

# YSS3243 Public Economics

Semester 2 AY2021/2022

Prof. Naila Shofia

[naila.shofia@yale-nus.edu.sg](mailto:naila.shofia@yale-nus.edu.sg)

Office: Cendana, RC3-02-021

Day	Start	End	Room
Mon	10:30	12:30	Y-CR18
Thu	10:30	11:30	Y-CR18

Office hours: Mon/Thu 16:00 – 17:30 or by appointment.

Please book office hours on my scheduling page, <https://calendly.com/naila-shofia>. If you need to schedule a time outside of my office hours, please write to me.

## Course Description

Does providing income support for single parents induce them work less? How come the US government spends only about a fifth of the GDP while the Swedish spends about a half? Should we mandate health insurance for all citizens (like Germany) or provide free national healthcare instead (like the UK)? These are some of the most fiercely debated public policy questions in many countries. In this course, we will attempt to understand why the government intervenes in the economy and through which mechanism this intervention takes place.

This course equips students with analytical and empirical tools to critically engage in these questions and to contribute to the debate. We will analyse the trade-off that the government faces in choosing the optimal policies, such as various kinds of taxes and subsidies, as well as their implications for inequality and economic efficiency.

We will discuss the cost and benefit considerations for various government social protection programs, public good provisions, environmental protection, and healthcare policies. We will also analyse how various actors may react to these policies and the implication of these reactions to the effectiveness of the policies themselves.

## Learning Outcomes

At the end of the course students will be able to:

- Understand the taxation system the main institutional rationale behind its construction.

- Understand the main characteristics of government intervention in the areas of education, healthcare, environment protection, and social insurance
- Understand the role of government intervention on economic and social inequality.
- Understand and critically assess the key elements of the debate over the role of government intervention in the economy.
- Compare different approaches to public intervention, on the side of both expenditure and revenues collection.
- Analyse the alternative reform proposals of government interventions and analyse their potential implications.

## Prerequisite

Principles of Economics (YSS1203) or YSS2203 Intermediate Microeconomics, or with the instructor's permission

## Required readings

Jonathan Gruber, *Public Finance and Public Policy*, 6<sup>th</sup> edition, Worth Publishers, 2019

## Assessment

1. Class participation and attendance (10%)
2. Two problem sets (20%, 10 percent each): Due on **Mondays at 10:30 AM** (before class) on **7 February 2022** and **21 Mar 2022**

You may work in group for the problem sets, but do not copy each other's answers, each student must write up and turn in their own submission. No late submissions will be accepted.

3. Mid-term exam (20%) : **Mon, 28 Feb 2022, 10:30 AM**, 100 minutes (during class time)

The exam will be closed book and students are not allowed to collaborate with their peers or use a calculator during the exam. The exam is based on material covered up to week 6 (before recess week).

4. Policy white paper (20%) : **Due on Fri, 22 Apr 2022 at 23:59 PM**

A maximum 1500 words paper analysing one government policy in the context of any country of your choice. Using the tools and skills you have learned in our course, the paper critically analyse the policy and offers some improvement proposals or policy alternatives.

5. Final-term exam (30%) : **Thu, 5 May 2022, 09:00 AM**, 150 minutes

The exam will be closed book and students are not allowed to collaborate with their peers or use a calculator during the exam. The exam is based on cumulative material covered in the course, including those tested during the mid-term exam.

## **Course outline**

The course is organized in three sections: The first part introduces the course and revisits some of the analytical tools we are going to use in this course, these include both theoretical and empirical tools. The second part discusses government intervention in response to market failure, such as externality and the provision of public goods. The third part elaborates government intervention in response to inequality through taxation and redistribution.

### **Introduction**

1. Introduction to public economics and refresher of analytical tools (3 sessions)

Readings: Gruber Ch. 1, 2 and 4

### **Government policies responding to market failures**

2. Externalities (1 session)

Readings: Gruber Ch. 5 - 6

3. Public goods provision (4 sessions)

Readings: Gruber Ch. 7,9,10, and 11

4. Social insurance (6 sessions)

Readings: Gruber Ch. 12 – 16

### *Mid-term exam*

### **Government policies responding to inequality**

5. Background and tax incidence (4 sessions)

Readings: Gruber Ch. 17 – 19

6. Labor income taxes and transfers (4 sessions)

Readings: Gruber Ch. 20 - 21

7. Capital income taxation (3 sessions)

Readings: Gruber Ch. 22 – 25

### *Final-term exam*