

**Instructor**

Maciej K. Dudek

# University of Michigan - Fall 2018

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**Office Location**

Lorch Hall: Rm 300

**Office Hours**

T: 11AM-12PM

**Econ 481: Government Expenditures, 3254 LSA**

Class Time: Lecture - MW - 8:30AM-10:00AM

**Course Overview**

This course offers a perspective on the role and relevance of government in the economy. Government intervention is considered as a remedy to market failure or a tool to produce more efficient or equitable allocations. Policies that may correct for inefficiencies, market failures, and challenges posed by informational or political constraints are discussed and rigorously examined. The content of the course includes an overview of practical solutions at the federal, state, and local levels. Specifically, formal modeling is cast in the context of both contemporary and historical practice in taxation, providing defense, infrastructure, education, pensions, health care, unemployment insurance, and other services.

**Recommended Text**

Public Finance and Public Policy, 5 Edition, *Jonathan Gruber*, ISBN-13: 978-1464143335, ISBN-10: 1464143331

**Additional Reading**

Public Economics, 4 Edition, McGraw-Hill, *John Tresch*, ISBN: 978-0073511375

**Course Objectives**

Upon completion of this course students will

- be able to engage in an informed discussion on the role of the government in economy
- be able to apply proper tools to examine government policies
- be familiar with policies pursued by governments
- be able to recommend proper policy responses
- have developed skills needed for more advanced studies

**Assessment**

There will be two midterm exams during the semester, plus a cumulative exam at the end of the course. In addition, students will be expected to complete homework assignments.

The grade in the course will be based on your performance on the three exams and the homework assignments. In particular, the following weights will be used

- Homework Assignments – 20%
- Midterm Exam #1 - 25%
- Midterm Exam #2 - 25%
- Exam #3 – 30%.

Please note that you are not graded on attendance, however, being present in class is *strongly* recommended. Furthermore, I will take attendance at each lecture and I will treat your attendance record as if it were an extra credit work (worth up to 10% of your final grade.)

In addition to counting 30% toward the final grade, the score on exam #3 will be substituted for the lowest midterm exam score as long as the lowest midterm exam score is lower than the final exam score.

In addition, the lowest individual homework assignment score will be ignored.

Final grades will be set according to the following criteria:

- A - 90%+
- B - [80%,90%)
- C - [70%,80%)
- D - [60%,70%)
- F - less than 60%.

### **Academic Integrity**

Students are expected to behave in line with the standards of the academic community. Please make sure that you never take advantage of your fellow students.

### **Special Accommodations**

We follow the standard University Guidelines. Students in need of special academic accommodations should either contact me personally or contact directly the relevant university center to arrange appropriate accommodations.

**Course Schedule (Tentative) - Please regularly visit the course website on Canvass for updates and additional course materials.**

Week	Subject	Homework Assignments
1	Introduction, Theoretical Tools of Public Finance	
2	Empirical Tools of Public Finance, Budget Analysis and Deficit Financing	HWK #1 Due
3	Externalities: Problems and Solutions, Externalities in Action: Environmental and Health Externalities	
4	Public Goods, Cost-Benefit Analysis	HWK #2 Due
5	Political Economy, State and Local Government Expenditures	HWK #3 Due
6	Education	Midterm #1, October 10, 2018
7	Social Insurance: The New Function of Government, Social Security	
8	Unemployment Insurance, Disability Insurance, and Workers' Compensation	HWK #4 Due
9	Health Insurance I: Health Economics and Private Health Insurance	

10	Health Insurance II: Medicare, Medicaid, and Health Care Reform, Income Distribution and Welfare Programs	HWK #5 Due
11	Taxation in the United States and Around the World, The Equity Implications of Taxation: Tax Incidence	Midterm #2, November 14, 2018
12	Tax Inefficiencies and Their Implications for Optimal Taxation, Taxes on Labor Supply	HWK #6 Due
13	Taxes on Savings, Corporate Taxation	
14	Taxes on Risk Taking and Wealth, Corporate Taxation, Fundamental Tax Reform	HWK #7 Due
15		Exam #3, December 11, 2018

### Exam Schedule

Week	Subject
6 - October 10, 2018	Midterm #1
11 - November 14, 2018	Midterm #2
15 - December 11, 2018	Exam #3