Instructor: Marc Prud'Homme
Affiliation: Infrastructure Canada
Office: B-840, 8th floor of the Loeb Building
Telephone: If you would like to speak over the phone, we can set up through email a mutually convenient time for a discussion.
Emails: marc.prudhomme@carleton.ca
Office hours: After class, before class, or by appointment.
Class schedule: Friday 2:35 to 5:25.
Class location: UC 282.
First Class: January 11
Winter break: February 18 - 22
Last Class: April 5
Statuary holiday: April 19 - 21
Final exam period: April 12 – 27
Preclude: 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.
Teaching Assistant: Ms. Jennifer Gamarnik
Office: Dunton Tower, room 1507
Hours: Thursday 11 AM to noon in person, by email outside this time period, or by appointment.
Email: JessicaGamarnik@cmail.carleton.ca
1. 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.

2. Approach to teaching
There will be one weekly three-hour lecture where we will introduce and discuss the topics
from the outline.
Lecture time is at a premium, so it must be used efficiently. You cannot be taught
everything in the classroom environment. Much of your learning must take place outside
the classroom. At a minimum you should plan on studying one to two hours outside the
classroom for each hour in class.

Ideally students will have done some of the suggested readings before coming to class and
have some questions for discussion prepared, thus ensuring that you get the most benefit
from the lectures and the material.

Emphasis during the course will be on the economics of the expenditure side of Canadian
public finance. Empirical evidence backed by publicly available data will often be used to
support and enhance the theory discussed in class, the textbook, and from other readings.

This course will make use of CULearn. Materials such as lecture slides, additional readings
and assignments will be posted on CULearn. CULearn will also be used to send
announcements to the class as needed. Please make sure that you are set up on CULearn
prior to the course start date.

If you have any questions about the material or while working an assignment, please
contact the TA first. Questions of another nature can be addressed to me directly.

3. Required textbook and reading material
2016 (required). The book is available from the campus bookstore and is also on reserve at
the library.

During the class lectures reference will be made to different articles and websites to be
provided during the lectures. Students are responsible for reviewing these references
depending on the extent of emphasis put on them during the lectures.
4. 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.

5. Grading/Evaluation

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 be compiled as follows:

Midterm Exam (35%)
Final Exam (50%)
Assignments (15%)
6. Outline (lecture topics) and relevant readings

I. Introduction to the Theory of Public Finance
   1. Notes
   2. Boadway (A. 1997)

II. Public Expenditure: Structure and Growth
   A. General
      2. Abizadeh and Yousefi (T2)/Ch 1
      3. Abizadeh and Gray (A.1985)
      4. Saunders (A.1988)
   B. Canada
      1. Rosen et al (T.1)/Ch 1
      2. Abizadeh and Yousefi (T. 2)/pp127-43
      3. Abizadeh and Yousefi (A. 1988)
      4. Abizadeh and Gray (A.1993)

III. Rationale for Government Activity
   A. The No-Government Economy
      1. Notes
   B. The All-Government Economy
      1. Notes
   C. The Real World Situation: Government as an Economic Agent
      1. Xavier Mendoza and Alfred Vernis, (A. 2008)
      2. Notes
   D. Canadian Fiscal Institutions
      1. Rosen et al (T.1), pp 4-7
      2. Damus (B.1992) selected readings
   E. Efficiency and Optimality
      1. Economic Heaven: The Concept of Pareto Optimality
         a. Rosen et al. (T.1)/Ch 2
b. Farrel (A. 1987)

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

IV. The Theory of Public Goods and Government's Role
   A. Public Goods
      1. Rosen et al. (T.1)/Ch. 4
      2. Samuelson (A. 1955)
   B. The Public Choice
      1. Rosen et al. (T1)/Ch. 7
      2. Poterba (A. 1998)
   C. Natural Monopolies, User charges and Imperfect Competition
      1. Rosen et al. (T.)/pp. 330-332
      2. Bird and Tsiopulos (A. 1997)
   D. Public Sector and Efficiency
      a. Notes

V. Theory of Optimal Income Distribution
   A. General
      1. Rosen et al. (T1) Ch. 6
      2. Davies and Hoy (A. 1995)
   B. Canada
      1. SocialWelfarePrograms
         a. Rosen et al. (T1)/ Ch. 12
      2. Employment Insurance
         1. Rosen et al. (T1)/ Ch. 10
   C. Public Pension
      1. Rosen et al. (T1)/ Ch. 11
   D. Health Care in Canada
      1. Rosen et al (T1)/Ch 9
      2. Snoddon (A. 1998)
E. Education
1. Rosenetal.(T1)/Ch.13

VI. Cost-Benefit Analysis
   A. Theory
      1. Rosen et al (T1)/Ch 2
      2. Prest and Turvey (A. 1965)
   B. Application
      1. Notes
      2. Vaillancourt (A. 1987)

   a. Required reading
   b. Highly recommended readings (will help enhance your understanding of the topic and help in tying things together)
   c. Optional Readings (If you feel comfortable with the topic after a. and b. then you can omit c.).

Abbreviations
T = Textbook, A = Articles, and B = Books.

6. 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/
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.
Please be aware that plagiarism is a 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.”[1]

7. Requests for Academic Accommodations

1. For Religious Obligations: 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 (www.carleton.ca/equity)

2. For Pregnancy: Contact Equity Services (ext. 5622) to obtain letters of accommodations.

3. For Students with Disabilities: If you have a documented disability requiring academic accommodations in this course, please contact the Paul Menton Centre for Students with Disabilities (PMC) at 613-520-6608 or pmc@carleton.ca for a formal evaluation or contact your PMC coordinator to send your instructor your Letter of Accommodation at the beginning of the term. You must also contact the PMC no later than two weeks before the first in-class scheduled test or exam requiring accommodation (if applicable). After requesting accommodation from PMC, meet with your instructor as soon as possible to ensure accommodation arrangements are made. www.carleton.ca/pmc

8. List of references

A. Articles


[1] www.carleton.ca/economics/courses/writing-preliminaries


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B. Books and Documents


