

Econ 442 – Topics in Public Economics

Course Description:

The Great Recession has increased fiscal pressure both on general government budgets and off-budget programs such as pensions and social security. At the same time, with slower productivity and population growth, wealth and income inequality have emerged again forcefully as fundamental questions of our economic system. The reason is that the effects of this fiscal pressure will be felt unequally across different income groups and different generations. Hence, redistribution among those groups and generations is seen as one possibility to relieve the pressure and to smooth out its impact.

This course will broadly discuss the role of government debt for the economy and its relation to redistributing income across groups and generations. It first asks what the role of government debt is in the long-run, what the limits are to such debt and whether there is a good reason for such debt to fluctuate in the short-run due to anti-cyclical fiscal policy. The second part of the course analyses in more detail the role of government for redistributing wealth across different generations. Finally, the course will critically appraise Thomas Piketty's recent work, *Capital in the 21st Century*, which identifies increasing wealth and income inequality across time as a natural consequence of market economies and proposes taxes on wealth at the top end to correct this phenomenon.

Instructor:

Thorsten V. Koeppl
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Class Time: W 10:00-11:30 & F 8:30 – 10:00

Class Room: Dunning 27

Office Hours: W 12:00 – 2:00

TA: Shaoteng Li
Dunning 321 & 322
Office Hours – TBD

Course web-page: <http://www.econ.queensu.ca/thor/Econ442>

Course Outline:

Part I

1. The Overlapping Generations (OG) Model
2. Public Debt – Limits, Ricardian Equivalence and Optimal Amount
3. Short-term Deficits – Some Theory and Evidence

Part II

1. Investment and Growth with OG
2. Intergenerational Smoothing
3. Pensions

Part III

A critical appraisal of *Capital in the 21st Century* by Thomas Piketty

Literature:

McCandless, G. and N. Wallace (1991), *Introduction to Dynamic Macroeconomic Theory*, Harvard University Press

Piketty, T. (2014), *Capital in the 21st Century*, Harvard University Press

Weil, P. (2008), *Overlapping Generations: The First Jubilee*, *Journal of Economic Perspectives*, 22(4), pp.115-134

Additional reference material will be made available throughout the course.

Course Requirements:

The prerequisites of this course are Econ 310 and Econ 320 and cannot be waived. The final grade in the course will be determined based on homework assignments, a midterm and a final. The weights will be:

4 Assignments:	25%
Midterm:	25%
Final:	50%.

The assignments will be problem sets that have to be solved by each student independently. Discussions among students are nevertheless strongly encouraged. In line with academic integrity standards (see below), all students must acknowledge these discussions when handing in their original assignments. The assignments will be posted on the course website together with their due dates. Students that hand in assignments late will receive no credit for the assignment, unless they provide proper evidence of illness or other eligible reasons in accordance with departmental policy.

Within the second half of the course, we will be covering the book, *Capital in the 21st Century*, by Thomas Piketty. As part of the course, students are required to read at least part of this book. More broadly, students are encouraged to read the reference material that is made available throughout the course.

Students will also be required to give at least one short in-class presentation. These presentations will either be about specific public policies or current events that are related to the course material or be about material related to Piketty's book. These presentations are informal and will be assigned throughout the term.

Academic Integrity

Academic integrity is constituted by the five core fundamental values of honesty, trust, fairness, respect and responsibility (see www.academicintegrity.org). These values are central to the building, nurturing and sustaining of an academic community in which all members of the community will thrive. Adherence to the values expressed through academic integrity forms a foundation for the "freedom of inquiry and exchange of ideas" essential to the intellectual life of the University (see the Senate [Report on Principles and Priorities](#)).

Students are responsible for familiarizing themselves with the regulations concerning academic integrity and for ensuring that their assignments conform to the principles of academic integrity. Information on academic integrity is available in the Arts and Science Calendar (see [Academic Regulation 1](#)), on the Arts and Science website (<http://www.queensu.ca/artsci/students-at-queens/academic-integrity>) and from the instructor of this course.

Departures from academic integrity include plagiarism, use of unauthorized materials, facilitation, forgery and falsification, and are antithetical to the development of an academic community at Queen's. Given the seriousness of these matters, actions which contravene the regulation on academic integrity carry sanctions that can range from a warning or the loss of grades on an assignment to the failure of a course to a requirement to withdraw from the university.