

ECONOMICS 440
Public Economics
Fall 2016

Course web-site:

The Econ 440 web-site is accessible to students registered in the course through onQ:

<https://onq.queensu.ca/d2l/home>

Please note that the material on the Econ 440 web-site is copyrighted and is for the sole use of students registered in the course. The material on this web-site may be downloaded for a registered students personal use, but shall not be distributed or disseminated to anyone other than students registered in Economics 440. Failure to abide by these conditions is a breach of copyright, and may also constitute a breach of academic integrity under the University Senates Academic Integrity Policy Statement.

Please note also that, other than this syllabus and the exams (see below), all materials for distribution which pertain to the course will be distributed through the course web-site.

Instructor:

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T.A.:

TBA

Office Hours:

please see the course onQ page
for current office hours

Class Meetings:

The class will meet Mondays, 8:30–9:50am and Thursdays, 11:30am–12:50pm in Dunning 27.

Text:

There is no required text for the course. Lecture notes for each class meeting will be posted on the course web-site. The following book was offered in the past as a supplemental text for the course:

Intermediate Public Economics, 2nd Ed.
J. Hindriks and G.D. Myles
MIT Press, Cambridge, MA 2013

The course will not follow this textbook closely and it is in no way necessary for students to use it. It is mentioned here only as a reference. If you would like to make use of it and have trouble getting access to a copy, please see the instructor.

Course Description:

This course will focus on the role of the government in a market economy, with some emphasis place on the *financing* of government expenditure. The first part of the course will consider rationales for government intervention in the economy based on various incidences of market failure. The remainder of the course will deal with the effects of various types of taxation on the economy and with the problem of choosing a pattern of taxation optimally.

Course Requirements:

The final grade will be a weighted average of marks on homework assignments and two exams: a midterm and a final. Assignments will count for 15% of the overall course average. The weighting of the two exams will be chosen automatically to maximize your average. That is, of your two exam scores, the higher will account for 55% of your mark, and the lower for 30%. The exams will be of similar length and the midterm will cover roughly the first half of the course and the final roughly the second half.

The translation of averages into final marks will conform to Faculty of Arts and Sciences “numbers in, letters out” policy. For more information see:

http://www.queensu.ca/artsci/sites/default/files/Policy_on_Grading.pdf

The course will be heavily oriented toward setting up and solving explicit problems. The homework assignments will provide practice on problems similar to those that will be on the exams. Late homework assignments will not be accepted. Assignments will be posted as pdf files on the course web-site as they are assigned. Answers will be posted as well, after the assignment due date. Assignments should be handed in using the collection box located on the second floor of Dunning Hall. Note that all assignments should have the economics cover-sheet to facilitate their return by the Distribution Centre, located in 311 Dunning Hall.

The midterm exam is tentatively scheduled for 7:00-9:00pm on **Thursday, October 27th**, in a location to be announced. The date, time and place of the final exam will be determined by the university-wide final exam schedule.

Please read the following statements by the University on academic integrity:

Academic integrity is constituted by the five core fundamental values of honesty, trust, fairness, respect and responsibility (see www.academicintegrity.org). These values are central to the building, nurturing and sustaining of an academic community in which all members of the community will thrive. Adherence to the values expressed through academic integrity forms a foundation for the “freedom of inquiry and exchange of ideas” essential to the intellectual life of the University. For more details see the Senate Report on Principles and Priorities:

<http://www.queensu.ca/secretariat/policies/senate/report-principles-and-priorities>.

Students are responsible for familiarizing themselves with the regulations concerning academic integrity and for ensuring that their assignments conform to the principles of academic integrity. Information is available on the Academic Integrity @ Queen’s University website. For specific information on departure from academic integrity, academic dishonesty, or academic misconduct issues or regulations please visit the appropriate Faculty/School site using the links provided on this page, or you can request it from the instructor of this course. Departures from academic integrity include plagiarism, use of unauthorized materials, facilitation, forgery and falsification, and are antithetical to the development of an academic community at Queen’s. Given the seriousness of these matters, actions which contravene the regulation on academic integrity carry sanctions that can range from a warning or the loss of grades on an assignment to the failure of a course to a requirement to withdraw from the university.

Please also read the following statement on disability accommodations:

Queen’s University is committed to achieving full accessibility for people with disabilities. Part of this commitment includes arranging academic accommodations for students with disabilities to ensure they have an equitable opportunity to participate in all of their academic activities. If you are a student with a disability and think you may need accommodations, you are strongly encouraged to contact the Queen’s Student Accessibility Services (QSAS) and register as early as possible. For more information, including important deadlines, please visit the QSAS website at: <http://www.queensu.ca/studentwellness/accessibility-services/>.

Course Outline

The following is a list of topics that will be covered in the course. Where possible, I have included the relevant chapters and sections of the Hindriks and Myles text (HM).

Topics I and II will be covered on the midterm exam; topics III and IV on the final. The final will be “comprehensive” only to the extent that Topics III and IV make use of material covered earlier in the course.

Course notes will be posted on the web-site prior to the lectures to which they pertain. While these notes appear to resemble slides, they will not be displayed in class.

- I.** Welfare Economics and Normative Analysis. (HM Chap. 2, Chap. 13.2, 13.6-7)

- II.** Frictions (Market Failures) as Rationales for Government Intervention in a Market Economy
 - A.** Externalities (HM Chap. 8)

 - B.** Public Goods (HM Chap. 6)

 - C.** Incomplete Information (HM Chap 6.7)

- III.** Taxation
 - A.** Tax Incidence
 - 1.** Partial Equilibrium (HM Chap 8.5, 9.5-6)
 - 2.** General Equilibrium

 - B.** Optimal Taxation
 - 1.** Excess Burden and Optimal Commodity Taxation (HM Chap. 15)
 - 2.** Income Taxation and Equity (HM Chap. 16)
 - 3.** Financing Public Good Provision with Distorting Taxes

- IV.** Government Finance in a Dynamic Environment (HM Chap. 22; Chap 23.8)