

ECO 221 – Public Finance

Spring 2010

Department of Economics American University in Bulgaria

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Coursepage: <http://www.geraldpech.net/lectures/eco221>

.LRN site ECO 221a – Public Finance Forum

Classes:

Tuesday	17:45-19:00	room
Thursday	17:45-19:00	NAB 001

Office Hours: Monday 14:45 – 15:45 and Tuesday 16:30 – 17:30.

Course Description:

The course provides an introduction to the theory and practice of public finance. It focuses on the role of government in a mixed economy. We develop criteria for evaluating government policies and analyze the decision making process in a democratic state. Issues of equity and efficiency are discussed in relation to taxation and redistributive policies.

The module aims at

- Understanding the role for government in a market economy.
- Extending the logic of economic thinking to collective decision problems.
- Knowing the tools to evaluate government policies.
- Obtaining an overview of institutional arrangements that support a mixed economy.

Learning outcomes:

- Understanding the basic ideas of welfare economics.
- Knowing justifications for government action
- Being familiar with efficiency conditions in the private and public sector.
- Knowing the advantages of different measures to internalize externalities.
- Appreciating the role of voting institutions for collective decisions.
- Knowing the tools and problems of cost-benefit analysis.
- Critically appreciating the role of value judgments in government policies.
- Applying the tools to specific policy areas such as climate change and health.
- Being able to discuss the quality of different taxes in comparison.
- Being able to appreciate a multi-level design of the public sector.
- Understanding the rationale behind social insurance programs.

Prerequisites:

The prerequisite for this course is ECO 101.

Textbook:

- Harvey S. Rosen, Public Finance, 8th ed., McGraw Hill 2008

Alternative Sources:

- John Cullis. and Phillip Jones, Public Finance and Public Choice, OUP 1998.
- Arye Hillman, Public Finance and Public Policy, CUP 2003.
- Nicholas Tideman and Gordon Tullock, A New and Superior Process for Making Social Choices, Journal of Political Economy 84, 1976, pp. 1145-1160.
- Please check the course webpage for other articles and resources for specific chapters.

Course Outline (approximate schedule of topics, chapters in 7th edition in parantheses):

week 1	19-Jan	Introduction	Chpt 1 (1)	
	21-Jan	Introduction	"	
week 2	26-Jan	Income Tax and Incentive Effects	Chpt 18/16 (16/14)	
	28-Jan	Income Tax and Incentive Effects	"	
week 3	02-Feb	Tax Incidence in Partial Equilibrium	Chpt 14 (12)	
	04-Feb	Tax Incidence in Partial Equilibrium	"	
week 4	09-Feb	Taxes and Efficiency	Chpt 15 (13)	
	11-Feb	Taxes and Efficiency	"	
week 5	16-Feb	Social Insurance: Health Care	Chpt 9-10 (10)	
	18-Feb	Social Insurance: Health Care	"	
week 6	23-Feb	Public Goods	Chpt 4 (4)	
	25-Feb	Public Goods	"	Assign 1
week 7	09-Mar	Application: Greenhouse Gas Abatement	"	
	11-Mar	Demand Revelation	Tideman/Tullock	
week 8	16-Mar	Midterm Exam		
	18-Mar	Demand Revelation	"	
week 9	23-Mar	Externalities and Coase Theorem	Chpt 5 (5)	
	25-Mar	Redistribution	Chpt 3/12 (3/7)	
week 10	30-Mar	Redistribution	"	
	01-Apr	Redistribution	Chpt 3/7	
week 11	06-Apr	Voting and Representative Democracy	6	
	08-Apr	Voting and Representative Democracy	6	
week 12	13-Apr	Debt Finance	Chpt 18 (20)	
	15-Apr	Debt Finance	"	
week 13	20-Apr	Student Projects Presentation	*	
	22-Apr	Local Public Finance	Chpt 20 (22)	Assign 2
week 14	27-Apr	Student Projects Presentation	*	
	30-Apr	Revision		

Assessment:

I. Continuous Assessment:

Best of two Assignments	5 %
Midterm	40 %
Active Class Participation	5 %

II. Final Examination: 50 %

In case you do a project, the project will count 20% towards the overall grade, the weight of other assessments decreases proportionately. The exams cover what we have done in class. The final exam is cumulative.

Assignments may be handed in after the classes when they are due. The overall mark on assignments which counts for 5% will be capped to be between 50% (worst) and 85% (best).

Any student whose final weighted average is 85% or above will receive an A. Any student whose final weighted average is below 50% will receive an F.

Projects:

Students may volunteer to do a project (see sheet on last page).

Attendance:

I will take attendance from time to time, but not according to any pre-arranged schedule. If a student is absent at the time when attendance is taken, the absence is recorded. Whilst a single absence will not affect the overall grade, an emerging pattern of failure to attend class may lead to a subtraction of up to 5 points from the final mark.

Self-Assessment questions and preparation:

I will put self-assessment questions (or assignment questions) covering the contents of each chapter of the course. Please attempt to do the questions by yourself or work actively in small groups. We will discuss solutions relating to the previous lecture at the beginning of each class. Guide line answers will be posted on .LRN soon after that.

Academic Honesty:

See student handbook. Cooperation between students in doing the assignments is permitted but trying to actively solve the questions yourself or to actively work on the solution in small groups is strongly encouraged. Do not, anyhow, try to cooperate during the exams! Any attempt at cheating will result in zero marks for the exam.

Disclaimer: This syllabus may be subject to pre-announced changes.

Group projects

Evaluation:

Projects are voluntary. If you volunteer, you can earn 20% of your overall mark with the project (see section "assessment" above). A project consists of paper and presentation. The papers have to be delivered electronically on the dates specified in the project lists. Based on the papers, I will decide which section(s) you will have to present in class.

Procedures:

Students may work in groups of two. Please indicate your interest in a topic by e-mail. First come first served! State your most preferred topic and your second preference.

What a project is:

If you sign up for a project, you have to deliver a short essay (6 - 8 pages, plus tables, diagrams and reference list, 1 page = 500 words) and be willing to present all or part of your work in the classroom. Papers are due on 15 April, possible presentation dates (approximate dates) are given in the course outline.

Shortly I am going to post a list of topics with a range of references for each topic. The idea is that you treat those references as a starting point and cover their main contents in your essay. You may add other sources which you find illuminating to the topic. Please also try to use a proper system of referencing (for this, you may use any article in the references as a template).