

**UNIVERSITY OF GUELPH**  
**College of Management and Economics**  
**Department of Economics and Finance**

**ECON\*3610: Public Economics**

**FALL 2012**

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***Office Hours: Tuesdays and Thursdays, 4 -- 5:30 pm***

***Course website: <http://www.uoguelph.ca/~jamegash/Econ3610.htm>***

It is your responsibility as a student to be aware of and to abide by the University's policies regarding academic misconduct, e-mail communication, maintaining copies of out-of class assignments, what to do when you cannot meet a course requirement and the drop date for this semester. To better understand these policies, visit:

<http://www.uoguelph.ca/economics/node/1115>

**COURSE OUTLINE**

In the wake of the global financial crisis that reached its peak in 2008, the role of government, markets, and regulatory agencies requires some scrutiny. Public Economics is a systematic economic study of the functions of government and markets. Roughly twenty-five percent of Canada's national output is purchased by government, and approximately one-third of national income is collected in taxes. This course evaluates both market performance and government intervention, and critically reviews the main sources of tax revenue. The objectives of this course are to develop the requisite theoretical tools for an economic study of the public sector, introduce the student to institutional fiscal arrangements in Canada, and develop an appreciation of public sector expenditure and taxation. This course is grounded in microeconomic theory; the prerequisite is ECON\*2310.

**EVALUATION**

Your final grade will be determined by the following:

<b>2 Assignments: Assignment 1 - Due Oct. 11</b>	<b>10%</b>
<b>Assignment 2 - Due Nov. 15</b>	<b>10%</b>
<b>Mid-term: October 18</b>	<b>30%</b>
<b>Final Examination: Dec. 12<sup>th</sup>, 8:30-10:30 am</b>	<b>50%</b>

If you have legitimate reasons for missing the midterm or not handing in an assignment, the weight will be moved to the final.

You will be asked to complete an **in-class** evaluation of this course at some time during the last two weeks of the semester. The Department of Economics policy regarding the conduct and use of these evaluations will be found at

<http://www.uoguelph.ca/economics/academics/courses/course-evaluation>

## READING MATERIAL

The required text for this course is:

Harvey Rosen, Bev Dalhby, Roger Smith, and Paul Boothe, **Public Finance in Canada. Third Canadian Edition**, McGraw-Hill Ryerson Ltd.

Notes will be given in class. Since no textbook is perfect or contains all the information on a particular subject, some material that will be covered in class will **not** be in the textbook.

Chapter 1 of the textbook will not be covered in class. But you are responsible for reading it.

We shall, among others, cover the following chapters: 2, 3, 6, 9, 13, 15, 16, 17, 20, 22.

In the process, we examine the following topics:

Efficiency, markets, and government (with a discussion of the 2008 financial crisis)  
The first and second theorems of welfare  
Public Goods  
Public Choice and the political process of government expenditure and taxation  
Theories of justice and redistribution (John Rawls, Robert Nozick, Jeremy Bentham)  
Income distribution, poverty, and inequality: transfers and income support for the poor  
Government redistribution under incomplete information  
Government and health care  
Taxation, prices, and efficiency (distortionary taxes and lump sum taxes)  
The theory of taxation (commodity taxes, income taxes, VAT, etc)  
Consumption taxation: sales tax versus value-added tax (with a discussion of Ontario  
Harmonized Sales Tax (HST))  
Fiscal Federalism, Equalization, and intergovernmental transfers in Canada.  
Taxation of Financial Services  
Tax Expenditures