

# YSS3243 Public Economics

Semester 2 AY2021/2022

Prof. Naila Shofia

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office location: TBD

## Lectures

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

## Course Description

In this course, we attempt to understand why the government intervene in the economy and through which mechanism this intervention takes place. Using theoretical and empirical tools we analyse the benefits and drawbacks (if any) of government policies, such as different kind of taxes and their implication to inequality and economic efficiency. We will also discuss various government social protection programs, public good provisions, environmental protection, and healthcare policies. Moreover, we will analyse how different economic actors may react to these policies and the implication of these reactions to the effectiveness of the policies themselves.

## Prerequisite

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 (30%; 15% each) : Due on **Mondays at 10:30 AM** (before class time) on **31 Jan 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 using calculator during the exam. The exam is based on material covered up to week 6 (before recess week)

4. Final-term exam (40%) : **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 using 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 revisit 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 elaborate 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*

\*) The course outline is tentative, any adjustment will be discussed in class, and the revised syllabus will be posted on Canvas