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

ECON*3610: Public Economics

FALL 2011

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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.economics.uoguelph.ca/student-responsibilities-policies.asp

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:

2 Assignments: Assignment 1 - Due Oct. 18 th	10%
Assignment 2 - Due Nov. 15 th	10%
Mid-term: Oct. 27 th , 2011	30%
Final Examination: Dec. 15 th , 2011 - 7:00-9:00 pm	50%

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.economics.uoguelph.ca/course-evaluationin.asp

READING MATERIAL

Notes will be given in Class. 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.

We shall cover, among others, the following topics:

Efficiency, markets, and government (with a discussion of the 2008 financial crisis) The first and second theorems of welfare Externalities, property rights, government policy **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: transfers and income support for the poor Government redistribution under incomplete information Income security Government and health care Taxation, prices and efficiency (distortionary taxes and lump sum taxes) The theory of taxation (commodity taxes, income taxes, HST, VAT, etc) Consumption taxation: sales tax versus value-added tax Fiscal Federalism and intergovernmental transfers. **Taxation of Financial Services Tax Expenditures**