

## Economics 134: U.S. Budget Policy

Prof. Alexander Gelber

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- **Course description.** The course examines major issues relating to U.S. budget policy, including deficits and debt, distributional and efficiency effects of the tax system, Social Security and disability insurance, and transfer programs. We build on empirical and theoretical tools to give students a framework for understanding the practice of U.S. budget policy-making in relation to current economic debates.

- **Readings.** The main text is: Jonathan Gruber, *Public Finance and Public Policy 7<sup>th</sup> edition*, Chicago: Macmillan 2022. Using a “digital inclusive version” is fine. Note: it is also acceptable to use the 6<sup>th</sup> edition or earlier editions. Reading the appendices of the chapters assigned below is not required. Other readings listed below are posted on the course website.

*Your digital course materials are provided by the UC San Diego Bookstore through Canvas and are free for the first two weeks of classes. After two weeks, your student account will be charged a special reduced price unless you opt out. If you decide to opt out you must complete the process in the next two weeks and you will be responsible for sourcing the materials elsewhere. For any questions about billing please contact [textbooks@ucsd.edu](mailto:textbooks@ucsd.edu). For any questions about using your eBook please reference [RedShelf Solve](#).*

### **To opt-out:**

- *Click the RedShelf link in Canvas*
- *Click View Course Materials*
- *Scroll down to the gray opt-out button and follow the prompts to opt out.*

*Again, you have the next two weeks to complete this process and you will be responsible for getting access to the materials elsewhere.*

- **Required Background.** Prerequisite: ECON 100A. Enrollment limited to EN25, EN26, EN28, and MA33 majors only (except if approved otherwise).

- **Office Hours.** Fridays 4-5pm Pacific Time. Please sign up for office hours at least 24 hours in advance on the Google spreadsheet; the link to the Google Spreadsheet is here: [https://docs.google.com/spreadsheets/d/1i3bab0\\_ZyZKiZ-UMnH0\\_t592QYtErAmtsfX2jpVJ6VY/edit#gid=0](https://docs.google.com/spreadsheets/d/1i3bab0_ZyZKiZ-UMnH0_t592QYtErAmtsfX2jpVJ6VY/edit#gid=0)

- **Course Requirements and Grading.** Students will write one memo analyzing a topic of current policy, and students will create and deliver one Powerpoint presentation on a topic of current policy interest. We will have a take-home final exam given out on June 7 and due at 5pm Pacific time on June 11. One *optional* writing assignment will be given to prepare students for the urgent policy simulation and final. Late assignments will be marked down by 1/3 of a letter grade per day late. Exceptions to the late policy will be made only if you produce a doctor's note excusing you from completing the assignment on time. Grading will be based on the following weights:

- Urgent policy simulation essay: 30%
- Powerpoint presentation: 15%
- Final exam essay: 35%
- Attendance and class participation: 20%

Note that the optional writing assignment is not included in the grade. Also note that students may miss two classes with no consequence for their attendance and participation grade.

- **Teaching Assistance.** The teaching assistant is Erica Chuang (erchuang@ucsd.edu). The TA's office hours are 10am-12pm on Fridays in Atkinson 3804 (except Week 1, which will be on Zoom: <https://ucsd.zoom.us/j/8454551769>). Please sign up for office hours at least 24 hours in advance on the Google spreadsheet; the link to the Google Spreadsheet is here: [https://docs.google.com/spreadsheets/d/1IYQKVOYIHPJffAdcx\\_su8w1p2\\_rP8EdtoFjHP\\_az4q0/edit?usp=sharing](https://docs.google.com/spreadsheets/d/1IYQKVOYIHPJffAdcx_su8w1p2_rP8EdtoFjHP_az4q0/edit?usp=sharing)
- **Review sessions.** The TA will hold three sections and one review session; the TA will announce the times and locations.

Certain class sessions may be on Zoom; if so, this will be announced at a future date.

### **Zoom Policies and Tips**

We will connect to Zoom using the class ID provided on Canvas. We will try to behave as much as possible as if we were in the physical classroom. Please follow these guidelines:

- 1) If you are in the continental United States or corresponding time zones, I expect you to be present in class in real time. If you are not on continental US time zones, I will be recording classes for you to watch.
- 2) Choose a quiet place to connect to the class.
- 3) Have your full name displayed as your profile name on Zoom.
- 4) Have your camera on for the duration of the class. This helps me read your facial expressions as I would in the classroom and adjust speed and content accordingly.
- 5) Your physical appearance should be appropriate for our professional environment.
- 6) Mute your microphone for the duration of the class, with the exceptions specified below.
- 7) To ask a question, you can either raise your hand-icon or write a question in the chat (note that questions can be public—for everybody to see—or directed only to the host). If you raise your hand-icon, the host will direct you to unmute your microphone.
- 8) You can use the “go slower” icon if you would like the host (me) to slow down. You can alternately use the chat for that purpose.
- 9) As you would do in a physical class, have the lecture notes handy, as well as paper/pencil or electronic file to take notes.

### **Tips**

We will all have to learn together how to maintain our focus in our virtual classrooms. Here are a few tips from online teaching experts<sup>1</sup> to help you focus during class:

- Refrain from opening email, texting or browsing the web. Please turn off your phones.
- On some computers, Zoom uses a lot of battery. Try to have your computer plugged in for classes.
- To the extent possible, choose a space where you don't encounter distractions, which could include family members, laundry, dirty dishes, or a busy street outside your window.
- Avoid sitting on a comfortable couch or bed.

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<sup>1</sup> Adapted from “Live From My Living Room, It’s My Classroom!” by Esther C. Kim in [Moving Online Now](#), *Chronicle of Higher Education*.

- Pay close attention to peers' comments and ask yourself if you agree or disagree, and why. Add to the dialogue by sharing your thoughts.
- Avoid taking class from coffee shops or other public spaces. The background noise can create a distraction both for you and for the entire class. Also, internet connections may be inconsistent in public spaces.

## Course Outline

### *Part I. Background*

1. **(Week of April 1) Introduction and overview: Why study public finance? And tools of budget analysis**
  - Gruber Chapter 4
  - President Biden, “Fact Sheet: The President’s Budget for Fiscal Year 2024”
  - President Trump’s Fiscal Year 2021 Budget, pages 1-24

### *Part II. Taxation in Theory and Practice*

2. **(Week of April 8) Taxation in the U.S. and around the world**
  - Gruber 18
  - H&R Block, “How the Tax Cuts and Jobs Act Impacts U.S. Tax Returns”
  - Heritage Foundation on Tax Cuts and Jobs Act
3. **(Week of April 15) Tax incidence; tax efficiency and optimal taxation**
  - Gruber 19
  - Tax Policy Center, “Distributional analysis of Tax Cuts and Jobs Act”
  - Gruber 20
  - Tax Policy Center, “Macroeconomic analysis of Tax Cuts and Jobs Act”
  - Martin Feldstein, “Raise Taxes, but Not Tax Rates”
  - Optional writing assignment “due” April 19
4. **(Week of April 22, first half of class) Urgent policy simulation**
  - In-class simulation of real-world, urgent policy exercise in which you write an essay for a senior policy-maker
5. **(Week of April 22, second half of class) Taxes on Labor Supply**
  - Gruber 21
  - Tax Policy Center, “Biden Would Raise Taxes Substantially for High Income Households...”
6. **(Week of April 29, first half of class) Taxes on Savings**
  - Gruber 22
  - John Friedman, “Building on What Works: A Proposal to Modernize Retirement Savings”
7. **(Week of April 29, second half of class) Taxes on Risk-Taking and Wealth**
  - Gruber 23
  - Tax Policy Center, “Capital Gains and Dividends: What is the effect of a lower tax rate?”

*Part III. Social insurance*

**8. (Weeks of May 6 and May 13) Social insurance; Social Security and Disability Insurance**

- Gruber Chapters 12, 13; Chapter 14 section on Disability Insurance
- Martin Feldstein, “Rethinking Social Insurance,” section on Social Security
- Social Security Trustees Report Summary
- Bernie Sanders for President, “Expand Social Security”
- Center on Budget and Policy Priorities, “Policy Basics: Social Security Disability Insurance”
- Presentation assigned week of May 6

*Part IV. Your Turn!*

**9. (Weeks of May 20, May 27, and June 3) In-class student presentations**