

# Econ 425: Economics of Public Expenditures

## Syllabus<sup>1</sup>, Spring 2025 (Section 003)

**Meeting Time:** Mondays & Wednesdays, 4:00 pm to 5:15 pm

**Location:** Rackley Building 104 (This is an in-person course)

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**Instructor:** Tianyi Li, [tl5673@psu.edu](mailto:tl5673@psu.edu)

Office: 512 Kern

Office Hours: Monday 1:30 pm-3:30 pm, or by appointment

**Teaching Assistant:** Vladimir Kamionko, [vak5141@psu.edu](mailto:vak5141@psu.edu)

Office Hour: Thursday 2-3 pm via Zoom <https://psu.zoom.us/j/2039940877>

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### Welcome Note, and Course Background:

Welcome everyone! We are very happy to have you on this course. In Econ 425, we seek to understand the role of government and its impact on the economy. The main questions we will ask throughout the course are:

- What are the reasons for government intervention?
- What are the best approaches to intervene?
- What are the effects of these interventions on the economy?
- How, and why do the interventions suggested by theory differ from what is observed in the real world?

To answer these questions, we will employ a combination of theoretical and empirical tools. The key topics we will examine include public goods, externalities, social insurance, and taxation. The applications will primarily focus on the US government.

**Course Website (Canvas Page):** <https://psu.instructure.com/courses/2381290>

**Prerequisites:** The suggested prerequisites are ECON 302 Intermediate Microeconomics (strictly enforced) or ECON 323 Public Finance.

### Course Materials:

- **Textbook (NOT REQUIRED):** Jonathan Gruber, *Public Finance and Public Policy*, 7th edition, Worth Publishers, 2022. (The 6th edition is also fine). ISBN: 1319281109. The lectures will loosely follow chapters in the main textbook.

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<sup>1</sup> Subject to changes.

- **Lecture Notes and Other Relevant Materials:** these will be posted on Canvas when appropriate.

**Grading Scheme:** there are 100 potential points to earn

- 4 Homework Assignments (work together in groups; 10% each; a total of 40%)
- 1 Midterm Exam: 25%
- 1 Final Exam: 35%

**Course Policies:**

- **General**

- Unless instructed, cell phones are not to be used in class.
- During lectures, I will use both slides and the whiteboard/blackboard. The slides provide an overview and highlight the important messages, and I will work on the details on the board (or the document camera). **Be sure to attend the lectures and take notes!**

- **Canvas**

- Homework (Problem Sets) will be administered via Canvas.
- Any scheduling changes, important exam information, and other relevant announcements will be posted on Canvas. Please make sure to turn on your Canvas notifications so that you receive the course information on time.
- Please ignore the “total score” column shown on your Canvas gradebook, as it is an unweighted average of your exam and homework scores. In other words, the total score column on your Canvas gradebook is inaccurate. Please refer to the syllabus for how we calculate your final course grade and the weight of each part.

- **Exams: 60% of your total grade**

- There will be one midterm exam (25%) and one final exam (35%)
- The exams consist of short-answer questions and empirical questions. The short-answer questions test your knowledge of the concepts and definitions; the analytical questions ask you to analyze the situation and numerically solve for the answer.
- I may (or may not) choose to curve the exam scores for the class. The decision on whether to curve the scores and how much to curve them will be made at the end of the semester.

- **Homework: 40% of your total grade**

- There will be 4 homework assignments (problem sets). You will typically have 2 weeks to complete each homework.

- Homework assignments should be done in groups (minimum 2 students and maximum 4 students per group). Only one problem set per group needs to be turned in, but make sure the names of all group members are on the first page of the assignment.
  - All homework assignments must be turned in on Canvas as a PDF file or a Word document by the appropriate due date. Other formats (photos, hard copies, etc.) will not be accepted. If you take photos of your work, please combine and convert them into a PDF file so that we can view and grade it.
  - Students are responsible for all missed work, regardless of the reason for absence. It is also the absentee’s responsibility to get all the missing notes or materials.
- **Policy on Late Homework Submissions:** There will be a grade penalty for homework assignments submitted after the deadlines without justifiable excuses.
    - 0-4 hours delay: No penalty
    - 4-24 hours delay: 10 points off
    - Beyond 24 hours: Submission No Longer Accepted
  - **Grading Policy:**
    - Your numerical grade for this course will be calculated using the grade formula on page 2 (see the section “Grading Scheme”).
    - The grading scale is presented below:

Numerical grade (percentage grade)	Letter Grade
92% to 100%	A
90% to 91%	A-
88% to 89%	B+
82% to 87%	B
80% to 81%	B-
78% to 79%	C+
70% to 77%	C
68% to 69%	D+
60% to 67%	D
0% to 59%	F

- Grade disputes: Any dispute regarding a grade must be submitted in writing within 72 hours of when the grade is posted. The student should provide a clear rationale for why they believe their grade is incorrect. Statements like “I think I’m right” or “I

think I met all of the requirements of this assignment” are insufficient rationale. Upon review, grades may be adjusted up or down.

- **(Important!) Email Policy: Communication between students and the instructor**

- No homework questions will be answered via email (except quick clarifications).
- For long, complicated homework questions (e.g., solving a system of mathematical equations, questions that require a graphical response, etc.), please see us during office hours or before/after lectures.
- We aim to respond to your email inquiries within 24 business hours; so if you email us during the weekend, you might get a response on Monday.
- Email Etiquette: in your subject line, write your section number (e.g., Econ 425 Section 003; Econ 412 Section 001); be professional and respectful in your language.
- Please don’t send emails via the Canvas Inbox, as the message might get lost and I won’t be able to see it. It’s best to reach us through the email addresses listed on page 1 of the syllabus.

- **Make-up Work and Exams**

- Students will not be penalized for absence during the semester due to unavoidable or legitimate circumstances. Such circumstances include verified illness, participation in intercollegiate athletic events, subpoenas, jury duty, military service, bereavement, and religious observances. Refer to Page 6 for a detailed description of valid reasons for missing an exam.
- Make-up exams are possible for the final exam **only if** the student has another exam scheduled at the same time, or has three or more exams within a 24-hour period. This should be pre-arranged with the instructor at least three weeks before the final exam.

- **SDR Accommodations**

- If you have an accommodation letter from the SDR (Student Disability Resources) Center, please send it to me during the first week of the class. I am happy to work with the SDR Center to accommodate your exam requests.

- **Miscellaneous:**

- Practice exams: this course does not offer practice exams. In the past, I make the questions in the problem sets (homework assignments) highly similar to those in the actual exams, and students who study the homework questions carefully do very well in the exams.

- Please don't send inquiries about extra-credit opportunities---this course treats everybody fairly, and we are unable to offer extra-credit opportunities for some but not others.

### **Tentative Course Outline:**

<b>Week (M/D)</b>	<b>Topics, Textbook Chapters, Exams</b>	<b>Homework Deadlines</b>
1 (1/13, 1/15)	Introduction, Math Review Chapters 1-3	
2 (1/20, 1/22)	Monday: MLK Day (No Class) Wednesday: Welfare Analysis	
3 (1/27, 1/29)	Externalities Chapters 5-6	
4 (2/3, 2/5)	Externalities: Policy Response Chapters 5-6	HW1 due this week
5 (2/10, 2/12)	Public Goods Chapter 7	
6 (2/17, 2/19)	Taxation (Part 1) Chapters 18-25	
7 (2/24, 2/26)	Taxation (Part 2) Chapters 18-25	HW2 due this week
8 (3/3, 3/5)	Mon: Midterm Review Wed: Midterm Exam (In Class)	
9 (3/10, 3/12)	<b>Spring Break, No Classes</b>	
10 (3/17, 3/19)	Social Insurance Chapters 12	
11 (3/24, 3/26)	Social Security Chapters 13	
12 (3/31, 4/2)	Unemployment and Disability Insurance; Chapter 14	HW3 due this week
13 (4/7, 4/9)	Health Insurance (Part 1) Chapters 15-16	
14 (4/14, 4/16)	Health Insurance (Part 2) Chapters 15-16	
15 (4/21, 4/23)	Government and Education Chapter 11	HW4 due this week
16 (4/28, 4/30)	Course Wrap-up and Final Review	

Exam Week	<b>Final Exam</b>	More details will be announced in due course
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## Additional Policies and Resources:

- **VALID REASONS FOR MISSING AN EXAM:** Found at <http://econ.la.psu.edu/undergraduate/valid-excuses> Illness or injury, family emergencies, certain University-approved curricular and extra-curricular activities, and religious holidays can be legitimate reasons to be excused from a scheduled examination. In the case of your own illness or injury, confirmation from a physician, the physician's assistant, or a nurse is required. Further, barring extraordinary circumstances, the confirmation must be available to the instructor prior to the missed exam. With regard to family emergencies, you must provide verifiable documentation of the emergency. Unless the emergency is critical you should notify the instructor in advance of your absence from the scheduled course event. In cases of critical emergencies, you must notify the instructor within one week of your absence. For University-approved curricular and extra-curricular activities, verifiable documentation is also required. The letter must be presented to the instructor at least one week prior to the first absence. In the case of religious holidays, notify the instructor by the third week of the course of any potential conflicts.
- **STATEMENT OF ACADEMIC INTEGRITY:** Penn State defines academic integrity as the pursuit of scholarly activity in an open, honest, and responsible manner. All students should act with personal integrity, respect other students' dignity, rights, and property, and help maintain an environment in which all can succeed through their efforts (Faculty Senate Policy 49-20). Dishonesty of any kind will not be tolerated in this course. Dishonesty includes but is not limited to, cheating, plagiarizing, fabricating information or citations, facilitating acts of academic dishonesty by others, having unauthorized possession of examinations, submitting work of another person or work previously used without informing the instructor, or tampering with the academic work of other students. Students who are found to be dishonest will receive academic sanctions and will be reported to the University's Judicial Affairs office for possible further disciplinary sanction.
- **STATEMENT OF NONDISCRIMINATION:** The Pennsylvania State University is committed to the policy that all persons shall have equal access to programs, facilities, admission, and employment without regard to personal characteristics not related to ability, performance, or qualifications as determined by University policy or by state or

federal authorities. The Pennsylvania State University does not discriminate against any person because of age, ancestry, color, disability or handicap, national origin, race, religious creed, sex, sexual orientation, or veteran status.

- **EDUCATIONAL EQUITY AND BIAS REPORTING STATEMENT:** Penn State takes great pride in fostering a diverse and inclusive environment for students, faculty, and staff. Acts of intolerance, discrimination, or harassment due to age, ancestry, color, disability, gender, gender identity, national origin, race, religious belief, sexual orientation, or veteran status are not tolerated. Consistent with University Policy AD29, students who believe they have experienced or observed a hate crime, an act of intolerance, discrimination, or harassment that occurs at Penn State are urged to report these incidents as outlined on the University's Report Bias webpage (<http://equity.psu.edu/reportbias>)
- **DISABILITY ACCESS STATEMENT:** Penn State encourages qualified people with disabilities to participate in its programs and activities and is committed to the policy that all people shall have equal access to programs, facilities, and admissions without regard to personal characteristics not related to ability, performance, or qualifications as determined by University policy or by state or federal authorities. If you anticipate needing any type of accommodation in this course or have questions about physical access, please tell the instructor as soon as possible.
- **COUNSELING AND PSYCHOLOGICAL SERVICES STATEMENT:** Many students at Penn State face personal challenges or have psychological needs that may interfere with their academic progress, social development, or emotional well-being. The university offers a variety of confidential services to help you through difficult times, including individual and group counseling, crisis intervention, consultations, online chats, and mental health screenings. These services are provided by staff who welcome all students and embrace a philosophy respectful of clients cultural and religious backgrounds, and sensitive to differences in race, ability, gender identity and sexual orientation. (<http://studentaffairs.psu.edu/counseling/>) 814-863-0395.
- **FEEDBACK AND SUGGESTIONS:** Please let me know if you have any concerns or comments about this course, as I would like you to enjoy the course and the learning experience. If you would like to provide feedback about this course, you may also contact the Director of Undergraduate Studies in Economics or leave a comment in the box that the Department maintains at 303 Kern.