

## Economics 134: The U.S. Social Safety Net, Spring 2019

Prof. Alexander Gelber

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Office Hours: Wednesdays 1:30-3:30pm, School of Global Policy and Strategy, Robinson Building Complex Room 1420

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- **Course description.** Examines major issues relating to the US social safety net, including Social Security and disability insurance, low-income assistance, distributional and efficiency effects of the tax system, and the relation of these issues to the overall US government budget.

**Readings.** The main text is: Jonathan Gruber, *Public Finance and Public Policy 5<sup>th</sup> edition*, Chicago: Macmillan 2016. An eBook is available as a purchasing option for this course. You can access this eBook by clicking the RedShelf tool within TritonEd. If you opt-in to this eBook by clicking the Opt-in Now button your student account will be charged directly. You will also receive an email with the exact amount of this charge. Within the add/drop period you may also opt-out of this option if you decide you'd rather use an alternate format. Note: it is also acceptable to use the 4<sup>th</sup> edition or earlier editions. Reading the appendices of the chapters assigned below is not required. Other readings listed below are posted on the course website.

- **Required Background.** Prerequisite: ECON 100A. Enrollment limited to EN25, EN26, EN28, and MA33 majors only.

- **Course Requirements and Grading.** Students will write one memo analyzing a topic of current policy. An open-book, open-note, open-internet “urgent policy simulation” will be held at your computer (at home or elsewhere) during class time on April 24. This exercise will ask you to write a memo (maximum three single-spaced pages) summarizing your response to an urgent economic policy issue of the sort that policy-makers often confront. The final exam will take place on Wednesday, June 12 7-10pm. Students must complete all assignments to get credit for the course. Two *optional* problem sets will be given over the course of the semester to prepare students for the midterm and final. Late assignments will be marked down by 1/3 of a letter grade per day late. Exceptions to the late policy will be made only if you produce a doctor's note excusing you from completing the assignment on time. Grading will be based on the following weights:

○ Memo:	30%
○ Urgent policy simulation:	15%
○ Final exam:	35%
○ Attendance and class participation:	20%

Note that the problem sets are not included in the grade.

- **Section/Teaching Assistant.** Four optional sections will be held (location and dates TBD). Teaching assistant is Arman Khachiyani, UCSD Economics Ph.D. student, [arman@ucsd.edu](mailto:arman@ucsd.edu). Office hours: Mondays and Wednesdays 4:30-6pm, Sequoyah Hall 228.

- **Lunch.** On April 15 and 22, I will be taking a maximum of 8 students (per day) to lunch from 12:45pm-1:45pm. Please sign up by emailing Arman Khachiyani; it will be “first come, first serve.”

## Course Outline

### *Part I. Background*

1. **(April 1 and April 3) Introduction and overview: Why study public finance? And tools of budget analysis**
  - Gruber Chapters 1 and 4
  - President Obama's Fiscal Year 2017 Budget Overview
  - President Trump's Fiscal Year 2019 Budget, pages 13-22 (pages 17-26 of the PDF)

### *Part II. Social insurance and redistribution*

2. **(April 8, 10, and 15) Social insurance; Social Security and Disability Insurance**
  - Optional problem set 1 "due" April 15
  - Gruber Chapters 12, 13; Chapter 14 section on Disability Insurance
  - Martin Feldstein, "Rethinking Social Insurance"
  - Social Security Trustees Report Summary
  - Peter Diamond and Peter Orszag, "Saving Social Security: The Diamond-Orszag Plan," *Economists' Voice*
  - Social Security Office of the Chief Actuary, "Letter to Bernie Sanders," pages 1-2
  - Center on Budget and Policy Priorities, "Policy Basics: Social Security Disability Insurance"
  - Stanford Institute for Economic Policy Research, "New Evidence Shows Larger Benefits of Disability Insurance Income"
3. **(April 17 and 22) Income distribution and welfare programs**
  - Gruber 17
  - Center on Budget and Policy Priorities, "War on Poverty: Large Positive Impact, but More Work Remains"
  - Congressional Budget Office, "The Effects of a Minimum-Wage Increase on Employment and Family Income"
  - Bernie Sanders, Keith Ellison, and Raul Grijalva, "Pay Workers a Living Wage Act: Summary"
  - Bernie Sanders for President, "Income and Wealth Inequality"
  - Cato Institute, "Reassessing the Facts about Inequality, Poverty, and Distribution"
4. **(April 24) 80-minute urgent policy recommendation simulation**
  - Covers material through April 17

### *Part III. State and local government policy and student loan policy*

5. **(April 29) State and local government expenditures**
  - Gruber 10

- California Property Tax Information, “What is Proposition 13?”
- Commonwealth Fund, “A New Group of States Looks to Expand Medicaid”

**6. (May 1) Student loan policy**

- Gruber 11
- US News, “Obama signs student loan interest rate deal”
- Bernie Sanders for President, “It’s Time to Make College Tuition Free and Debt Free”

**Part IV. Taxation in Theory and Practice**

**7. (May 6) Taxation in the U.S. and around the world**

- Gruber 18
- H&R Block, “How the Tax Cuts and Jobs Act Impacts U.S. Tax Returns”
- Heritage Foundation on Tax Cuts and Jobs Act

**8. (May 8) The equity implications of taxation: tax incidence**

- Gruber 19
- Thomas Piketty and Emmanuel Saez, “How Progressive Is the U.S. Federal Tax System? A Historical and International Perspective”
- Tax Policy Center, “Distributional analysis of Tax Cuts and Jobs Act”

**9. (May 13) Tax inefficiencies and their implications for optimal taxation**

- Gruber 20
- Tax Policy Center, macroeconomic analysis of Tax Cuts and Jobs Act
- Tax Policy Center, “The Tax Policy Briefing Book: Tax Expenditures”
- Martin Feldstein, “Raise Taxes, but Not Tax Rates”

**10. (May 15) Taxes on Labor Supply**

- Gruber 21
- Casey Mulligan, “The ACA’s unintended consequences”
- Vox EU, “How Single Mothers Enter the Labor Market”

**11. (May 20) Taxes on Savings**

- Gruber 22
- Tax Policy Center, “Taxes and Retirement Saving”
- NY Times, “From California, A Better Way to Retire”

**12. (May 22) Taxes on Risk Taking and Wealth**

- Memo due
- Gruber 23
- Tax Policy Center, “Wealth Transfer Taxes”
- Tax Policy Center, “Capital Gains and Dividends”

**13. (May 29) Corporate taxation**

- Optional problem set 2 “due”
- Gruber 24
- Tax Policy Center, “Business Taxation”

*Part V. Summation and Review*

**14. (June 3) Big picture on tax and budget policy; policy-making survival guide**

- Committee for a Responsible Federal Budget, “A Bipartisan Path Forward to Securing America’s Future”
- Congressional Budget Office, “Budget and Economic Outlook: 2019 to 2029,” pages 1-20
- Congressional Budget Office, “The 2018 Long-Term Budget Outlook”
- Harris and Krueger, “Modernizing Labor Laws for the Gig Economy”

**15. (June 5) Review session**