

BEPP 201/770

Public Finance and Policy

Spring 2021

Lectures	Monday and Wednesday, 1:30-3:00 PM
Instructor	Alex Rees-Jones (alre@wharton.upenn.edu)
Overview	This course examines the role of the government in the economy and its impact on individuals and firms. The aim of the course is to provide an understanding of the reasons for government intervention in the economy, the extent of that intervention, and the response of individuals and firms to the government's actions. A wide variety of topics are covered, including but not limited to environmental regulation, antitrust and merger analysis, education, health care, social insurance programs, budget deficits, and the equity and efficiency consequences of taxation of both individuals and firms. To understand how consumer behavior, firm strategy, and public policy interact, the course will rely on a mix of simple but rigorous analytical models, empirical evidence, and case studies.
Format	This course will follow the "blended" synchronous/asynchronous model for remote learning. Prior to each lecture, you are expected to view a 10-20 minute video containing the "lecture" portion of the class. In the regularly scheduled lecture time, we will meet for a shorter window than the scheduled 80 minutes (typically around 50-60 minutes). In that time, while there will still be some elements of lecture, there will be a greater focus on guided exercises, class discussion, and group activities.
Textbook	Gruber, J., <i>Public Finance and Public Policy</i> , 6th Ed., New York: Worth Publishers, 2019. (Earlier editions are fine). <i>There will be supplementary readings for some lectures not covered in Gruber, as well as select newspaper and other articles. These readings will all be posted on Canvas.</i>
Background	A valuable microeconomics reference is MIT's OCW Principles of Microeconomics course, available here . The relevant units for this class are 1, 2, 4 (individual and market consumer surplus, producer surplus, social welfare), and 5 (monopoly, game theory, prisoner's dilemma, repeated games). <i>For students who are new to the microeconomics materials from Lectures 1 and 2, the TA will hold an extra recitation to review the theoretical tools.</i>
Participation	It is important that you come to class prepared to participate. Looking over the slides and doing the readings is not a substitute for attending and participating in class.
Problem Sets	There will be four problem sets assigned and collected for grading during the semester. Problem sets will be posted on Canvas exactly one week prior to the due date, and are always due at 10am on their posted due date. <i>No late problem sets will be accepted.</i> Working on problem sets diligently is the most effective way to prepare you for the exams. I recommend you first work on your own and then meet to discuss the problems in groups. However, each student must turn in his or her own answers. Please write legibly and state which classmates you worked with on your submitted copy.
Class Project	Each student will be a member of a class project team; the number of students per team will depend on total class enrollment. Teams have flexibility in the choice of a topic for the project but all topics should involve the application and analysis of the concepts addressed in this class to a real-world policy question. Sample projects from prior years can be found on Canvas. I am happy to provide feedback on potential topics and analytical approaches (which can be quantitative, qualitative or a combination); please email me your ideas or come talk to me during my office hours if you would like feedback. The project involves three elements: <ul style="list-style-type: none">• PROPOSALS (max 1 page): Should list the topic, describe the intended final output, and summarize your research plan and method.• PRESENTATIONS (submitted as video): project presentation addressing the rest of the class. Each group should choose a video presentation format that you believe best communicates the substantive issues involved and involves all group members. For example, you might model your presentation as a congressional testimony, an academic conference paper, or a news show debate.• WRITTEN REPORTS (max 7 pages): Should cover the material of your presentation, supported by additional materials and analyses.
Exams	Two exams will be held during the semester. They will typically contain both a multiple-choice section as well as longer questions requiring both free-form mathematical analysis and paragraph form analytical writing.

MAKE-UP POLICY FOR EXAMS: Only students who contact me *before* an exam *and* have a University-approved excuse are eligible to take a make-up exam. Valid excuses include direct conflicts with another course offered at Penn that cannot be rescheduled or a varsity (but not club) sport competition (but not practice). Job interviews are not a valid excuse. Students who miss an exam and are not eligible for a make-up exam will receive a zero for the exam.

EXAM REGRADES: To submit a regrade request for an exam, you must submit a completed regrade form (posted to Canvas) within five business days after the graded examination has been returned. Your entire exam will then be reviewed, and your grade may go down, go up or remain unchanged.

Integrity Apart from all of the stated specifics above, this course complies with the University of Pennsylvania’s Code of Academic Integrity. It is the policy of the Department of Business Economics and Public Policy to immediately fail any student who is to be in violation of the Code. Cheating, in any manner, will result in failing the course. In addition to the sanctions imposed by the Department of Business Economics and Public Policy, the Office of Student Conduct may impose additional sanctions. Please review the Code of Academic Integrity on the below link as well as example of violations and possible sanctions:
<http://provost.upenn.edu/policies/pennbook/2013/02/13/code-of-academic-integrity>

Late Policy Late submissions are not accepted.

Grading Participation (10%), Problem Sets (10%), Class Project (20%), Exam 1 (30%), Exam 2 (30%).

Course Outline (*subject to some change*)

<u>Lecture</u>	<u>Date</u>	<u>Topic</u>	<u>Gruber chapters</u>	
1	W 20 Jan	Introduction and Background	1, 3	
2	M 25 Jan	Theoretical Tools	2	
3	W 27 Jan	Externalities I	5, 6.1, 6.3	
4	M 1 Feb	Externalities II	5, 6.1, 6.3	<i>Micro Review Recitation</i>
5	W 3 Feb	Public Goods	7	
6	M 8 Feb	State and Local Government	10	
7	W 10 Feb	Social Insurance	12, 13	
8	M 15 Feb	Social Security I	12, 13	PS 1 DUE
9	W 17 Feb	Social Security II	12, 13	
10	M 22 Feb	Health Insurance I	15, 16	
11	W 24 Feb	Health Insurance II	15, 16	
12	M 1 Mar	Health Insurance III	15, 16	PS 2 DUE
13	W 3 Mar	Wrap-up & Review of Lectures 1-12		<i>Review Session</i>
	M 8 Mar	EXAM 1 covering all material covered thus far		
		<i>Spring Break</i>		
14	M 15 Mar	Education I	11	
15	W 17 Mar	Education II	11	Project Teams due Fri 29 Mar
16	M 22 Mar	Intro to Taxation	18.1-18.2, 19.1-19.2, 19.4	
17	W 24 Mar	Tax Incidence, Efficiency, Optimal Taxation	18.5, 20.1	Project Proposals due Fri 26 Mar
18	M 29 Mar	Taxation of Individuals I	18.6, 21	
19	W 31 Mar	Taxation of Individuals II	22.2-22.4, 23	
20	M 5 Apr	Behavioral Econ: Taxation I		PS 3 DUE
21	W 7 Apr	Behavioral Econ: Taxation II		
	M 12 Apr	No class		
22	W 14 Apr	Social Choice Theory I		
	M 19 Apr	Project Video Presentations		PS 4 DUE
	W 21 Apr	Project Video Presentations		
23	M 26 Apr	Wrap-up & Review of Lectures 14-22		<i>Review Session</i>
	W 28 Apr	EXAM 2 covering all material since Exam 1 only		
	T 11 May	Class Project Written Report DUE		