

General Course Information

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Office Location MacKinnon 711
Office Hours Tues/Thurs 3 pm - 4 pm
Department/School Department of Economics and Finance

Pre-requisites: ECON*2310

Course Description

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.

Course Content

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:

Chapter 2: Fundamentals of Welfare Economics

The whole chapter including the appendix

Chapter 3: The Economic Roles of Government

Like chapter 1, this chapter is really an overview of material that will be covered in subsequent chapters. You should read it on your own. Will discuss some other relevant material if there is time.

Chapter 14: Taxation and income distribution

The whole chapter except the following subsections:

“Commodity taxation with monopoly” and everything beginning at “Tax incidence and capitalization”

and beyond

Chapter 15: Taxation and efficiency

The whole chapter except the following subsections:

Differential taxation of inputs

We shall cover the material in appendix A (not B).

Chapter 16: Efficient and equitable taxation

The whole chapter

Chapter 19: Consumption Taxation

The whole chapter except the following subsections:

Hall-Rabushka flat tax

Annual versus lifetime equity

** We shall spend an entire lecture or two on the HST (Harmonized Sales Tax) in Ontario. This is not covered in any detail in your textbook.

Chapter 8: Fiscal Federalism

Everything except the subsection on “the theory of intergovernmental grants”. This subsection leads to the figures 8.2, 8.3, 8.4 in the fourth edition. Ignore these figures.

Chapter 6: Income Distribution

The whole chapter except the subsection on “asymmetric information”. We shall discuss asymmetric information and redistribution based pages 55 to 59 of my article titled “Self-selection, optimal income taxation, and redistribution” which appeared in the *Journal of Economic Education*, Vol 40, Winter 2009: 55-67. I shall post the article at courselink at the appropriate time.

Chapter 4: Public Goods

The whole chapter

Chapter 13: Health Care

The whole chapter.

Note: Time permitting, we shall cover additional chapters. But this is not likely.

Course Assessment

		Associated Learning Outcomes	Due Date/ location
Assignment 1:	10%	Same as in course learning outcomes below.	<i>February 12</i>
Assignment 2:	10%	Same as in course learning outcomes below.	<i>March 24</i>
Midterm 1:	30%	Same as in course learning outcomes below.	February 24/In class
Final	50%	Same as in course learning outcomes below.	Check University Calendar

Teaching and Learning Practices

Lectures The main method of teaching will be in-class lectures. It is imperative you have a complete set of notes. They will not be available on Courselink. **Class attendance is very important.**

Course Resources

The main text is:

[Harvey Rosen](#), [Jean-Francois Wen](#), and [Tracy Snoddon](#), **Public Finance in Canada. Fourth 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. This means that we shall spend more time on certain chapters than the length of the chapter in your textbook warrants.

.The course website is on courselink. On this website, you will find all necessary information regarding the course, as well as all announcements made throughout the course and additional online materials (such as solutions to midterm exams).

You have been assigned to a particular lab time. You **may** attend another lab time **subject to the permission of the lab instructor**. However, to avoid having too many students for the available seats, students should try to attend the lab time to which they have been assigned.

Course Policies

Students are required to visit the course website regularly: Announcements will be posted there. Students are expected to be aware of all announcements made on this website.

Communication and Office Hours

I am available for students during my office hours. If my office hours are inconvenient for you, you can make an appointment. Appointments have to be made ahead of time.

I will respond to emails within a reasonable time. **I do not accept or answer emails that do not come from a *uoguelph* account and do not have “Econ 3610” in the subject line. Since this is NOT a distance education course, I expect you to make good use of my office hours and will not respond to long e-mails that require a detailed response especially on technical and mathematical arguments.**

Assignments, Midterms and Final

Late assignments will **NOT** be accepted. Assignments submitted via e-mail will **NOT** be accepted.

The final exam will be cumulative.

Missed Exams and Time Conflicts

A student who has a time conflict with the final exam should not enrol in the course. If the final exam is missed, the course is not completed. You should not make any travel plans or appointments that conflict with the final exam or a midterm exam.

If you miss a midterm exam, you get 0% on the exam, unless a verifiable and legitimate excuse is presented. If you have a verifiable and legitimate excuse, the weight of the midterm will be shifted to the final exam.

It is the student's responsibility to inform the instructor of an existing conflict with a midterm exam.

University Policies

Academic Consideration

When you find yourself unable to meet an in-course requirement because of illness or compassionate reasons, please advise the course instructor in writing, with your name, id#, and e-mail contact. See the academic calendar for information on regulations and procedures for

Academic Consideration: <http://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-ac.shtml>

Academic Misconduct

The University of Guelph is committed to upholding the highest standards of academic integrity and it is the responsibility of all members of the University community, faculty, staff, and students to be aware of what constitutes academic misconduct and to do as much as possible to prevent academic offences from occurring.

University of Guelph students have the responsibility of abiding by the University's policy on academic misconduct regardless of their location of study; faculty, staff and students have the responsibility of supporting an environment that discourages misconduct. Students need to remain aware that instructors have access to and the right to use electronic and other means of detection. Please note: Whether or not a student intended to commit academic misconduct is not relevant for a finding of guilt. Hurried or careless submission of assignments does not excuse students from responsibility for verifying the academic integrity of their work before submitting it. Students who are in any doubt as to whether an action on their part could be construed as an academic offence should consult with a faculty member or faculty advisor.

The Academic Misconduct Policy is detailed in the Undergraduate Calendar:

<https://www.uoguelph.ca/registrar/calendars/undergraduate/2014-2015/>

Accessibility

The University of Guelph is committed to creating a barrier-free environment. Providing services for students is a shared responsibility among students, faculty and administrators. This relationship is based on respect of individual rights, the dignity of the individual and the University community's shared commitment to an open and supportive learning environment. Students requiring service or accommodation, whether due to an identified, ongoing disability or a short-term disability should contact Student Accessibility Services as soon as possible.

For more information, contact SAS at 519-824-4120 ext. 56208 or email csd@uoguelph.ca or see the website: <http://www.csd.uoguelph.ca/csd/>

Course Evaluation Information

Please refer to: <https://www.uoguelph.ca/economics/course-evaluation>

Drop date

The last date to drop one-semester courses, without academic penalty, is March 6, 2015. For regulations and procedures for Dropping Courses, see the Academic Calendar:

<https://www.uoguelph.ca/registrar/calendars/undergraduate/2014-2015/>

Course Learning Outcomes

Learning Objectives

Skills:

a) **Numerical Problem Solving:**

Students will **learn** basic problem solving techniques using tools acquired in microeconomics. This includes, for example, techniques to **calculate** tax rates, **determine** deadweight losses of government policies, Fiscal Equalization Payments under Canada's Federal system. This will be tested on assignments, the midterm, and final.

b) **Analytical Problem Solving:**

The course will use algebraic and graphical **analysis to demonstrate and interpret** various economic models of taxation and public expenditure and government policies like Value-Added Taxes. This will be tested on assignments, the midterm, and final.

c) **Problem Solving in a Real World Context:**

Students will **apply** the principles learned in this course to critically **examine** economic policies like Ontario Harmonized Sales Tax. This will be tested on assignments, the midterm, and final.

d) **Professional and ethical awareness and conduct:**

There will be no extensions on assignments in order to access **time management** skills.

Knowledge:

a) **Mathematical Methodology:**

Students will **apply** mathematical concepts and tools, such as computing the slope of a line or graphing the relationship between variables, to **explain** basic economic models and the interaction between economic variables. This will be tested on assignments, the midterm, and final.

b) **Microeconomic Modeling:**

Students must **understand** basic principles of microeconomics (including demand and supply, utility and consumer choice, production and cost, market structure, government intervention, credit markets), **demonstrate** basic economic models and **discuss** how these models work. All of the assessment tools in this course will test these ideas with reference to public economics.

c) ***Understanding of Specific Markets:***

Specific markets will be ***analyzed*** in this course, including goods, housing, health care, labor, and credit markets with particular emphasis on the government's role in these markets.

d) ***Economic Policy and Regulation:***

Students must ***understand*** the successes and failures of government intervention in the market and ***explain*** the role of public policies, such as competition policy, environmental policy, and trade policy. This will be tested on assignments, midterm and final exam.