

ECONOMICS 152: PUBLIC ECONOMICS, EXPENDITURES II
Income Redistribution and Social Insurance
Winter 2021

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 via Zoom by appointment at mutually convenient times for your extended flexibility.

Teaching assistants: Wei-Lin Chen (wec155@ucsd.edu) who is generally assigned to Group A, and Min Lee (mslee@ucsd.edu) who is generally assigned to Group B. The TAs will hold weekly office hours 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 tentative 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 living in a different time zone, 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: Wei-Lin – Wednesdays 6-7pm PST, Min – Thursdays 9-10pm PST.

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 via Zoom from 5:00-7:50pm weekly, on Tuesdays for Group A and on Thursdays for Group B. Please make an effort to attend the lectures of the group to which you are assigned, but for your flexibility you can attend the timing of your convenience. I will cover the course material at the same pace during both lectures to keep both groups consistent. I will additionally post recordings of the lectures on the course website.

Website: The course website is accessible through <https://canvas.ucsd.edu/>. Lecture notes, lecture recordings, 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: The problem sets 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. Problem sets are due at the beginning of class. No late assignments will be accepted. Instructions for how to submit your problem sets will be sent by the TAs.
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 Thursday, March 18, from 7:00-10:00pm. The exam is worth 50% of your grade. Specific logistical instructions about the exam (about how it will be virtually conducted and submitted) 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 10%.**

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. Specific instructions for how to do that will be sent by the TAs later in the quarter. 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.

General notice: Normally, I consider the syllabus my contract with the class. However, this quarter some flexibility might be desirable due to the uncertainty related to the pandemic. I will make an effort to keep the assessments for this course as described above, but the evolving situation may make it necessary for me to make changes. If that happens, I will make sure to inform you as early as possible and to provide an explanation for the rationale behind the change. Please contact me with any concerns you may have.

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