

BEPP 2010

Public Finance and Policy

Fall 2024

- Lectures** Monday and Wednesday, 1:45-3:15 PM, 3:30-5:00 PM
- Instructor** **Alex Rees-Jones** (alre@wharton.upenn.edu)
- Overview** Why do we need a government and how do we pay for it? The aim of the course is to provide an understanding of the economic rationale for government intervention, 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. While there will be some abstract discussion of how governments could and should be designed, we will devote a lot of time to understanding the concrete policies and institutions present in the United States.
- 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. The best preparation would be BEPP 2500. That said, this course is not intended to be overly technical. The skills that will be repeatedly called upon are supply and demand analysis and analysis of budget constraints and indifference curves. These fundamentals will be covered in the first few lectures for those who need a refresher.
- 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).
- Participation** Attendance in this class is mandatory. Because I know things outside of your control sometimes interfere with attendance, every student is permitted 3 "free" absences. After 3 absences have occurred, every subsequent absence without a university-approved excuse will result in penalties to the participation grade. To claim an absence is excused, you must email the TA (with the professor cc'd) requesting the excused absence within 2 weeks of the missed class.
- Beyond merely attending class, you are expected to engage in both class discussions and in small-group meetings.
- 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. Your groupmates will be asked to assess your contributions to your group discussions at the end of the semester.
- We will additionally have general class discussions regularly, and you are again expected to participate. Quality is valued over quantity: you should not feel like you need to be asking questions every class; a smaller number of valuable contributions over the course of the semester is plenty for a good grade in this dimension.
- 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. Directly copying the answer of another student is not allowed and would be considered a violation of academic integrity. Please write legibly and state which classmates you worked with on your submitted copy.
- Your total grade for the problem sets will be the average of your three best problem-set grades. This means each student may drop one problem set; this option is useful in case something interferes with you turning in one of these during the semester.

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**: 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. Taking any action prohibited by the Code of Academic Integrity 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; it is your responsibility as a member of this community to be aware of this code and to act in compliance of it.

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; it is distracting for students in the back to have to look past dozens of screens between them and the professor. Taking notes on a tablet is allowed as long as it remains in tablet configuration (i.e., the screen is flat on the table and not raised to be distracting to those behind you). Discrete and brief use of a cell phone is allowed, but use in any manner that is disruptive to class is not. Each use of technology outside of this policy will result in a 1 percentage point reduction in your overall grade. Penalties for disruptive use of technology are at the professor and TAs' sole discretion and will not be reconsidered once they are granted.

Grading

Participation (20%), Problem Sets (30%), Exam 1 (25%), Exam 2 (25%).

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

<u>Lecture</u>	<u>Date</u>	<u>Topic</u>	<u>Gruber chapters</u>	
1	W 28 Aug	Introduction and Background	1	
2	W 4 Sept	Theoretical Tools and Core Concepts I	2	
3	M 9 Sept	Theoretical Tools and Core Concepts II	2	
4	W 11 Sept	Externalities I	5, 6.1, 6.3	
5	M 16 Sept	Externalities II	5, 6.1, 6.3	
6	W 18 Sept	Public Goods	7	
7	M 23 Sept	State and Local Government	10	PS 1 DUE M 23 Sept 10am
8	W 25 Sept	Social Insurance	12, 13	
9	M 30 Sept	Social Security I	12, 13	
10	W 2 Oct	Social Security II	12, 13	PS 2 DUE F 4 Oct 10am
11	M 7 Oct	Catch up time or bonus module		
12	W 9 Oct	<i>Wrap-up & Review of Lectures 1-12</i>		
	M 14 Oct	EXAM 1 covering all material covered thus far		
	W 16 Oct	<i>Exam debrief and prepping for group project</i>		
	M 21 Oct	<i>Prepping for group project</i>		
13	W 23 Oct	Health Insurance	15, 16	
14	M 28 Oct	Education I	11	
15	W 30 Oct	Education II	11	
16	M 4 Nov	Taxation I	4, 18	
17	W 6 Nov	Taxation II	19	PS 3 DUE F 8 Nov 10am
18	M 11 Nov	Taxation III	20	
19	W 13 Nov	Taxation IV	21	
20	M 18 Nov	Taxation V	22	
21	W 20 Nov	Taxation VI	23, 24	PS 4 DUE F 22 Nov 10am
22	M 25 Nov	<i>Wrap-up & Review of Lectures 13-22</i>		
	M 2 Dec	EXAM 2 covering all material since Exam 1 only		
	W 4 Dec	<i>Group project presentations</i>		
	M 9 Dec	<i>Group project presentations</i>		