

**ECON 312**  
**FISCAL POLICY AND PUBLIC FINANCE**  
**SPRING 2010**  
**SYLLABUS AND OUTLINE**  
(Subject to change)

**INSTRUCTOR:**

Dr. Pınar DERİN-GÜRE

*Contact Information:*

“Best way to contact me is” *e-mail:* [pderin@metu.edu.tr](mailto:pderin@metu.edu.tr)

I usually check my emails every day. Please give me at least 12 hours to respond.

*Office:* FEAS- A26a

*Tel:* 210-3006 (Office)

*Office Hours:* Wednesday 10:00-12:00 and by appointment

**CLASSES:**

Wednesday 13:40 – 16:40 (FAUD)

**TEACHING ASSISTANT:**

Gulsah Gulen

Office: HZ03

E-mail: [ggulsah@metu.edu.tr](mailto:ggulsah@metu.edu.tr)

**COURSE WEB PAGE:**

All necessary material will be posted on METU online:

<https://online.metu.edu.tr/>

## **DESCRIPTION:**

This course examines the role of public sector in the economy. The aim of the course is to provide an understanding of the reasons for government intervention in the economy, the extent of that intervention and the response of private agents to government actions. It will in particular focus on design of tax systems and benefit schemes and the mechanisms of social insurance.

## **READINGS:**

The text for the course is “Public Finance and Public Policy” by Jonathan Gruber, Second Edition, Worth Publishers 2007. This book is not available in the bookstore. You can get a copy from the library and I will put the necessary chapters to the photocopy room. This book mainly focuses on the US economy therefore you are not responsible from US economy parts but I will post additional documents on Turkish Fiscal system and public policy.

Other useful References: (Given for your knowledge):

Joseph Stiglitz, Economics of the Public Sector, Third edition, WW Norton Publishers, 2000.  
Harvey S. Rosen, Public Finance, 7th Edition, McGraw-Hill International Editions, 2005.

## **PREREQUISITS:**

ECON 201, Intermediate Microeconomics.

## **GRADING INFORMATION (PROBLEM SETS AND EXAMS):**

The course grades will be based on a midterm (25%), a final exam (cumulative) (50%), 4 problem sets (20%, 5% each), attendance and participation (5%). We will have recitation hours in this class, in the recitation hours your TA will solve the problem sets and answer your questions. There will not have recitation hours every week. Recitation hours will be announced in METU online by your TA.

All exams are closed book. I will use the class web page to distribute problem sets and solutions, sample exams, solutions and other announcements. Problem sets will be posted on Wednesdays and I will post the answers online next Wednesday. Meanwhile you can ask me questions. Problem sets it is really important to solve them on time and check the answers and ask the questions you did wrong. Similar questions might be in the midterm or final. (Usually I do not ask the same questions)

Before each exam I will hold extra office hours. If you still have questions do not hesitate to contact me (come to my office hours or email, please give me at least 12 hours to respond)

There is a very simple key for getting a good grade and learning the material well.

Please follow the steps below:

a) There will be assigned readings. The reading assignments usually come from the textbook if not I will definitely post it online. Always read the relevant chapter and extra readings assigned before coming to the class. You will definitely understand the material better and enjoy the class more that way. Remember it is a matter of timing, instead of reading after the class you will read them before the class and be more successful.

b) Class participation is very important. Always ask questions. There is nothing like a stupid question. I promise to answer any questions you have related to the class even though I mentioned it before.

c) Never miss the classes if you don't have a reasonable excuse. Although the classes will be based on the textbook, I might mention ideas or include materials that are not necessarily in the textbook.

d) Always go over the chapters and class notes regularly. If you leave it the day before the exam even the simplest concepts might seem impossible to understand. Try to sleep well before the exam such that you might have room to use your creativity.

e) After each exam, I might be willing to talk with the students with grades very much below the average. Don't take it personal; I will not be doing that to punish you. I have been a student so long to know that everything does not necessarily go well each time.

Always come to these meetings, we can talk together and figure out a way to help you. I will not announce these students in the class. I will set appointments by email.

I will use the student's mailing list to distribute important announcements and room changes. Try to check your mails everyday!

### **COURSE POLICY:**

Collaboration on problem sets is permitted. (You should not copy the answers from your friend you can never be sure that she/ he is not mistaken) Collaboration during midterms and the final exam is strictly prohibited.

If you have any conflicts with the exams let me know in advance. *If you miss an exam without an acceptable legal document/reason (for example, illness supported by a medical report), no make-up exam will be given.*

### **DISABILITY CLAUSE:**

If you are a student with a documented disability on record and wish to have a reasonable accommodation made for you in this class, please see me immediately.

## **HONESTY CLAUSE:**

You are expected to be honest in all of your academic work. Students caught cheating or otherwise violating the rules of academic conduct will receive a zero grade for the class, and will be deferred to the Dean's office. If you have any questions about my expectations, please ask.

## **COURSE OUTLINE (Tentative, subject to change w/ the instructor's discretion):**

1. 24 February 2010  
Syllabus and Introduction to Public Economics and Turkish Public Sector  
Gruber Chapter 1.
2. 3 March 2010  
Review of Microeconomic Underpinnings and Main Issues in Empirical Public Finance  
Gruber Chapter 2 and 3.
3. 10 March 2010  
Externalities in Theory and Practice  
Gruber Chapter 5 and 6.
4. 17 March 2010  
Public Goods Basic Theory, Optimality and Pricing  
Gruber Chapter 7.
5. 24 March 2010  
Cost- Benefit Analysis and Political Economy  
Gruber Chapter 8 and 9.
6. 31 March 2010  
Local Public Goods and Fiscal Federalism  
Public Provision of Private Goods  
Gruber Chapter 10 and 11.
7. 7 April 2010  
Social Insurance and Redistribution I  
Overview, Social Security, Unemployment Insurance, Disability Insurance and Workers  
Compensation  
Gruber Chapter 12, 13 and 14

### **9 April 2010 Friday, 17:40-19:40 MIDTERM EXAM**

8. 14 April 2010  
Health Insurance, Redistribution and Welfare Policy  
Gruber Chapter 15 and 17
9. 21 April 2010  
Taxation in Turkey (Problems/ Challenges), Tax Incidence  
Gruber Chapter 19
10. 28 April 2010  
Tax Inefficiencies and Optimal Taxation  
Gruber Chapter 20

11. 5 May 2010  
Taxation and Individual Behavior  
Gruber Chapter 21 and 22
12. 12 May 2010  
Corporate Taxation and Tax Reform  
Chapter 24 and 25
13. 19 May 2010  
Dynamic Fiscal policy, Life Cycle Model  
Dirk Krueger book, Chapter 1
14. 26 May 2010  
Review

**FINAL EXAM: TBA (To be announced)**

\*Note that this is an ambitious outline; it is possible that we might not be able to cover some of the chapters listed here.