

ECONOMICS 153

ECONOMICS OF THE PUBLIC SECTOR: INCOME MAINTENANCE AND INSURANCE

Spring 2004

Professor

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Economics 213

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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 also teach you how to analyze two broad categories of government expenditure policies and programs.

Prerequisites: This course is an applied microeconomic course. Economics 100A, 100AH, 170A, or 170AH is a prerequisite.

Class Meetings: Lectures will meet MWF 2:00-2:50 in Center 101. Attendance at lectures will be important to your success in this class. There will be no class on Friday April 9.

Web Site: I will maintain a web site for this course at "weber.ucsd.edu/~jbcullen". I have posted required readings and will post problem sets and other support materials.

Requirements: There are three sets of requirements for this course:

- 1) **Readings** should be completed *before* the relevant class.
 - a) The required text is Harvey Rosen's Public Finance, 7th edition (McGraw-Hill). The text is available at the bookstore.
 - b) You will also be responsible for the short readings posted on the course web site that provide real-world examples of some of the issues we will discuss.
- 2) There will be **3 problem sets** consisting of mathematical exercises and short essays. Each will count 5% toward your grade so that **15% of your grade** will be based on problem sets. You are encouraged to work on problem sets in groups, but each student must turn in his/her own handwritten (see me if this is a problem) assignment, and must list names of all collaborators on each assignment. Problem sets are due at the end of the class period. No late problem sets will be accepted. The scheduled due dates for the problem sets are as follows:

Problem set 1: due Friday April 16	5%
Problem set 2: due Friday May 7	5%
Problem set 3: due Friday May 28	5%

3) There will be **3 exams**—two midterms and a final-- that together will be worth **85% of your grade**. The midterms will be held during regular class periods and will each last 50 minutes. Whichever of the two midterms is the one that you perform better on will count for 35% of your grade (the other will not count). The final will count as 50% of your grade. There will be no make-up exams. The exams will be very similar in form to the problem sets.

Midterm 1: Friday April 23 (in class)	} 35%
Midterm 2: Friday May 14 (in class)	
Final exam: Friday June 11 (3-5 pm)	50%

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Economics 153: Income Maintenance and Insurance Course Outline

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

Rosen Chapter 1

2. Review of Microeconomic Underpinnings

Rosen Appendix
"America the O.K."
"Off the hook"

3. Redistribution and Welfare Policy

3.1 Justifications for government intervention

Rosen Chapter 7, pp. 148-156
Rosen Chapter 3, pp. 33-46

3.2 Poverty and inequality in the U.S.

Rosen Chapter 7, pp. 141-148
Cutler and Katz (1992)

3.3 Program design issues

Rosen Chapter 8, pp. 167-174
Rosen Chapter 7, pp. 158-161
Rosen Chapter 8, pp. 184-185

3.4 Welfare policy and reform

Rosen Chapter 8, pp. 165-167
Rosen Chapter 8, pp. 174-188
Moffitt (2002)

4. Social Insurance

4.1 Basic Theory

Rosen Chapter 9, pp. 191-194
Cutler and Zeckhauser (1997), pp. 1-14

4.2 Social Security and disability insurance

Rosen Chapter 9, pp. 194-210
Burkhauser and Daly (2002)

4.3 Unemployment insurance and workers' compensation

Rosen Chapter 9, pp. 210-213
Vroman (2003)

4.4 Health insurance

Rosen Chapter 10
"Your money or your life"