

ECONOMICS 152: PUBLIC ECONOMICS, EXPENDITURES II

Income Redistribution and Social Insurance

Fall 2022

Professor: Itzik Fadlon (fadlon@ucsd.edu). Please contact me with any question you may have (about the material or otherwise) as well as with any concern that arises. Office hours will be held in-person or via Zoom by appointment at mutually convenient times for your extended flexibility.

Teaching assistants: Kurtis Gilliat (kgilliat@ucsd.edu) who is generally assigned to Group A, and Angela Gu (aygu@ucsd.edu) who is generally assigned to Group B. The TAs will hold weekly office hours in-person or via Zoom throughout the duration of the quarter. These office hours are useful for addressing questions you may have about the material, problem sets, or the review questions for the final exam. We scheduled the office hours at different times of the day/week so you could choose to attend the one that fits your schedule best. If you would like to meet the TA outside of the scheduled hours (due to schedule conflicts, personal reasons, etc.), please contact the TA by email and we will do our best to accommodate your varying needs. The designated office hours are: Kurtis – Mondays 12-1pm (ECON 124), Angela – Fridays 4-5pm (SEQUO 207).

Course goals: This course will help you understand the role of the government in the economy from both a theoretical and an empirical perspective. It will teach you how to analyze two broad categories of government expenditure policies and programs: redistribution and social insurance.

Prerequisites: This course is an applied microeconomics course. It is an upper-division advanced elective. Economics 100C is a required prerequisite.

Class meetings: Lectures will be held in-person from 5:00-7:50pm weekly, on Tuesdays for Group A and on Thursdays for Group B (both in Peter 102). I will cover the course material at the same pace to keep both groups consistent. Please note that since the quarter begins on a Thursday, Thursday lectures will be one week ahead in the material for most of the quarter, until the week of Thanksgiving (so that a Tuesday lecture in a given week will be similar to the Thursday lecture of the previous week up to and including Tuesday, November 22nd).

Website: The course website is accessible through <https://canvas.ucsd.edu/>. Lecture notes, problem sets, and other materials will be posted there.

Requirements:

1. Readings: Assigned readings should be completed **before** the relevant class. The required text is Jonathan Gruber's Public Finance and Public Policy, Fifth Edition. Other editions are perfectly fine, but the reading assignments below follow the structure of the Fifth Edition.

2. Problem sets: There will be two problem sets that will be assigned according to the pace at which we cover the material in class. The problem sets together represent 20% of your grade and will be graded **based on effort**. **Working through these will be good preparation for the final exam**. Feel free to cooperate on the problem sets. Each student must turn in their own copy and write the names of collaborators at the top of the assignment. Please hand in your problem sets at the beginning of class on the due date (or email them to the TAs prior to class). No late assignments will be accepted.

3. **Final assignment:** In groups according to class size, each of you will analyze a government program within the context of the course. **Groups must be formed by the end of the third week of the quarter.** Please notify me about your group choice with a list of its members. You can study a well-established policy but would preferably choose to address current policy issues. Your work should use the principles learned in class and describe the relevant institutions and likely economic effects. Projects will be presented in class, during the last two lecture weeks, by one or more members of your group and are worth 30% of your grade. **Your topics must be approved by me well in advance and no later than the end of the seventh week of the quarter.** This assignment is designed to help you develop important skills that are highly valued by the market: (1) working in teams; (2) conveying content in a concise and coherent way; (3) delivering the product of your work through presentations. **Free-riding will not be tolerated and will be penalized in your final grade.**

4. **Final exam:** There will be a final cumulative exam during final exam week on Friday, December 9th, from 7:00-10:00pm. The exam is worth 50% of your grade. Specific logistical instructions about the exam will be sent by the TAs toward the final exam week.

* Participation in class is *strongly* encouraged and *could increase your final grade by up to an additional bonus of 5%*. This is geared towards facilitating an interactive learning experience. These are hard-earned discretionary points that are given on a cumulative basis to students who, by the end of the quarter, have continuously contributed to course discussions and supported an interactive learning environment.

Regrade policy: If you would like a regrade on an exam, please submit to the TA a written explanation of why your answer deserves more credit than it was given. When you submit your exam for a regrade, other problems may also be regraded, which could result in your score being lowered. Each exam can only be regraded once. Requests for regrades will only be considered for the two-week period starting with the first day the graded exams are made available to students.

Academic integrity: Students are expected to uphold the principle of academic integrity. This means that all work on exams will be done by the individual, without any unauthorized aid from others. For exams in this class, the use of texts, notes, and any electronic devices (except for calculators) is prohibited. Any suspected cases of academic dishonesty will be reported to the relevant campus authorities.

Course Outline:

1. Introduction to Public Economics and the U.S. Public Sector

Chapter 1

2. Review of Microeconomic Underpinnings

Chapter 2 pp. 27-39, pp. 45-54

3. Redistribution and Welfare Policy

Justifications for government intervention

Chapter 2 pp. 54-56

Poverty and inequality in the U.S.

Chapter 17 pp. 511-517

Welfare policy in the U.S.

Chapter 17 pp. 520-523

Program design issues

Chapter 2 pp. 39-45

Chapter 17 pp. 523-541

Welfare reform

Chapter 17 pp. 541-544

4. Social Insurance

Key programs and justifications for government intervention

Chapter 12

Theory of insurance markets

Chapter 12

Social Security

Chapter 13

Disability insurance

Chapter 14

Workers' compensation

Chapter 14

Unemployment insurance

Chapter 14

Chapter 12

Optional: Health insurance

Chapters 15 and 16