

Syllabus

Government policies exert a pervasive influence over the economy and the welfare of its inhabitants. This course considers first the economic effects of expenditure policies, such as social security, health care, welfare, and environmental policies. We then consider the U.S. tax system, paying attention to institutional details and the economic effects of the tax system on individual and business behavior.

Readings

The textbook is Harvey Rosen and Ted Gayer, Public Finance (McGraw Hill, 10th Edition). Do not buy an older edition (or the international edition), as the problem sets will not be aligned. All outside readings on the syllabus will be posted on the Canvas site, and are required. Both textbook and outside readings should be read before coming to class.

Lectures

Attendance is strongly recommended, as some of your grade depends on class participation. Slides will be posted after the lecture, but these will be fairly minimal, with few bullet points. Several short videos are posted on Canvas; these review some of the more complicated or technical sections of the course in case you missed anything during the lecture.

There will be no class on January 15th (Martin Luther King Day) and January 31st. I will be using X-hours for examinations (and possibly for a lecture or two), so you need to keep that time (Tuesday 1:20-2:10pm) available. There are also review sessions at 7 pm on the evening prior to examinations; these are optional but recommended.

Grading

Midterm and final exams must be taken at the scheduled times. The final exam is scheduled well in advance of the beginning of the term and all midterm exam dates are on the syllabus. Exceptions may be made for Dartmouth sponsored events such as varsity sports and other activities related to your Dartmouth education. Acute events, such as an illness or a death in the family will be handled on a case-by-case basis.

There will be 3 midterm exams, and you will have the option of dropping one of them. You should be very careful about missing exams for job interviews or other reasons – this is risky if one of your other exams doesn't go as well as planned. No make-up exams are given. The two best midterms will comprise 44% of your grade.

The final exam (35% of the grade) will be given from 8-11 AM Sunday March 13th. That date cannot be moved for any reason.

In addition, there will be two short (one-page) memos. Each will count for 8% of the grade.

Finally, class participation and attendance comprise the final 5%. Also note that substantial improvement in grades over the course can bump your final grade up.

If you have a question about the grading of an exam, you must see me within three weeks of the date. I will hold on to the final exams for one year after the term is over.

Sample worksheets are provided prior to exams. They are not graded, and answers are posted on Canvas. I recommend that you try the problems first before looking at the answers.

Canvas

Keep track of announcements in Canvas, as classes and/or material covered in exams may change. Please let me know if any of the links aren't working or if the page is confusing. Canvas may be updated (in particular as tax reform plays out) and corrected, so please double-check for all dates and assignments on your Canvas calendar.

Honor Principle

I am strongly committed to assigning grades based on honest efforts on exams and assignments. Students who cheat degrade the worth of the Dartmouth College degree for themselves and all of their peers. I expect that all students will uphold Dartmouth's [honor principle](#),

Office Hours

Office hours are MWF 10:30 – 12:00, after class, and by appointment. I am available on email and try to respond to questions quickly. Check Canvas frequently for updates about assignments, classes, or office hours.

Religious observances

If you have a religious observance that conflicts with your participation in the course, please meet with me before the end of the second week of the term to discuss appropriate accommodations.

Students with disabilities

Any students with a documented disability who may need disability related exam accommodations must see me within the first two weeks of class. All discussions will remain confidential, although the Academic Skills Center may be consulted to verify the documentation of the disability. In the week before each exam it is your responsibility to verify all arrangements by email. It is also your responsibility to make sure that the time and place for your exam is clear before the day of the exam.

Wellness

I recognize that the academic environment at Dartmouth is challenging, that our terms are intensive, and that classes are not the only demanding part of your life. There are a number of resources available to you on campus to support you, including: your undergraduate dean (<http://www.dartmouth.edu/~upperde/>), Counseling and Human Development (<http://www.dartmouth.edu/~chd/>), and the Student Wellness Center (<http://www.dartmouth.edu/~healthed/>). I encourage you to use these resources and come speak with me throughout the term.

Course Outline

I. Introduction to Public Economics [1/3]

Rosen & Gayer, Chapters 1, 2.

Head, Brian W., "Wicked Problems in Public Policy," *Public Policy* 3(2), 2008, pp. 101-18. [Skim the two examples: pp. 109-113]

II. Normative Analysis: Edgeworth Boxes and Market Failure [1/5]

Rosen & Gayer, Chapter 3.

Schiller, Robert J., "Faith in an Unregulated Free Market? Don't Fall for It," *New York Times*, October 15, 2015.

III. Public Goods [1/8, 1/10]

Rosen & Gayer, Chapters 4.

Shleifer, Andrei, "State Versus Private Ownership," *Journal of Economic Perspectives*, Fall 1998, 133-150.

Elinor Ostrom's research described in "The Prize in Economic Sciences 2009 - Advanced Information". Nobelprize.org.

IV. Externalities [1/12, 1/17]

Rosen & Gayer, Chapter 5.

Buccafusco, Christopher, and Chris Sprigman, "Who Deserves Those 4 Inches of Airplane Seat Space? An Investigation into the Economics of Reclining," *Slate*, September 23, 2014.

Mason, Melanie, and Chris Megerian, "California Legislature Extends State's Cap-and-Trade Program in Rare Bipartisan Effort to Address Climate Change," *LA Times*, July 17, 2017.

Mankiw, N. Gregory, "The Key Role of Conservatives in Taxing Carbon," *New York Times*, September 6, 2015.

Ip, Greg, "The Flawed Case Against Carbon Pricing," *Wall Street Journal*, April 5, 2017.

Hu, Winnie, "Your Uber Car Creates Congestion. Should You Pay a Fee to Ride?" *New York Times*, December 26, 2017.

Externality Memo: Due 8 AM, January 17th.

V. Cost-Benefit Analysis [1/19, 1/22]

Rosen & Gayer, Chapter 8.

Baumgardner, James, Linda Bilheimer, Mark Booth, et al., "Cigarette Taxes and the Federal Budget — Report from the CBO," *New England Journal of Medicine*, November 12, 2012.

Heinzerling, Lisa, and Frank Ackerman, "Pricing the Priceless: Inside the Strange World of Cost-Benefit Analysis," *Dollars and Sense*, March/April, 2003.

Exam #1: Tuesday January 23rd (Covering Sections I through IV)

VI. Social Insurance and Social Security [1/24, 1/26]

Rosen & Gayer, Chapter 11.

The Economist, "Kicking the Can Down an Endless Road," August 31, 2017.

Congressional Budget Office, "Social Security Policy Options", December 2015. Read pages 1-12, the rest is optional.

Sauter, George, and Nancy Altman, "Should Social Security Be Privatized?" *Wall Street Journal*, March 27, 2017.

VII. Health Economics, Medicare, and Medicaid [1/29, 2/2, 2/5, 2/7]

Rosen & Gayer, Chapters 9 & 10.

Gawande, Atul, "Overkill," *The New Yorker*, May 11, 2015.

Frakt, Austin, and Jonathan Skinner, "The Puzzling Popularity of Back Surgery in Certain Regions," *New York Times*, February 14, 2017.

Atlas, Scott, "The Health Reform That Hasn't Been Tried," *Wall Street Journal*, October 3, 2017.

Pear, Robert, "Many Say High Deductibles Make Their Health Law Insurance All but Useless," *New York Times*, November 14, 2015.

Carroll, Aaron, and Austin Frakt, "What Makes Singapore's Health Care So Cheap?" *New York Times*, October 2, 2017.

Kliff, Sarah, "Bernie Sanders's New Medicare-for-All Plan, Explained," *Vox.com*, September 13, 2017.

Fuchs, Victor, "Is Single Payer the Answer for the US Health Care System?" *JAMA*, December 18, 2017.

Exam #2: Tuesday, February 13th (Covering Sections V-VII)

VIII. Income Redistribution and Welfare Policy [2/9, 2/12, 2/14]

Rosen & Gayer, Chapter 12, 13.

Mankiw, N. Gregory, "When the Scientist Is Also a Philosopher," *New York Times*, March 22, 2014.

Irwin, Neil, "To Understand Rising Inequality, Consider the Janitors at Two Top Companies, Then and Now," *New York Times*, September 3, 2017.

Robert Rector, "How the War on Poverty Was Lost," *Wall Street Journal*, January 7, 2014.

Jencks, Christopher, "The War on Poverty: Was it Lost?" *The New York Review of Books*, April 2, 2015.

Freidman, Ben, "Born to Be Free," *New York Review of Books*, October 12, 2017.

Rampell, Catherine, "The Left Isn't Paying Enough Attention to These Antipoverty Policies," *The Washington Post*, August 10, 2017.

IX. Introduction to the U.S. Tax System [2/16, 2/19]

Rosen & Gayer, Chapter 17, 18. Also read lightly Chapter 19, but ignore anything involving an equation.

X. Taxation: Incidence [2/21, 2/23]

Rosen & Gayer, Chapter 14 (except general equilibrium analysis, pp. 313-21).

Cawley, John, Barton Willage, and David Frisvold, "Pass-Through of a Tax on Sugar-Sweetened Beverages at the Philadelphia International Airport," *JAMA*, October 25, 2017.

Dougherty, Conor, and Ben Casselman, "Real Estate Agents Mobilize to Shield Homeowners on Tax Plan," *New York Times*, November 21, 2017.

Tankersley, Jim, "Trump's Top Economist Says Corporate Tax Cuts Will Lift Workers' Wages," *New York Times*, October 16, 2017.

Reinhardt, Uwe, "Who Ultimately Pays the Corporate Income Tax?" *New York Times*, July 23, 2010.

Sternberg, Joseph, "Europe's Taxes Aren't as Progressive as Its Leaders Like to Think," *Wall Street Journal*, August 3, 2017.

Exam #3: Tuesday, February 27th (Covering materials in Sections VIII-X)

XI. Taxation: Efficiency [2/26]

Rosen & Gayer, Chapter 15.

Baker, Peter, "Arthur Laffer's Theory on Tax Cuts Comes to Life Once More," *New York Times*, April 25, 2017.

XII. Tax Reform (2/28, 3/2, 3/5)

Rosen & Gayer, Chapter 21.

Hubbard, Glenn, "Why America Needs Tax Reform," *Wall Street Journal*, October 6, 2017.

Blinder, Alan, "Almost Everything is Wrong with the New Tax Law," *Wall Street Journal*, December 27, 2017.

VerBruggen, Robert, "Tax Reform: A Mixed Bag," *National Review*, December 17, 2017.

Drucker, Jesse, and Alan Rappeport, "The Winners and Losers in the Tax Bill," *New York Times*, December 16, 2017.

Rappeport, Alan, "Trump Promised to Kill Carried Interest. Lobbyists Kept it Alive," *New York Times*, December 22, 2017.

Cochrane, John, "Tax Consumption Through a VAT, and Voilà," *Wall Street Journal*, September 4, 2017.

O'Neil, Adam, "What Will Tax Reform Do for Puppies?" *Wall Street Journal*, November 19, 2017.

[Check the Canvas calendar for more recent articles on tax reform.]

Tax Memo Due: March 2nd, 10pm.

REVIEW SESSION SATURDAY, MARCH 10TH, 7:00 PM

CUMULATIVE FINAL EXAMINATION, SUNDAY MARCH 11TH, 8-11 AM. (NOTE: DAYLIGHT SAVINGS BEGINS MARCH 11TH)