

UNIVERSITY OF KENTUCKY  
MARTIN SCHOOL OF PUBLIC POLICY & ADMINISTRATION

DAVID R. AGRAWAL  
Section #001

PUBLIC ADMIN 652  
PUBLIC POLICY ECONOMICS

FALL 2018  
165 BE: TT 4:30-5:45

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**TELEPHONE:** 859-257-8608 (Martin School Main Office: 859-257-5594)

**OFFICE HOURS:** TBD or by appointment, 433 POT

**COURSE WEBPAGE:** <https://www.uky.edu/canvas/>

**PERSONAL WEBPAGE:** <http://www.uky.edu/~drag222/>

**NATURE OF SYLLABUS:** The course syllabus is a general plan for the course; deviations announced to the class by the instructor may be necessary.

**COURSE DESCRIPTION:** From the University Catalog – "Principles and practices of economical resource management in the governmental sector: tax and expenditure types, intergovernmental fiscal cooperation, debt financing, budgeting and financial planning." This spring section is for MPA students.

**COURSE OBJECTIVES AND LEARNING OUTCOMES:** The objectives of this class are to acquire a working knowledge of how to conduct economics-based policy analysis of federal, state, and local tax and expenditure systems. The course will provide you with an in-depth understanding of the economic principles – institutional, theoretical, and empirical – of taxation and spending, and will help you to apply the knowledge and principles to current policy issues and to fundamental policy reform options. Economics provides a beautiful, elegant, and fun way of analyzing policy, and I will do my best to provide students with an appreciation of it.

**TEXTBOOKS AND READINGS:** The required texts for the class are *Taxes in America: What Everyone Needs to Know* (first edition, Oxford Press, 2012) by Leonard Burman and Joel Slemrod and *Public Finance and Public Policy* (5th edition, Worth Publishers, 2016) by Jonathan Gruber. If you elect to purchase another edition of the Gruber book, it is your responsibility to check with a classmate to verify you are reading the correct chapters and doing the correct assignments. Please complete textbook readings prior to the class we will discuss the topic. My lecture notes are available online. I suggest that you *print* my lecture slides and bring them to class on the day we are discussing that lecture.

**ONLINE MATERIALS:** We will use the canvas system (<http://www.uky.edu/canvas/>) for this semester. It is important you check this website regularly as I will post assign-

ments to canvas and will use the announcements tool to send you important information.

To allow us to address some topics in greater detail, additional readings (newspaper articles) may be assigned and will be made available online through canvas. My lecture notes are also posted to canvas. You may not redistribute copies of my slides, lecture notes, or homework solutions to any other person or website.

**GRADES:** Grades for the class will be assigned based on the following information. The class will feature assignments, exams, exercises, and a policy analysis presentation, each of which are described in detail below.

Requirement	% of Final Grade
Homework	0%
Midterm I	23%
Midterm II	23%
Final Exam	29%
Weekly In-class Exercise	15%
Presentation/Participation	10%

**HOMEWORK:** Homework problems assigned for each topic are listed on canvas (as we progress). Homework will not be collected and will not be graded. You should complete the homework in the week after we cover the topic in class; if you have questions, you should ask me in office hours throughout the semester. Exams will be based off of the homework, so mastering the homework problems will help you on the exams. You may work in groups on the homework problems and studying in groups is highly encouraged.

**EXAMS:** The course will contain two midterm exams and a final exam. The midterm exams are not cumulative and will focus on the material in the weeks prior to the midterm. The final exam is cumulative, but will give heavier weight to the material following the second midterm. The final exam will be given in its university appointed time slot. An excused absence from the midterms or the final exam will be given if you contact me *before* the exam and for an unexpected emergency (illness that prevents you from taking the exam or could harm the health of others; a documented family emergency). You must provide appropriate documentation; in the case of a medical excuse a Tier 2 or 3 document from UHS will be satisfactory. Leaving early for a vacation, for example, is not an appropriate reason to miss an exam.

**WEEKLY IN-CLASS EXERCISE:** Each week, we will have a short (five to ten minute exercise); some weeks we will have two exercises. Over the course of the semester, we will have a total of 12 exercises. I will drop your two lowest scores; therefore, you do not need to email me if you are absent from the class due to illness. These exercises could including the following: (1) a brief progress check asking you to answer a question or problem related to the prior week's lectures or readings, (2) group-work on a problem related to the lecture material, (3) preparation of your presentation such as discussing your topic with a classmate and turning in comments on your classmate's presentation, etc. These

exercises are designed to make sure you are progressing in the course and generally these exercises will be easier than the assigned homework for the week.

**PRESENTATION/PARTICIPATION:** Students in this class come from many different states and countries. To that end, students will make a short presentation (with slides) on an issue relating to public finance from their home state or country. The goal of the presentation will be to spend a few minutes discussing how a particular tax / spending program works in your state/country. Then you will devote a few minutes to applying an *economic analysis* learned in this class (not political or statistical) relating to the efficiency and equity of the program or tax. This part of the presentation should directly apply the tools of this class. The analysis can be theoretical and need not include a formal quantitative analysis although informal tables and summary statistics are welcome. Other members of the class are free to ask questions at the end of the presentation. Each student must present on a unique topic, so one of the in-class exercises above will involve proposing a presentation topic. Depending on the number of students in the class, presentations may be done in groups. Grades will be based on the quality of the analysis, the ability to apply the concepts learned from the class. Commenting on other student's presentations can improve your grade. Participation throughout the course (asking questions in my lectures and answering my questions) can also raise your score.

**PH.D. STUDENTS:** Ph.D. students do not have any additional required work, but will be given an extra problem on each of the exams. If you are a Ph.D. student in this class, the Martin School faculty wants to better prepare you for the Martin School Ph.D. core classes. To help accomplish this goal, Ph.D. students will be given a recommended reading list and recommended problems corresponding to each of my lectures from a more advanced textbook: the 9th edition of *Intermediate Microeconomics* by Hal R. Varian and the workbook *Workouts in Intermediate Microeconomics* by Hal R. Varian and Theodore C. Bergstrom. For a package pricing deal, please see the publisher's website at the link <http://books.wwnorton.com/books/webad.aspx?id=4294979441> . As part of this course or in the semesters following this course, I *highly* recommend you complete these readings and problems prior to taking the core Ph.D. economics classes. To facilitate this, I am happy to discuss these readings with you in office hours throughout this semester. Although these additional readings and problems will not affect your grade in this course, they will better prepare you for PA 750. Thus, you should try to complete them during this course or during summer break prior to taking PA 750.

**LETTER OF INTRODUCTION:** For the second lecture, please write a one-page letter of introduction of yourself to the instructor. Include your name and anything about yourself that you would like to share such as your future career interests, past preparations relevant to this class, and personal facts that help me to know you better. If you have an extra actual or digital photo of yourself, attaching it to your letter will help the instructor learn your name. Your letter of introduction must be typed. It will not be graded nor returned, but is required. Please also upload a digital photo to your canvas profile (click account>profile and then edit the image). I want to learn about you and your interests throughout the semester and this will help start that process.

**ACCOMMODATIONS:** If you have a documented disability that requires academic accommodations, please see me no later than the second week of class during office hours or after class. In order to receive accommodations in this course, you must provide me with a Letter of Accommodation from the Disability Resource Center for coordination of campus disability services available to students with disabilities.

**ACADEMIC HONESTY:** As a University of Kentucky student, you have agreed to abide by the University's academic honesty policy. All academic work must meet the standards described in "UK Student Code of Conduct." Cases of cheating on exams or plagiarizing material for a presentation will result in (at minimum) final grade of "zero" is assigned for the incident and the incident will be reported to university officials. Questions about proper procedures are always appropriate – and welcome – before work is submitted.

**ELECTRONICS:** In general, it is hard to take notes in an economics class with a cell phone or laptop. I suggest you consider using pencil and paper and keep all your laptops away for class. However, if you still wish to use a laptop, tablet or cell phone to take notes during class, please sit in the back row so you do not distract your classmates. Please read the newspaper article "Laptops Are Great. But Not During a Lecture..." before you decide to use an electronic device in class. You can download it here: <https://www.nytimes.com/2017/11/22/business/laptops-not-during-lecture-or-meeting.html>. I reserve the right to prohibit you from using them if another student complains to me that it is distracting them. You are responsible for maintaining and checking your University email account and the canvas announcements on a daily basis. Please use your university email account for your academic correspondence to me so that it does not go to my spam folder.

**SCHEDULE:** The following list indicates when we will cover various topics. All textbook readings are required and additional required readings will be provided online. **G** stands for the Gruber text and **BS** stands for the Burman and Slemrod text.

Day	Lecture / Case	Reading (Textbooks)	Other
08/23	<i>Tools of Microeconomics</i>	G2	
08/28	material continued		
08/30	material continued		
09/04	<i>Tools of Microeconomics II</i>	G3	
09/06	<i>Budget Trends, Inequality Trends, Macro Public</i>	G4, G17 (511-520)	
09/11	<i>Justification for Government Intervention</i>	G1, BS1	
09/13	<i>Social Welfare Maximization</i>	G2 (53-56)	
09/18	material continued		
09/20	<i>Incidence and Equity</i>	G19	
09/25	<i>Deadweight Loss and Efficiency</i>	G20 (619-633), BS8	
09/27	material continued		
10/02	<b>MIDTERM 1</b>		on economics principles
10/04	<i>Income Tax, Behavioral Response, and Evasion</i>	G20 (639-644), G21, G22, G25 (779-789), BS2	
10/09	material continued		
10/11	<i>Retail Sales Taxation and Value Added Taxes (VAT)</i>	G20 (633-639), G25 (795-808), BS4	
10/16	material continued		
10/18	<i>Externalities and Corrective Mechanisms</i>	G5, G6	
10/23	<i>Corporate Taxation &amp; International Taxation</i>	G24, BS3	
10/25	material continued		
10/30	<i>Public Goods</i>	G7, G9 (241-246), BS6	
11/01	material continued		
11/06	<i>Social Security as Insurance</i>	G12, G13	
11/08	material continued		
11/13	<i>Health Insurance</i>	G15, G16	
11/15	<b>MIDTERM 2</b>		on tax material
11/20	<i>Welfare Programs &amp; Unemployment Insurance</i>	G14, G17	
11/27	material continued		
11/29	<i>Tiebout and Local Public Economics (if time)</i>	G10 (if time)	
12/04	<b>Class presentations.</b>		
12/06	<b>Class presentations.</b>		
12/14	<b>Final Exam</b>		10:30-12:30