finance questions. Emphasis will be given to the theoretical development of cost-benefit tradeoffs as well as to their empirical implementation. The first part of the course develops this framework including a short review of empirical strategies. The second part of the course will apply the framework to a variety of policy settings including issues around the design of taxation, unemployment insurance, and government spending.

Required Readings:
This course will rely on two books, one required and one suggested.
Suggested book: “Microeconometrics Using Stata, Revised Edition” by Cameron and Trivedi. Both will be available at the campus bookstore. The second of these books will be used as reference for STATA and is a handy companion for you to have in future work. If you already have an alternative reference or are very proficient in the use of STATA you need not buy this book.

Electronic resources will be available online and through Sakai. Because I plan to incorporate current events in class, not all reading materials are available at the commencement of the course but will be made available through Sakai.
**Grading:**
- 2 Midterms 19% (each)
- 6 PS 6% (each)
- Article Quizzes and Discussion 5%
- In-class Participation 11%
- Individual Project 10%

**Requirements:**

**Problem Sets:** There will be 6 (short) problem sets. The problem sets are due at the beginning of class on their respective due dates. Some of the problem sets will have an empirical focus and use of STATA or other statistical software package will be required. See Handout on Accessing STATA for more details.

**Article Quizzes and Discussion:** There will be (easy) quizzes based on article readings at the beginning of class. In-class discussion of articles will also count towards this portion of the grade. The quiz with the lowest grade will not count toward your grade.

**Participation:** Class participation is an integral part of the course requirements and will be graded accordingly. Paying regular attention to electronic devices such as cell phones will count against participation.

**Individual Project:** There will be a research project where students will apply the analytical and empirical tools developed in the course to the analysis of a policy question of their choice. The project will consist of short memo (6-8 single-spaced page not including references, tables, and graphs) detailing a research strategy to answer a policy question of their choice.

**Student Feedback:**
I would like to continue improving the course and welcome student feedback in person or via email. If you would rather send an anonymous comment, we encourage you to do so by filling out this anonymous form: [http://www.jcsuarez.com/teaching_comments.html](http://www.jcsuarez.com/teaching_comments.html)

**For general university policies see:**
Grading: [http://registrar.duke.edu/faculty-staff/grading](http://registrar.duke.edu/faculty-staff/grading)
For students with disabilities: [http://access.duke.edu/students/faculty.php](http://access.duke.edu/students/faculty.php)
Absences: [http://trinity.duke.edu/undergraduate/academic-policies/missing-work-classes](http://trinity.duke.edu/undergraduate/academic-policies/missing-work-classes)
Tentative Course Schedule:

**Mon Aug 25**  
Class 1 – Introduction, Utility Maximization, and Welfare Theorems  
Handout Problem Set 1  
Read: - Gruber Ch 1 & 2

**Mon Sep 1**  
Class 2 – Estimation and Public Goods  
➢ Problem Set 1 Due  
Handout Problem Set 2  
Read: - Gruber Ch 3 & 7  
- Cameron & Trivedi Ch 1,2,3,6 & 8  
http://www.jstor.org/stable/2587017

**Fri Sep 5**  
Last Day for Add/Drop

**Mon Sep 8**  
Class 3 – Public Goods (cont.) and Externalities  
➢ Problem Set 2 Due  
Read: - Gruber Ch 5 & 6  
- "Should we Tax People for Being Annoying", NY Times.  
http://www.nytimes.com/2013/01/13/magazine/should-we-tax-people-for-being-annoying.html?_r=0

**Mon Sep 15**  
Class 4 - Tax: Incidence and Deadweight-Loss  
➢ Project: Idea Due  
Handout Problem Set 3  
Read: - Gruber Ch 18 & 19  

**Mon Sep 22**  
Class 5 - EITC and Income Taxation  
➢ Problem Set 3 Due  
Handout Problem Set 4  
Read: - Gruber Ch 20 & 21  
Tax Policy and the Economy  
http://elsa.berkeley.edu/~saez/saezTPE04.pdf
Mon Sep 29  Class 6 - Asymmetric Information and Social Insurance
   ➢ Project: Data Section Due
Problem Set 4 Due
Read: - Gruber Ch 12

➢ Mon Oct 6  Class 7 - Midterm

*Fri Oct 10 – Tue Oct 14*  Fall Break

Mon Oct 20  Class 8 - Unemployment Insurance
   ➢ Project: Model and Specification Section Due
Handout Problem Set 5
Read: - Gruber Ch 14

Mon Oct 27  Class 9 - Social Security
   ➢ Problem Set 5 Due
Read: - Gruber Ch 13

Mon Nov 3  Class 10 - Health Care
   ➢ Project: Results Section/First Draft Due
Handout Problem Set 6
Read: - Gruber Ch 15 & 16

Mon Nov 10  Class 11 - Corporate Taxation
   ➢ Problem Set 6 Due
Read: - Gruber Ch 24 & 25

*Fri Nov 14  Last Day for W*

➢ Mon Nov 17  Class 12 - Project Presentations
- **Tue Nov 25**  Final Projects Due (at 5pm)

- **Wed Nov 26 – Fri Nov 28**  Thanksgiving Break

- **Mon Dec 1 – Mon Dec 8**  Reading Days

- **Mon Dec 8**  Review Session (9:00am – 11:00am)

- **Fri Dec 12**  Final Exam (9:00am – 12:00pm)