Course Objectives

This course has several objectives. It is my hope that this class will help you to:
(1) become more informed about long-term issues that will affect our markets and economy;
(2) learn key numbers that are crucial to understanding the same issues;
(3) understand and respect opposing views about these issues; and
(4) encourage you to consistently read academic research and to continue this habit after graduation.

Required Materials

Public Finance and Public Policy, 3e by Jonathan Gruber (Worth Publishers, 2011)

Grades

You will have two exams that will account for 80% of your grade. The weighting of each exam will be determined by your attendance. (This is discussed below.) The project will account for 20% of your grade.
Attendance

I believe that testing is imperfect and that learning occurs by attending class. I also believe that a class has a culture (and professionalism is important).

Attendance will be taken each class. You can miss two classes without any penalty. If you miss two or fewer classes, your highest exam will count for 50% of your grade and your lower exam will count for 30% of your grade. If you miss more than two classes, your grades will be reversed: your lower exam will account for 50% of your grade and your higher score will account for 30% of your grade.

I will also excuse two absences due to interviews. But, you must email me at least 5 days in advance of your absence. If you are interviewing a lot, you should use these two excused absences and the other two remaining absences. Realize that this allows you to miss four of 28 classes (18%) of the semester without penalty. If you plan to miss more than that, you should plan to study a lot for both exams (so that the weighting does not matter to you).

Finally, if you miss more than five classes (this does not include the two excused absences for interviews), your grade will be lowered by one full letter grade. That means that if you earned an A- (for example), you will receive a B-. Again, for someone who is interviewing, this still allows you to miss five classes plus two more for interviews (without having your grade lowered). This is 25% of our classes.
Description of Requirements

**Exams**
Both exams will be mostly qualitative. It is my expectation that they will be primarily multiple choice, true/false and short answer. It is my hope that the exams will be challenging. I prefer to ask questions that are objective so that grading is fair.

You will be tested on the material that is discussed in class as well as the assigned readings.

There are no make-up exams and I will not be giving the final exam early. You should mark your calendar. If this schedule does not work with your calendar, please do not take this class.

**Project**
You must write a ten-page outline of “The Price of Civilization” by Jeffrey D. Sachs.

*Your paper must be in outline form and cannot be longer than ten pages plus a cover page.* Ten pages is the total (other than the cover) regardless of whether you call something an appendix or anything else. You will receive some outlines (of class material) during the semester and that should be used as an example (of how to do an outline).

The goal of your outline should be to allow someone who has not read this book to fully understand what it is about. A good outline clearly distinguishes thoughts. It is not simply sentences with a letter in front of it. It eliminates unnecessary words and groups ideas together.

The project is usually not a grade differentiator. The reality is that the exams will result in grade differentiation. The project is a learning exercise and the grading scale is normally pretty tight (usually 85 - 92). With that said, every so often someone turns in something that results in a significantly lower grade. The fact that the grade range is normally tight is not intended to diminish the importance of this assignment. Normally, I grade your exams (because they have the largest impact on your final grade) and I have my TA grade your outlines. This assignment is to be done alone.

In other courses that I’ve taught, students have received low grades on this assignment for various reasons. Examples include students who have clearly not read the entire book, students who did this in sentence form and students who collaborated (which is an act of academic dishonesty). The highest grade that you can get if you do this in paragraph form is 80 (which means that you will be in the 60s or 70s because I don’t give perfect scores on this assignment). If you have not read the entire book, the highest grade you can receive is 50 (and again, that score isn’t likely). But, if you read the book and outline it and you feel like you have made a good-faith effort, you should not worry. You will know if you fall into one of the “troubled” categories.

Finally and most importantly, please realize that I cannot select a book that will appeal to all political views. I tried to select a book from a well-respected academic. I believe that the book contains relevant opinions. In addition, I believe that you can learn from reading and thinking about opinions that are different than your own.

The project is due on the last day of class (at the beginning of class).
Course Outline and Reading List

Below, I have listed the topics and material that we will cover. Please understand that this is simply a sequential list of what I hope to cover. It will frequently be the case that one topic lasts two classes. I do not want to assign dates to the material because this is the first time that I am teaching this class and I do not want to rush through material if you have questions. I really have no idea how long certain material will take. Also, please realize that there will probably be changes during the semester. I have also listed some topics that will be added if we have extra time.

Topics
1. Where Are We Today? A View of the Economy from the Federal Reserve
2. Housing
3. An Overview of the Numbers You Need to Know
4. The Debt-to-GDP Ratio – Why Does it Matter?
5. Introduction to Insurance
6. Social Security
7. Class Discussion: How Would You Fix Social Security?
8. State Pensions
9. Health Insurance
10. Health Insurance II
11. Problems and Remedies of Health Care
12. Healthcare – Other Issues
13. Unemployment Insurance, Disability Insurance and Workers’ Compensation
14. Disability Insurance
15. Class Discussion: Unemployment Insurance
16. Taxation
17. Tax Reform (Emphasis on Flat Tax and Tax Expenditures)
18. Income Inequality

Additional Lectures
If we still have time, we will discuss:
A. the rising cost of higher education
B. labor markets
Reading Assignments

1. Where Are We Today? A View of the Economy from the Federal Reserve

Economic Developments, Risks to the Outlook, and Housing Market Policies, by Elizabeth A. Duke (January 6, 2012)

Small Business Funding and the Economic Recovery, by Eric S. Rosengren (January 6, 2012)


Leeds outline of “Policy Analysis With Incredible Certitude”

2. Housing


Testimony of Laurie S. Goodman -- New Ideas to Address the Glut of Foreclosed Properties (2011)

3. An Overview of the Numbers You Need to Know


4. The Debt-to-GDP Ratio – Why Does it Matter?


5. Introduction to Insurance

Chapter 12 (Gruber)
6. Social Security

Chapter 13 (Gruber)

The 2011 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, pp. 1 - 21

7. Class Discussion: How Would You Fix Social Security?

Social Security Policy Options, Congressional Budget Office (2010)


The Social Security Fix-It Book (2009)

8. State Pensions

State and Local Pension Funding Deficits: A Primer, by Douglas J. Elliott (2010)


The Economics of State and Local Public Pensions, by Jeffrey R. Brown, Robert Clark and Joshua Rauh (2011)

9. Health Insurance

Chapter 15 (Gruber)

10. Health Insurance II

Chapter 16 (Gruber)
11. Problems and Remedies of Health Care

Asprin, Angioplasty, and Proton Beam Therapy: The Economics of Smarter Health Care Spending, by Katherine Baicker and Amitabh Chandra (2011)

12. Healthcare – Other Issues

The Impacts of the Affordable Care Act: How Reasonable are the Projections?, by Jonathan Gruber (2011)
Employer Health Benefits 2011 Annual Survey, Kaiser Family Foundation and Health Research & Educational Trust
Federal Health Care Law Promises Coverage for All, But at a Price, by Jason Saving (2011)

13. Unemployment Insurance, Disability Insurance and Workers’ Compensation

Chapter 14 (Gruber)

14. Disability Insurance


15. Class Discussion: Unemployment Insurance

Economic Effects of the Unemployment Insurance Benefit, by Shigeru Fujita

Unemployment Insurance Extensions and Reforms in the American Jobs Act, Executive Office of the President

How Did Unemployment Insurance Extensions Affect the Unemployment Rate in 2008 – 2010, Bhashkar Mazumder
16. Taxation

Read Chapters 18 and 24 (Gruber)

Skim Chapters 19 – 22 (Gruber)

17. Tax Reform (Emphasis on Flat Tax and Tax Expenditures)

Chapter 25 (Gruber)


18. Income Inequality

Inequality and Unsustainable Growth: Two Sides of the Same Coin?, by Andrew G. Berg and Jonathan D. Ostry (2011)


Important Dates

Thursday, March 1 – Midterm Exam (in class)

No class from Tuesday, March 6th – Thursday, March 15th (due to global trips and spring break)

Thursday, May 3rd – Paper Due at start of class

Thursday, May 10th (9 AM – noon) – Final Exam
### Policies:
I expect you to be prepared for class, to attend class and to be on time. I also expect you to be respectful of your peers (and me). Laptops may not be open during class. You should expect me to be respectful of your thoughts, responsive to your questions (and emails) and well prepared for class.

### McCombs Classroom Professionalism Policy

The highest professional standards are expected of all members of the McCombs community. The collective class reputation and the value of the Texas MBA experience hinges on this.

Faculty are expected to be professional and prepared to deliver value for each and every class session. Students are expected to be professional in all respects.

The Texas MBA classroom experience is enhanced when:

- **Students arrive on time.** On time arrival ensures that classes are able to start and finish at the scheduled time. On time arrival shows respect for both fellow students and faculty and it enhances learning by reducing avoidable distractions.
- **Students display their name cards.** This permits fellow students and faculty to learn names, enhancing opportunities for community building and evaluation of in-class contributions.
- **Students minimize unscheduled personal breaks.** The learning environment improves when disruptions are limited.
- **Students are fully prepared for each class.** Much of the learning in the Texas MBA program takes place during classroom discussions. When students are not prepared they cannot contribute to the overall learning process. This affects not only the individual, but their peers who count on them, as well.
- **Students attend the class section to which they are registered.** Learning is enhanced when class sizes are optimized. Limits are set to ensure a quality experience. When section hopping takes place some classes become too large and it becomes difficult to contribute. When they are too small, the breadth of experience and opinion suffers.
- **Students respect the views and opinions of their colleagues.** Disagreement and debate are encouraged. Intolerance for the views of others is unacceptable.
- **Laptops are closed and put away.** When students are surfing the web, responding to e-mail, instant messaging each other, and otherwise not devoting their full attention to the topic at hand they are doing themselves and their peers a major disservice. Those around them face additional distraction. Fellow students cannot benefit from the insights of the students who are not engaged. Faculty office hours are spent going over class material with students who chose not to pay attention, rather than truly adding value by helping students who want a better understanding of the material or want to explore the issues in more depth. Students with real needs may not be able to obtain adequate help if faculty time is spent repeating what was said in class. There are often cases where learning is enhanced by the use of laptops in class. Faculty will let you know when it is appropriate to use them. In such cases, professional behavior is exhibited when misuse does not take place.
- **Phones and wireless devices are turned off.** We’ve all heard the annoying ringing in the middle of a meeting. Not only is it not professional, it cuts off the flow of discussion when the search for the offender begins. When a true need to communicate with someone outside of class exists (e.g., for some medical need) please inform the professor prior to class.

Remember, you are competing for the best faculty McCombs has to offer. Your professionalism and activity in class contributes to your success in attracting the best faculty to this program.
Academic Dishonesty

I have no tolerance for acts of academic dishonesty. Such acts damage the reputation of the school and the degree and demean the honest efforts of the majority of students. The minimum penalty for an act of academic dishonesty will be a zero for that assignment or exam.

The responsibilities for both students and faculty with regard to the Honor System are described on http://mba.mccombs.utexas.edu/students/academics/honor/index.asp and on the final pages of this syllabus. As the instructor for this course, I agree to observe all the faculty responsibilities described therein. During Orientation, you signed the Honor Code Pledge. In doing so, you agreed to observe all of the student responsibilities of the Honor Code. If the application of the Honor System to this class and its assignments is unclear in any way, it is your responsibility to ask me for clarification.

Students with Disabilities

Upon request, the University of Texas at Austin provides appropriate academic accommodations for qualified students with disabilities. Services for Students with Disabilities (SSD) is housed in the Office of the Dean of Students, located on the fourth floor of the Student Services Building. Information on how to register, downloadable forms, including guidelines for documentation, accommodation request letters, and releases of information are available online at http://deanofstudents.utexas.edu/sss/index.php. Please do not hesitate to contact SSD at (512) 471-6259, VP: (512) 232-2937 or via e-mail if you have any questions.
Honor Code Purpose

Academic honor, trust and integrity are fundamental to The University of Texas at Austin McCombs School of Business community. They contribute directly to the quality of your education and reach far beyond the campus to your overall standing within the business community. The University of Texas at Austin McCombs School of Business Honor System promotes academic honor, trust and integrity throughout the Graduate School of Business. The Honor System relies upon The University of Texas Student Standards of Conduct (Chapter 11 of the Institutional Rules on Student Service and Activities) for enforcement, but promotes ideals that are higher than merely enforceable standards. Every student is responsible for understanding and abiding by the provisions of the Honor System and the University of Texas Student Standards of Conduct. The University expects all students to obey the law, show respect for other members of the university community, perform contractual obligations, maintain absolute integrity and the highest standard of individual honor in scholastic work, and observe the highest standards of conduct. Ignorance of the Honor System or The University of Texas Student Standards of Conduct is not an acceptable excuse for violations under any circumstances.

The effectiveness of the Honor System results solely from the wholehearted and uncompromising support of each member of the Graduate School of Business community. Each member must abide by the Honor System and must be intolerant of any violations. The system is only as effective as you make it.

Faculty Involvement in the Honor System

The University of Texas at Austin McCombs School of Business Faculty’s commitment to the Honor System is critical to its success. It is imperative that faculty make their expectations clear to all students. They must also respond to accusations of cheating or other misconduct by students in a timely, discrete and fair manner. We urge faculty members to promote awareness of the importance of integrity through in-class discussions and assignments throughout the semester.

Expectations Under the Honor System

Standards

If a student is uncertain about the standards of conduct in a particular setting, he or she should ask the relevant faculty member for clarification to ensure his or her conduct falls within the expected scope of honor, trust and integrity as promoted by the Honor System. This applies to all tests, papers and group and individual work. Questions about appropriate behavior during the job search should be addressed to a professional member of the Career Services Office. Below are some of the specific examples of violations of the Honor System.

Lying

Lying is any deliberate attempt to deceive another by stating an untruth, or by any direct form of communication to include the telling of a partial truth. Lying includes the use or omission of any information with the intent to deceive or mislead. Examples of lying include, but are not limited to, providing a false excuse for why a test was missed or presenting false information to a recruiter.

Stealing

Stealing is wrongfully taking, obtaining, withholding, defacing or destroying any person's money, personal property, article or service, under any circumstances. Examples of stealing include, but are not limited to, removing course material from the library or hiding it from others, removing material from another person's mail folder, securing for one's self unattended items such as calculators, books, book bags or other personal property. Another form of stealing is the duplication of copyrighted material beyond the reasonable bounds of "fair use." Defacing (e.g., "marking up" or highlighting) library books is also considered stealing, because, through a willful act, the value of another's property is decreased. (See the appendix for a detailed explanation of "fair use.")
Cheating

Cheating is wrongfully and unfairly acting out of self-interest for personal gain by seeking or accepting an unauthorized advantage over one's peers. Examples include, but are not limited to, obtaining questions or answers to tests or quizzes, and getting assistance on case write-ups or other projects beyond what is authorized by the assigning instructor. It is also cheating to accept the benefit(s) of another person's theft(s) even if not actively sought. For instance, if one continues to be attentive to an overhead conversation about a test or case write-up even if initial exposure to such information was accidental and beyond the control of the student in question, one is also cheating. If a student overhears a conversation or any information that any faculty member might reasonably wish to withhold from the student, the student should inform the faculty member(s) of the information and circumstance under which it was overheard.

Actions Required for Responding to Suspected and Known Violations

As stated, everyone must abide by the Honor System and be intolerant of violations. If you suspect a violation has occurred, you should first speak to the suspected violator in an attempt to determine if an infraction has taken place. If, after doing so, you still believe that a violation has occurred, you must tell the suspected violator that he or she must report himself or herself to the course professor or Associate Dean of the Graduate School of Business. If the individual fails to report himself or herself within 48 hours, it then becomes your obligation to report the infraction to the course professor or the Associate Dean of the Graduate School of Business. Remember that although you are not required by regulation to take any action, our Honor System is only as effective as you make it. If you remain silent when you suspect or know of a violation, you are approving of such dishonorable conduct as the community standard. You are thereby precipitating a repetition of such violations.

The Honor Pledge

The University of Texas at Austin McCombs School of Business requires each enrolled student to adopt the Honor System. The Honor Pledge best describes the conduct promoted by the Honor System. It is as follows:

"I affirm that I belong to the honorable community of The University of Texas at Austin Graduate School of Business. I will not lie, cheat or steal, nor will I tolerate those who do."

"I pledge my full support to the Honor System. I agree to be bound at all times by the Honor System and understand that any violation may result in my dismissal from the Graduate School of Business."