

The Hebrew University of Jerusalem

Syllabus

Topics in Fiscal Policy - 57705

Last update 30-07-2023

HU Credits: 2

Degree/Cycle: 1st degree (Bachelor)

Responsible Department: Economics

Academic year: 0

Semester: 2nd Semester

Teaching Languages: Hebrew

Campus: Mt. Scopus

Course/Module Coordinator: Prof. Michel Strawczynski

Coordinator Email: michel.strawczynski@mail.huji.ac.il

Coordinator Office Hours: By appointment

Teaching Staff:

Prof Michel Strawczynski

Course/Module description:

This course analyzes Government optimal fiscal policy as a reaction to business cycles or to a situation in which it declares ex-ante a fiscal rule based on a reduced public debt/output ratio. The course will also survey situations in which countercyclical fiscal policy is desired and the impact of fiscal rules on the composition of government expenditure and politically motivated outcomes like tax reductions. Different cases will be analyzed under the benchmark of actual situation in Israel in the context of an international perspective.

Course/Module aims:

This course analyzes government fiscal policy and its components: expenditure and tax policies. At first we will characterize the market failure for providing intergenerational risk sharing, which will be solved by an optimal design of fiscal policy; the next subject introduces a model of optimal tax smoothing; this model will be extended to the case in which the government implements a low debt/output target as in the case of Israel; Empirical evidence on the ability of the government for performing counter-cyclical policy will be shown, in the context of a comparison among developed and developing countries; we will perform an analysis of fiscal rules applied in Israel since 1992. In all topics we will study examples and data from Israel in the frame of an international perspective.

Learning outcomes - On successful completion of this module, students should be able to:

After participating in this course students will be able to analyze the desired fiscal policy in the context of the government budget in situations that are frequent in the economic environment: as a reaction to business cycles and in a framework of a debt/output target by the government, as in the case of Israel. The course will provide analytical tools to analyze the optimal expenditure and taxation policy - in the context of real life scenarios in Israel and abroad. In particular, we will characterize policy in developing and developed economies.

Attendance requirements(%):

70 - recorded classes will be made available

Teaching arrangement and method of instruction: Frontal Teaching; Powerpoint presentations saved at course site.

Course/Module Content:

Fiscal policy as intergenerational insurance; a positive approach to fiscal policy; Optimal fiscal policy: tax smoothing; Fiscal policy under a government target of debt/gdp reduction; Counter-cyclical fiscal policy; Statutory tax rates and the business cycle; fiscal rules; Laffer Curve and corporate tax.

Required Reading:

See Hebrew Program

Additional Reading Material:

Bank of Israel Annual Report

Grading Scheme:

Written / Oral / Practical Exam 96 %

Submission assignments during the semester: Exercises / Essays / Audits / Reports / Forum / Simulation / others 4 %

Additional information:

The course includes two exercises that serve as bonus with a weight of 2 percent each of them.