Course Description and Scope:

This course introduces the student to the topics of public expenditure theory and its application. It traces out the micro and macro implications of government’s decisions. The course concentrates on current issues in Canadian Public Finance including such matters as the federal budget, fiscal policy and expenditure programs and policies. It critically examines the economic effects of these policies (past and present) within the context of the Canadian economy.

Prerequisites:

**Precludes:** additional credit for ECON 3003 (no longer offered) and ECON 3408 (no longer offered). Credit will not be given if taken concurrently with or after ECON 4402 (no longer offered) or ECON 4403.

**Prerequisite(s):** ECON 1000 or FYSM 1003. If you do not have the specific prerequisite and you believe that you have an equivalent background or a similar course from other university contact the Department of Economics Undergraduate Administrator, Amanda Wright.

Textbook:


**During the class lectures reference will be made to different articles and websites. Students are responsible to make note of these references and review them depending on the extent of emphasis put on each reference in the lectures. Also, for a comprehensive list of additional references related to public economics, see the list of books and articles attached.**

Evaluation/Grading:

In addition to the final exam there will be one midterm test and two assignments. Students who may not write the midterm test for legitimate reasons may have the weight of the midterm test transferred to the final, at the discretion of the instructor. **There will be no deferred midterm test in this course** (Please see notes below for more information). Those who take the midterm test and are not satisfied with their performance may decrease the weight of their midterm and instead increase the weight of their final, after consulting with the instructor and before the final exam is administered. Those students who decide to increase the weight of their final exam must do so by sending an email to the instructor (see above for email address) by no later than one week before the final exam date. You **MUST** write the mid-term test in order to be able to take advantage of this option. Otherwise, you will receive a grade of zero for the mid-term with no possibility of changing the percentage of the final grade. It is clear that once you inform me of your decision regarding the percentage of your final, a formal and binding contract is in effect and there is no going back!

You are expected to do both assignments otherwise you will receive a grade of zero for the assignment missed and the grade for your single assignment will be divided by two to be included in your final mark. **There is a firm due date for each assignment. For every 24 hours passed the due date you will lose 5% of the mark on the late assignment.**

The course grade will consist of:

- Midterm Exam (35%)
- Final Exam (50%)
- Assignment (15%)

**Course Outline and Reading List:**

I. Introduction to the Theory of Public Finance

   1. Notes^a
   2. Boadway (A.1997)

II. Public Expenditure: Structure and Growth

A. General

   2. Abizadeh and Yousefi (T2)/Ch 1^a
3. Abizadeh and Gray (A.1985)b
4. Saunders (A.1988)b

B. Canada

1. Rosen et al (T.1)/Ch 1a
2. Abizadeh and Yousefi (T2)/pp 127-43a
3. Abizadeh and Yousefi (A.1988)a
4. Abizadeh and Gray (A.1993)b

III. Rationale for Government Activity

A. The No-Government Economy
   1. Notesa

B. The All-Government Economy
   1. Notesa

C. The Real World Situation: Government as an Economic Agent
   1. Xavier Mendoza and Alfred Vernis, (A. 2008)a
   2. Notesa

D. Canadian Fiscal Institutions
   1. Rosen et al (T.1), pp 4-7a
   2. Damus (B.1992) selected readingsb

E. Efficiency and Optimality

1) Economic Heaven: The Concept of Pareto Optimality
   1. Rosen et al. (T.1)/Ch 2a
   2. Farrel (A.1987)a

2) Market Failure: What may go wrong with the Market System?
   1. Rosen et al. (T.1)/Ch. 5a
   2. Bator (A.1958)b

IV. The Theory of Public Goods and Government’s Role

A. Public Goods
   1. Rosen et al. (T.1)/Ch. 4a
   2. Samuelson (A.1955)c

B. The Public Choice
C. Natural Monopolies, User charges and Imperfect Competition

1. Rosen et al. (T1)/Ch. 7\textsuperscript{a}
2. Poterba (A.1998)\textsuperscript{a}

D. Public Sector and Efficiency

2. Notes\textsuperscript{a}

V. Theory of Optimal Income Distribution

A. General

1. Rosen et al. (T1) Ch. 6\textsuperscript{a}
2. Davies and Hoy (A.1995)\textsuperscript{b}

B. Canada

a. Social Welfare Programs

1. Rosen et al. (T1)/ Ch. 12\textsuperscript{a}

b. Employment Insurance

1. Rosen et al. (T1)/ Ch. 10\textsuperscript{a}

c. Public Pension

1. Rosen et al. (T1)/ Ch. 11\textsuperscript{a}

d. Health Care in Canada

1. Rosen et al (T1)/Ch 9\textsuperscript{a}
2. Snoddon (A.1998)\textsuperscript{a}

e. Education

1. Rosen et al. (T1)/Ch. 13 \textsuperscript{a}

VI. Cost-Benefit Analysis

A. Theory

1. Rosen et al (T1)/Ch 2 \textsuperscript{a}
2. Prest and Turvey (A.1965)\textsuperscript{a}

B. Application
Notes:

1. There will be no deferred mid-term exam in this course. If you miss it and provide a valid medical certificate, the assigned weight will be added to the final exam. Otherwise, you will receive a zero mark on your midterm. The mid-term exam will cover everything from the first class of the term up to, and including, the class prior to the exam. Final exam is comprehensive, i.e., it includes all the material covered in the course from the beginning of classes to the end.

2. Students must fulfill all course requirements in order to achieve a passing grade. Failure to write the final examination will result in a failing grade. In order to write a deferred final exam, students must contact the Registrar’s Office located in Tory Building. [www.carleton.ca/registrar/special-requests/](http://www.carleton.ca/registrar/special-requests/)

3. Please be aware that plagiarism is serious offence at Carleton and should be recognized and avoided. For further information on how to do so, please see “Pammett on Plagiarism and Paraphrasing” at [www.carleton.ca/economics/courses/writing-preliminaries](http://www.carleton.ca/economics/courses/writing-preliminaries)

Requests for Academic Accommodations

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<tr>
<th>For Religious Obligations</th>
<th>To be worked out on individual basis with instructor. Consult Equity Services Website or an Equity Advisor (ext. 5622) for Policy and list of Holy Days (<a href="http://www.carleton.ca/equity">www.carleton.ca/equity</a>)</th>
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<tr>
<td>For Pregnancy</td>
<td>Contact Equity Services (ext. 5622) to obtain letters of accommodations</td>
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For Students with Disabilities:

“Students with disabilities needing academic accommodations are required to contact a co-
ordinator at the Paul Menton Centre to complete the necessary letters of accommodation. The student must then make an appointment to discuss their needs with the instructor at least two weeks prior to the first class test or ITV test. This is to ensure sufficient time is available to make the necessary accommodation arrangements. Please note the following deadline for submitting completed forms to the PMC for formally scheduled exam accommodations: March 9, 2018 for winter term.”

List of References

A. Articles


B. Books and Documents


