Course Description
This course examines major issues in economic policy. The aim of the course is to understand the reasons for government intervention in the economy, the extent of that intervention, and the ways in which people will likely respond given economic policy. We will consider both the economic policies that government might undertake that require revenue and the issues inherent in designing a tax system to collect revenue. We will analyze the successes, failures, and compromises inherent in government interventions in a variety of areas such as education, healthcare, social security, environmental, and tax policy. Throughout we will use both sound theory and empirical evidence to better understand the complex set of incentives that economic policies can create for individuals and businesses. For each issue, the goal will be to apply what you have learned in previous economics classes or through the required textbook to analyze current policy issues and learn to make well-reasoned, analytic arguments in favor, or against, particular policies.

Course Materials
For each class there will be assigned reading related to the required textbook as well as news and/or research articles.

Additional readings will be available on the course website.

Grading
In-class policy exercise 25%
Policy Memo 25%
Class Participation 20%
Final exam 30%

In-class policy exercise: You will be divided into one of three groups, each with a different policy challenge. You will be asked to prepare a short memo outlining your proposed solution with a justification for your recommendation. The exercise will take place during the time period of class. You will have 90 minutes to answer the question and can use any resources you want during that time period. You will submit your assignment blinded and you will be given another groups assignment to critique over the coming week, one from the two topics you did not address. One week later you must submit your assessment of the memos of the other students. Your grade will ultimately depend on both your assignment and your assessment of the assignment of others.

Policy memo: Each of you will write a policy memo on a policy relevant topic chosen or assigned to you—the options are the policy questions associated with the class days. You must use the tools of the class to analyze the question. Your policy memo will include both the pros and the cons of the policy being considered and will make a recommendation. A draft of your memo will be due before the relevant
class in which we discuss the policy question. You then have a week to revise the memo to incorporate what you learn in class.

Class participation: Your participation is central to a good class. You must be prepared for discussion—that means having done the reading and thought about the points you may want to raise in class prior to coming to class. Demonstrating that you are unprepared will lead to low participation grades. In addition to being prepared, you are expected to be able to articulate your position in a respectful manner, recognizing that many people will have differing views. Moreover students are encouraged to “try on” arguments that may not fit them naturally. The classroom is a safe space for pursuing a line of reasoning that you may either start unconvinced by or cause yourself to become unconvinced.

Final exam: There will be a two-hour final exam. Thursday Dec. 19 at 1:30 pm.

Expectations:
Students are expected to come to class having done the readings and prepared to participate in class. Students should be respectful of each other at all times and follow the Ford school’s School academic expectations. Guidelines and expectations about academic integrity, accommodations for students with disabilities, student mental health and wellbeing, inclusivity, attendance, communication, and technology use should be read here: http://fordschool.umich.edu/academics/expectations

ACCOMMODATIONS FOR STUDENTS WITH DISABILITIES
If you believe you need an accommodation for a disability, the University's Services for Students with Disabilities office (SSD) can be a valuable resource with which to start. In addition, if you believe you need an accommodation for a disability in any of your courses, please let the course instructor know at your earliest convenience. You need to allow sufficient time for your faculty member to respond, minimally 7 days, preferably more, in advance of when the accommodation is needed. Some aspects of courses may be modified to facilitate your participation and progress. As soon as you make your instructor aware of your needs, they can work with Student & Academic Services and/or the SSD office to help determine appropriate academic accommodations. Any information you provide will be treated as private and confidential.

STUDENT MENTAL HEALTH AND WELLBEING
The University of Michigan is committed to advancing the mental health and wellbeing of its students. We acknowledge that a variety of issues, such as strained relationships, increased anxiety, alcohol/drug problems, and depression, directly impacts students’ academic performance. If you or someone you know is feeling overwhelmed, depressed, and/or in need of support, services are available. For help, contact Counseling and Psychological Services (CAPS) and/or University Health Service (UHS). For a listing of other mental health resources available on and off campus, visit: http://umich.edu/~mhealth/.

INCLUSIVITY STATEMENT
Members of the Ford School community represent a rich variety of backgrounds and perspectives. We are committed to providing an atmosphere for learning that respects diversity. While working together to build this community we ask all members to:

- share their unique experiences, values and beliefs
- be open to the views of others
• honor the uniqueness of their colleagues
• appreciate the opportunity that we have to learn from each other in this community
• value one another’s opinions and communicate in a respectful manner
• keep confidential discussions that the community has of a personal (or professional) nature
• use this opportunity together to discuss ways in which we can create an inclusive environment in Ford classes and across the UM community

COMMUNICATING WITH YOUR INSTRUCTOR
In addition to interactions in the classroom, Ford School Instructors are also available to meet with students during office hours. If you cannot meet your instructor during that time, you should email them with your questions or to request another time to meet. But please understand that instructors have other obligations, including scholarship and administrative duties, and so they may not be able to respond to your email as promptly as you would like.

ATTENDANCE AND ASSIGNMENTS
Attendance: Because Ford School classes depend heavily upon participation, we expect students to make every effort to attend all class sessions. Advance notification of an unavoidable absence is recommended; repeated absences will typically negatively affect your grade.
Assignments: Extensions, if the instructor chooses to grant them, require prior arrangement. Late assignments, if they are accepted, will typically lose points for each day, or fraction thereof, that they are late.

USE OF TECHNOLOGY
Students should follow instructions from their instructor as to acceptable use of technology in the classroom. Some instructors may have an outright ban on devices while others may allow them to be used. If technology is allowed it should not negatively affect the learning environment in the classroom, examples include sound interruptions, photography and recording. The posting of classroom materials (including slides, assignments, readings and handouts) or photographs of classmates or your instructor to third-party sites (e.g. social media) requires informed consent. Likewise, recording (audio or video) your classes or office hour sessions is only allowed with the express written permission of your instructor. However, instructors are encouraged to grant such permission when there are circumstances where such taping is necessary as a reasonable accommodation of properly documented student disability. When permission for recording is granted, instructors are responsible for informing students in the class who may appear (or be heard) in any recording. Distribution of any of these recordings outside of your class or posting to 3rd person websites, even if your instructor allows you to record them for your personal use, will be considered academic misconduct.

Course Topics and Readings
Sept. 4) Why Study Public Economics?
• Gruber, Chapter 1

Policy question: What should the role of government be? How much government interference is desirable in a market-based economy?
Sept. 9) Fiscal Policy and the Tools of Budget Analysis
- Gruber, Chapter 4
- Stevenson and Wolfers, Principles of Macroeconomics Chapter 33

Policy Question: How Should We Prioritize Spending Across Generations?

Sept. 11) Taxation in the U.S. and around the World
- Gruber Chapter 18

Policy question: Does the U.S. raise enough revenue?
  https://democracyjournal.org/arguments/tax-reform-must-raise-more-revenue/

Sept. 16) The Equity Implications of Taxation: tax incidence
- Gruber Chapter 19

Policy question: Is the US Tax System Progressive Enough?
- Penn Wharton Budget Model The Tax Cuts and Jobs Act: Static Distributional Analysis

Sept. 18) Fiscal Policy and the Tools of Budget Analysis continued
Fix the Debt event

Policy question: Can you meet your priorities and balance the budget?
- Maya MacGuineas, CNN, “National debt is about to roar back to life as a pressing issue
- Wall Street Journal August 1, 2018 “Treasury Plans to Boost Borrowing as Trillion-Dollar Deficits Loom”

Sept. 23) Inequality
- Gruber, Chapter 17, pp. 511-520

Policy question: Should policy makers do more to address income inequality?

• Earth 2.0: Is Income Inequality Inevitable? Listen to the podcast: http://freakonomics.com/podcast/earth-2-0-income-inequality/ Freakonomics radio, April 19, 2017

• Rakesh Kochhar and Anthony Cilluffo 2018 Key Findings on the rise in income inequality within American’s racial and ethnic groups, July 12.

• Dylan Mathews: 2017. You’re not imagining it: the rich really are hoarding economic growth August 8.


Sept. 25) Tax Inefficiencies and their implications for optimal taxation

• Gruber Chapter 20

Policy question: What are the true costs of taxation and how can policy makers minimize it?


Sept. 30) Externalities

• Gruber, Chapters 5


Policy question: Should we tax soda, sugar, and other unhealthy foods?


• Editorial Board, 2018. California’s Ban on Soda Taxes Should Not Stand, And public-health advocates have a smart plan to fight it. Bloomberg June 23.

• Katherine Loughead 2018 Soda Taxes Are Not a Sensible Solution to Combat Obesity Tax Foundation, May 17.

• Optional: Katherine Loughead 2018 Sales Taxes on Soda, Candy, and Other Groceries, 2018, Tax Foundation, June 11.

Oct. 2) Environmental externalities.

• Gruber, Chapter 6


• Pew Research Center. 2015. “Global Concern about Climate Change, Broad Support for Limiting Emissions” November 5

• “Climate change and inequality” The Economist July 13, 2017
Policy question: Should we have a carbon tax?
- David Roberts 2018 The 5 most important questions about carbon taxes, answered Vox July 23.
- World Bank. 2018 “Carbon pricing Dashboard”

Oct. 7) Public Goods
- Gruber, Chapter 7

Policy question: Does public trust in government matter?
- Gallup. 2016. “Confidence in Institutions.”
- Betsey Stevenson. 2016. “Want to Help the Economy? Learn to Trust” Bloomberg View
- Optional: Josh Morgan 2014 “The Decline of Trust in the United States” Medium

Oct. 9) Cost-Benefit Analysis
- Gruber, Chapter 9

Policy question: How should we appropriately assign a value to human life?

Oct. 14) Fall Break

Oct. 16) Quantitative Methods: Introduction
- Gruber, Chapter 3
Policy question: What are the limits of empirical research? How should it be used?


Oct. 21) In-class policy exercise

Oct. 23) Social Insurance

- Gruber, Chapter 12

Policy question: Should the U.S. have more social insurance?


Oct. 28) Social Security

- Gruber, Chapter 13

In-class exercise: Social Security Reformer http://www.crfb.org/socialsecurityreformer/

Policy question: How should social security be reformed?

- Committee for a Responsible Federal Budget 2017 How Old Will You Be When Social Security's Funds Run Out? July 13

Oct. 30) Individual taxes: Taxation and Labor Supply

- Gruber, Chapter 21

Policy question: Should taxes be more progressive?

Nov. 4) Welfare, basic income guarantees, earned income tax credits
• Gruber, Chapter 17, 520-545

Policy question: Should we adopt a basic income guarantee?
• Stephen J. Dubner. 2016. “Is the World Ready for a Guaranteed Basic Income?” Freakonomics radio. April 13 (Listen to the podcast)
• Andrew Flowers. 2016. “What Would Happen if We Just Gave People Money?” Five-Thirty-Eight, April 25.
• Planet Money Episode 796: The Basic Income Experiment https://itunes.apple.com/us/podcast/planet-money/id290783428?

Nov. 6) Helping People When Bad Things Happen: Unemployment Insurance
• Gruber, Chapter, 14
• Center on Budget and Policy Priorities. 2014. “Introduction to Unemployment Insurance.”

Policy question: How should we reform disability insurance?
• Harold Pollack. 2015. “Saving SSDI.” The Atlantic, August 31.
• Jeffrey Liebman and Jack A. Smalligan. 2013. “An Evidence-Based Path to Disability Reform.” Brookings.
• McCrery-Pomeroy SSDI Solutions Initiative.

Nov. 11) Helping People When Bad Things Happen: Worker’s Compensation, and Disability Insurance

Policy question: How should we reform unemployment insurance?
• Center for American Progress. 2014. “Strengthening Unemployment Protections in America”

Nov. 13) Health Insurance
• Gruber, Chapters 15

Policy question: Should the government be involved in health insurance?
• Robert Blendon and John Benson 2001. “Americans’ Views On Health Policy: A Fifty-Year Historical Perspective” Health Affairs
• James Morone 2010. Presidents And Health Reform: From Franklin D. Roosevelt To Barack Obama. Health Affairs
• Alex Blemberg 2009. Accidents Of History Created U.S. Health System NPR All Things Considered. October 22.

Nov. 18) Health Insurance
• Gruber, Chapters 16
• Peter Orszag. 2012. “Smart Ways to Keep the Brake on Health-Care Costs” Bloomberg View, Aug I.

Policy question: Should the rich be able to buy better healthcare?
• “I think health care is a right. I asked an expert to tell me why I'm wrong.” Vox June 30, 2017.

Nov. 20) How and Why Should the Government Be Involved in Education and Childcare?
• Gruber, Chapter 11

Policy question: How many years of education should the government provide and what age should it start?

Nov. 25) Competition across school districts.
• Gruber, Chapter 10
Policy question: What’s the right level for education policy?
• Alana Semuels. 2016. “Good School, Rich School; Bad School, Poor School” The Atlantic, August 25.

Nov. 27: No Class Thanksgiving break

Dec. 2) Tax Expenditures
• Tax Foundation. 2013. “A Brief History of Tax Expenditures”
• Tax Policy Center “The Tax Policy Briefing Book: Tax Expenditures” (read the four questions and answers)

Policy question: Should the U.S. eliminate the mortgage interest deduction?

Dec 4) Corporate Taxation
• Gruber, Chapter 24
• Tax Policy Center: “How does the corporate income tax work?”
• Tax Policy Center: “What are flow-through enterprises and how are they taxed?”

Policy Question: Should we raise less revenue from corporate taxes?
• Jim Tankersley 2018 “Tax Havens Blunt Impact of Corporate Tax Cut, Economists Say” New York Times, November 11
• Justin Wolfers 2018 “How to Think About Corporate Tax Cuts” New York Times, March 30
• KelloggInsight 2018 “Does Lowering the Corporate Tax Rate Spur Economic Growth” Based on the research of Nir Jaimovich and Sergio Rebelo Mar 5.

Dec 9) Synthesis