University of Pennsylvania ◆ The Wharton School
BEPP 2010/7700
Public Finance and Policy
Spring 2022

Lectures	Monday and Wednesday, 1:45-3:15 PM
Instructor	**Alex Rees-Jones** (alre@wharton.upenn.edu)

Overview   Why and how does the government raise revenue, and what do we buy with it? 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, education, health care, social insurance programs, budget deficits, and the equity and efficiency consequences of taxation of both individuals and firms. The course will rely on a mix of simple but rigorous analytical models, empirical evidence, and case studies.

Textbook   Gruber, J., *Public Finance and Public Policy*, 6th Ed., New York: Worth Publishers, 2019. (Earlier editions are fine).

Background   This course assumes some prior or concurrent exposure to formal microeconomics. For BEPP 2010, the relevant prerequisite is BEPP 2500 (or its equivalent). BEPP 7700 is listed for MBAs and thus assumes past or current participation in the MBA economics core (or its equivalent). That said, this course is not intended to be overly technical. The skills that will be repeatedly called upon are supply and demand analysis, analysis of budget constraints and indifferent curves, and constrained or unconstrained utility maximization.

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).
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.

201 vs 770   The undergraduate version of this class, 201, is crosslisted with the MBA version, 7700. Starting in Fall 2021, the MBA academic calendar slightly differs from that of the rest of the school, and as a result 7700 consists of four fewer class periods than 2010. For students in 2010, these extra classes are devoted to activities surrounding a group presentation that will not be expected of 7700 students. With the exception of that additional assignment, the content and expectations of the course are the same for both versions.

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. We will have regular small-group meetings to discuss pressing policy issues and to work through course content. Being an active and engaged group member is critical for getting the most out of the class and is part of your responsibility to the other students.

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. *No late problem sets will be accepted.* 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. 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:
- **PROPOSALS** (max 1 page): Should list the topic, describe the intended final output, and summarize your research plan and method.
- **PRESENTATIONS** (for 2010 students only): a preliminary project proposal presented to the class. This presentation serves two purposes. First, it gives you a chance to formalize and express your interest in the topic area, and to think through how elements of your thinking might be informed or swayed by the frameworks for thinking we use in this class. Second, it gives the whole class the chance to see the policy areas of interest of classmates, which will be useful in the regular group discussions that continue throughout the semester.

- **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 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 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 for clear descriptions of prohibited actions.

Recordings
To facilitate access for all class members, these sessions, including your participation, may be recorded. Some recordings may be made available to the class for the duration of this course. These recordings, as well as previously recorded lectures and other course materials, are made available solely for your personal, educational use and may not be shared, copied or redistributed without the permission of Penn and the instructor. You are also not allowed to record class sessions yourselves. Unauthorized sharing or recording is a violation of the Code of Academic Integrity.

Late Policy
Late submissions are not accepted. On timed exams, late penalties are not waved under any circumstances.

Tech Policy
Laptops are not allowed during lecture. Failure to follow this policy leads to penalties to the participation grade.

Grading
Participation (15%), Problem Sets (20%), Class Project (25%), Exam 1 (20%), Exam 2 (20%).

Grades in this course will typically be curved, but will never be "curved down." This means your final grade will be at least as good as what you would get from the common default grading scheme of 90+=A, 80-90=B, 70-80=C, 60-70=D. If I ask particularly hard questions and I think too few people are doing appropriately well under this grading scheme, I can move these thresholds down (making it easier to get a given grade), but I will never move them up.

Decisions on curving will be made at the very end of the course, and I will not be able to give forecasts of final grades at earlier times. Your current numerical grade is always available on canvas, which you can compare to default scheme above.

Course Outline *(subject to some change; stars denote days when 770 is not in session)*

Lecture	Date	Topic	Gruber chapters	
1	W 12 Jan	Introduction and Background	1, 3	
2	W 19 Jan	Theoretical Tools and Core Concepts	2	
3	M 24 Jan	Externalities I	5, 6.1, 6.3	
4	W 26 Jan	Externalities II	5, 6.1, 6.3	
5	M 31 Jan	Public Goods	7	
6	W 2 Feb	State and Local Government	10	*PS 1 DUE F 4 Feb*
7	M 7 Feb	Social Insurance	12, 13	
8	W 9 Feb	Social Security I	12, 13	
9	M 14 Feb	Social Security II	12, 13	
10	W 16 Feb	Health Insurance I	15, 16	*PS 2 DUE F 18 Feb*
11	M 21 Feb	Health Insurance II	15, 16	
12	W 23 Feb	*Wrap-up & Review of Lectures 1-11*		
	M 28 Feb	**EXAM 1 covering all material covered thus far**		
*	W 2 Mar	*Prep time for group projects*		
13	M 14 Mar	Education I	11	
14	W 16 Mar	Education II	11	
15	M 21 Mar	Intro to Taxation	18.1-18.2, 19.1-19.2, 19.4	
16	W 23 Mar	Tax Incidence, Efficiency, Optimal Taxation	18.5, 20.1	
17	M 28 Mar	Taxation of Individuals I	18.6, 21	
18	W 30 Mar	Taxation of Individuals II	22.2-22.4, 23	*PS 3 DUE F 1 Apr*
19	M 4 Apr	Behavioral Econ: Taxation I		
20	W 6 Apr	Behavioral Econ: Taxation II		
21	M 11 Apr	Social Choice Theory		
22	W 13 Apr	Catch-up time or bonus module		*PS 4 DUE F 15 Apr*
23	M 18 Apr	*Wrap-up & Review of Lectures 12-22*		
24	W 20 Apr	**EXAM 2 covering all material since Exam 1 only**		
*	M 25 Apr	*Group presentations*		
*	W 27 Apr	*Group presentations*		
	TH 4 May	**Group project due**		