

Course Syllabus

Course Number: 30510073

Course Name (CH): 公共财政学

Course Name (EN): Public Finance

Credits: 3

Prerequisites: Intermediate Microeconomics

Teaching Language: CH CH+EN (EN ≥50%) EN

Courseware Language: CH EN

Teaching Method: lecture discussion case study literature reading
computer-aided assignment students' in-class presentation

Assessment Method: in-class quiz oral presentation group discussion case
analysis (report) final report/thesis final exam practice project (report)
others _____

Semester: spring autumn summer

Course Category: core course elective course

Target Students: Undergraduate Master PhD MBA EMBA TIEMBA

Instructor: Binzhen Wu (吴斌珍)

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Office: 535, Weilun Building

Lecture time:

Online materials: <http://learn.tsinghua.edu.cn>

TA:

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Thursday, 4:30-5:30pm, Shunde Hallway

Course Description (course objectives and content):

Public Finance studies the role of the public sector in the economy. In this course, we will study the economic foundations that justify the existence of the public sector, and the economic theories that describe the role of the public sector. We concern when the governments should intervene the economy and how they should do so, including what options they have and what are the effects of alternative policies. The focus is on the government taxes and spending activities. We will also study governments' policies in practice, and how the policies affect individual and corporate decision-making and welfare.

Textbooks & References:

Intermediate Microeconomics is an essential prerequisite for this course. The course will assume a competency at roughly the level of intermediate microeconomics textbooks like Hal Varian. In addition, it is critical that you have a reasonable level of math skills. Calculus (derivation and integration), solving systems of equations, and a few other tools will be used.

The main text is: "Public Finance and Public Policy", 6th edition, by Jonathan Gruber, Worth Publishers, 2019.

I also recommend the textbook, "Public Finance", 10th edition, by Harvey S Rosen, Ted Gayer, McGraw-Hill, McGraw-Hill 2014.

Other recommended readings:

There will also be recommended reading from academic journals or magazines. They are listed in the reading-list.

Auerbach, Alan J., Raj Chetty, Martin Feldstein and Emmanuel Saez. Handbook of Public Economics. Vol. 5. North Holland, 2013.

Auerbach, A., and M. Feldstein. Handbook of Public Economics. Vol. 4. North Holland, 2002.

Slemrod, Joel, and Jon Bakija. "Taxing Ourselves - A Citizen's Guide to the Debate over Taxes." 5th edition. MIT Press, 2017.

David N. Hyman: Public Finance: A Contemporary Application of Theory to Policy (10th Edition). South Western Press, 2010.

Grading (percentage of all the assessment methods involved):

About 4 problem sets will be assigned and graded lightly. TAs will discuss the homework in the discussion section and discuss an extra question related to our lectures. The homework accounts for 10% of your grade.

You need to write a short essay on policy evaluation and present your major findings in the class. You need to sign up the topic in the 2nd week. The policy evaluation accounts for 30% of your grade. **The short essay on policy evaluation will due in the 15th week.** The presentation follows the lectures and last for no more than 15 minutes for the topic.

The course will have a final exam. The score in your final exam should account for 60% of your grade. If you are not good at taking exam, you have another opportunity: write a good research essay. If your grade of the essay is higher than your grade in the final, the final exam accounts for 45% and the essay accounts for 15% of your grade. Even if your essay score is lower than your final exam score, you can get an extra credit, up to 5 points, if your essay score is above the average.

Class participation and the participation in the discussion section also affect your grades on the margin.

The research essay is due on **Sunday in the second exam week**. No essay will be accepted after the deadline. **If you plan to submit an essay, you must submit a proposal** (no more than 3 pages, double space and 12 point fonts) **in the 8th week. For those who do**

not submit proposal, I will not grade your essay even if you write one later. You also need to give a less than 10-minutes presentation in the 15th week, and you should sign up for presentation in the 13th week. The essay should be no longer than 25 pages with double space and 12 point fonts, with no less than 1 inch margins. You must submit electronic version to the TAs. No collaboration is allowed if you write a literature review.

For the essays, you can collaborate with other students, but no more than 5 students. And if collaborating with others, you need to specify your contribution for the paper. Your grade will be based on your part of the essay. I will also ask for peer-grading for both the research essay and the short essay on policy evaluation.

No.	Assessment method	Percentage
1	Homework	10%
2	Short essay and presentation on policy evaluation (choose the topic in the 2nd week; Present during the lectures; Essay due in the 15th week)	30%
3	Final Exam (exam week)	60% or 45%
4	Optional research essay and 10 min or so presentation (proposal due in 8th week; sign up for presentation in 13th week; presentation in 16th week; essay due on Sunday in the 18th week)	0% or 15%, Extra credit up to 5 points if the quality is above average.

Teaching Schedule (weeks, content, assignments. It can be in the tabular form.) :

Week	Contents	Text chapters
1	Introduction	Gruber, 1; Rosen, 1
2 (Sunday)	Theoretical Tools of Public Economics Sign up for policy evaluation topics	Gruber, 2; Rosen, 3
3	Empirical Tools of Public Economics	Gruber, 3; Rosen, 2
4	Public Goods	Gruber, 7; Rosen, 4
5	Externalities	Gruber, 5. 6; Rosen, 5
6	Federal System	Gruber 10; Rosen, 20
7	Education (1 nd P.E. on infrastructure policies)	Gruber 11, Rosen, 7
8	Social Insurance Submit proposal of the research essay (2 rd P.E. on fiscal federalism or inter-governmental transfers)	Gruber, 12, Rosen, 9
9	Social Security and Unemployment Insurance Federal System (3 st P.E. on education policies)	Gruber, 13, 14; Rosen, 11
10	Health Insurance (4 th P.E. on social security policies)	Gruber, 15. 16; Rosen, 10
11	Redistribution and Welfare Programs (5 th P.E. on health insurance policies)	Gruber, 17; Rosen, 12,13

12	Tax Incidence (6 th P.E. on welfare policies)	Gruber, 18, 19; Rosen, 14
13	Equity and Efficiency (7 th P.E. on taxes on firms) Time to sign up for student presentation for essay	Gruber, 19, 20; Rosen, 15,16
14	The Tax System in Practice (8 th P.E on taxes or subsidies for individuals)	Gruber, 21-24; Rosen, 17,18,19
15	Student research essay presentation Time to submit P.E essay	
17	The essay is due on Sunday, the last day of the exam week	

Other requirements and information:

A Guideline for the Essay on Policy Evaluation

Choose a policy in the eight topics I listed. Describe the policy details in your home city or province (compare to the national policy if there is one), and describe how the details affects agent's (households, firms, or organizations) behavior.

You had better outline the presentations as following:

- 1) Why should governments intervene (what are the objectives of the policy);
- 2) Important details of the policy;
- 3) What are the effects of the policy, including the potential problems;
- 4) Are there better alternative solutions? (Are these solutions practical? How should the government implement the policy?);
- 5) Why do governments intervene in the way that they do?

A Guideline for the Research Essay

For the research essay, you must choose an economic issue or question related to public economics to write about. The paper must state the issue clearly and provide an economic analysis on the issue. The issue can be about how a public policy affects agents' economic behavior, such as labor supply, savings, educational attainment, capital investment, or employment. It can also be a rigorous cost-benefit analysis. A literature review about some topic in public economics is acceptable but has a lower probability to get a high grade.

You need to give economic analysis instead of just statements or claims, particularly when you discuss the effects of the public policies on people's behavior. Also, try to avoid value judgment and focus on the positive analysis. A good essay should provide theoretical proofs or empirical evidence for your arguments or the hypothesis. If you do not know how to write a good paper, you had better first review the literature, where you can learn what a research paper should be like.

For a good essay, it must have an abstract. The manuscript should include an introduction, analysis sections, and a conclusion. In the abstract, state clearly about the research question of the essay, what you have done, and what the main findings are. The introduction should clarify why the question is important, what the literature has shown, what

your contribution is, and your

A good research paper provides clear answers for the following questions in the introduction and the main text: 1) what is the main question; 2) why is it interesting or important; 3) what has been done in the literature; 4) what is new in your paper; 5) how do you address the issue.

You can continue your policy evaluation essay and add more empirical analysis.

For the proposal, please give clear and short answers to the following four questions:

- 1) What is the issue? (For an empirical analysis, please specify what X affects which Y)
- 2) Why is this issue important?
- 3) What has the literature done? (Provide a brief review of the literature. At least review 2 papers)
- 4) How will you proceed?

For the choice of topic, I like small topics that sound interesting and you can add new thoughts to it based on what we have learned in the class. If you try to identify causality relationship, that is great. You can try to replicate the results of an empirical paper published in a decent journal and add some extensions to it.

Finally, feel free to make an appointment with me and discuss your rough ideas.

Some guidelines for the score of an essay:

1. The research question is not clear, -5
2. No abstract, -5
3. No introduction, -5
4. No conclusion, -5
5. No reference, -5
6. No description of each member's contribution, -3
7. Using only time series of national-level data or one province's data, not enough observations, -5
Using provincial or cross-country panel data, enough observation, +5
8. Use meaningful empirical methodology to identify causality: +5
9. Fluent writing in English: +3
The writing is not understandable: -5
10. Single author condition on having a good essay: +3
11. The essay is badly organized: -5