

ECONOMICS 323: PUBLIC FINANCE

Spring 2011
TTh 11:00am – 12:15pm
Bryan 105

Professor Garth Heutel
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Office Hours: TTh 10:00am-11:00am

This is an undergraduate-level course in public finance, also called public economics or public sector economics. The primary focus of this topic is the role of the government in the economy. After an introduction, which includes a review of some intermediate microeconomic theory, we will start by studying the theoretical rationale for government involvement (public goods and externalities). We will then look at revenues (taxes) and expenditures. We will also look at the revenue system. Throughout the course, we will focus on specific applications, especially environmental policy, health care, and education.

Course Materials

The required textbook is *Public Finance* by Harvey S. Rosen and Ted Gayer, Ninth Edition, published by McGraw Hill. Additional materials may come from other textbooks or journal articles; whenever required these will be made available by me (hard copy or online).

We will in particular be working on the following chapters, divided into five main sections of the course:

- I. **Introduction** (Chapters 1-3, Appendix p. 542-554)
- II. **Theoretical Foundations** (Chapters 4, 5, 7 and 10)
- III. **Revenues** (Chapters 14-16)
- IV. **Expenditures** (Chapters 8, 11, and 13)
- V. **The Revenue System** (Chapters 17-18)

Grades

Grades will be determined according to the following allocation of points:

- | | |
|---------------------|---------------------|
| • Problem Sets | 15% of course grade |
| • Quizzes | 15% of course grade |
| • Midterm | 30% of course grade |
| • Final Examination | 40% of course grade |

Problem Sets

Four problem sets will be assigned throughout the course, one for each of the main sections of the course (excluding the "introduction" section). Problem sets are designed to be representative of the material on the quizzes, midterm, and final. Note that the first problem set is substantially longer than any of the others, and that you have five weeks to work on it. Do not wait until the last minute to begin.

Quizzes

About 5 unannounced quizzes will be given throughout the course. Each will be designed to be short (about 5-15 minutes) and straightforward. They are primarily designed to ensure that the assigned reading is done and lectures are attended. I.e., if you read the assigned chapter and attend all of the lectures, you should find the quizzes easy. The timing of quizzes will not be announced ahead of time ("pop" quizzes). **Under no circumstances will make-up quizzes be given.** Therefore, class attendance is important.

Midterm

An in-class midterm exams will be held on **Thursday, February 24th**. It will cover the theoretical foundations section of the class. The midterm is to be done independently, in class, without use of notes or textbooks.

Final Examination

The final examination is scheduled for **Thursday, April 28 at 12pm – 3pm**, in the regular class meeting room (Bryan 105). The final will cover all material in the course. It will not over-represent material presented after the midterm. It is to be done without use of notes or textbooks.

Note that attendance is not directly part of the grade. However, since you must be present to take the unannounced quizzes, excessive absences or tardiness will hurt your grade.

Letter Grades

Grades will be based on the following:

- A: 90% and higher
- B: 80% to 89%
- C: 70% to 79%
- D: 60% to 69%
- F: 59% and below

Pluses and minuses may be added to these at the instructor's discretion. Grade assignment may change from what is indicated above by a curve, but grades will only be curved upwards and never downwards. Thus, a curve will never hurt you and may help you.

Academic Integrity Policy

Students are expected to know and abide by the academic integrity policy in all matters pertaining to this course. Violations of this code will be pursued in accordance with the code. The link to UNCG's academic integrity policy is: <http://academicintegrity.uncg.edu/complete/>

Graduate Assistant

The graduate assistant for this course is Paul Shafer. He will be grading the problem sets, quizzes, midterm and final exam. You may contact him directly at prshafer@uncg.edu if you would like to meet for office hours.

COURSE SCHEDULE

Note: The assigned readings in the course schedule below are to be read **before** that class meeting.

I. Introduction

1/11 – Lecture 1

Canceled - weather

1/13 – Lecture 2

Chapter 1

1/18 – Lecture 3

Appendix p. 542-554

1/20 – Lecture 4

Chapter 2

1/25 – Lecture 5

Chapter 3

II. Theoretical Foundations

1/27 – Lecture 6

Public Goods

Chapter 4

2/1 – Lecture 7

Public Goods

Chapter 4

2/3 – Lecture 8

Externalities

Chapter 5

2/8 – Lecture 9

Externalities

Chapter 5

2/10 – Lecture 10
Environmental Policy
Reading TBA

2/15 – Lecture 11
Education
Chapter 7

2/17 – Lecture 12
Health Care
Chapter 10

2/22 – Lecture 13
Review Session
Problem Set #1 due

2/24 – Lecture 14
Midterm #1

III. Revenues

3/1 – Lecture 15
Taxation and Distribution
Chapter 14

3/3 – Lecture 16
Taxation and Distribution
Chapter 14

3/8 and 3/10 – Spring break; no class

3/15 – Lecture 17
Taxation and Efficiency
Chapter 15

3/17 – Lecture 18
Taxation and Efficiency
Chapter 15

3/22 – Lecture 19
Efficient and Equitable Taxes
Chapter 16

IV. **Expenditures**

3/24 – Lecture 20
Cost-Benefit Analysis
Chapter 8
Problem Set #2 due

3/29 – Lecture 21
Cost-Benefit Analysis
Chapter 8

3/31 – Lecture 22
Social Security
Chapter 11

4/5 – Lecture 23
Social Security
Chapter 11

4/7 – Lecture 24
Programs for the Poor
Chapter 13

V. **Revenue System**

4/12 – Lecture 25
Personal Income Tax
Chapter 17
Problem Set #3 due

4/14 – Lecture 26
Personal Income Tax
Chapter 17

4/19 – Lecture 27
Personal Taxation and Behavior

Chapter 18

4/21 – Lecture 28

Review Session

Problem Set #4 due

4/26 – No Class

4/28 – **Final exam; 12pm-3pm, Bryan 105**