

# ECON 3403 A

## Introduction to Public Economics - Expenditures

### 2020 Winter Term (January-April)

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#### Version 2: December 9

<b>Instructor:</b>	Marc Prud'Homme
<b>Affiliation:</b>	Infrastructure Canada
<b>Office:</b>	B-840, 8th floor of the Loeb Building
<b>Telephone:</b>	If you would like to speak over the phone, we can set up through email a mutually convenient time for a discussion.
<b>Email:</b>	<a href="mailto:marc.prudhomme@carleton.ca">marc.prudhomme@carleton.ca</a>
<b>Office hours:</b>	After class, before class, or by appointment.
<b>Class schedule:</b>	Monday 6:05 pm to 8:55 pm.
<b>Class location:</b>	Tory Building 202
<b>First Class:</b>	January 06
<b>Winter break:</b>	February 17 - 21
<b>Last Class:</b>	April 6
<b>Statuary holiday:</b>	April 10
<b>Final exam period:</b>	April 13 – 25
<b>Preclude:</b>	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.
<b>Prerequisite(s):</b>	ECON 1000, ECON 1001, and ECON 1002 or FYSM 1003.
<b>Teaching Assistant:</b>	Sushma Barewal
<b>Office:</b>	TBD
<b>Hours:</b>	TBD
<b>Email:</b>	<a href="mailto:sushmabarewal@mail.carleton.ca">sushmabarewal@mail.carleton.ca</a>

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## 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. Much of your learning must and will take place outside the classroom. At a minimum you should plan/expect 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 transmit 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

**Harvey S. Rosen, Ted Gayer, Jean-Francois Wen, and Tracy Snoddon, Public Finance in Canada**, 5th ed., McGraw-Hill Ryerson, Toronto, 2016 (required). The book is available from the campus bookstore and is also on reserve at the library.

Optional:

**Tellier Genevieve** (translated by Käthe Roth), **Canadian Public Finance: Explaining Budgetary Institutions and the Budget Process in Canada**, University of Toronto Press, 2019.

During the class lectures, reference will be made to different articles and documents that are relevant to the subject matter. Students are responsible for ensuring that they have read, learned, and understood these documents. Note that this ancillary material is considered in scope and within the acceptable converge of the exams.

### 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, ECON 1001, and ECON 1002 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, two assignments, and Quizzes on Connect. 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 (30%): March 2<sup>nd</sup> (70 minutes with a class after.)

Final Exam (45%): Date to be determined

Assignments (15%):

- The due date for the first assignment is February 10<sup>th</sup>
- The due date for the second assignment is March 30<sup>th</sup>.

Connect quizzes (5%): More on this during the second lecture.

Participation (5%): Attendance and participation in class is not compulsory. However, attending the course and participating in class carry a weight of 5% of the final grade. **With 4 absences or more, the grade for this part will be 0. No other provisions will be made to accommodate students' absences, including sickness, family emergencies or late registration.** Therefore, you are advised to use the five free absences sparingly, so that you do not get caught short in an emergency.

With regards to the final grade, please note the following: *Standing in a course is determined by the course instructor subject to the approval of the Faculty Dean. This means that grades submitted by the instructor may be subject to revision. No grades are final until they have been approved by the Dean. Application to write a deferred final examination must be made at the Registrar's Office."*

## 6. Outline (lecture topics) and relevant readings<sup>1</sup>

### **I. Introduction to the Theory of Public Finance**

1. Notes<sup>a</sup>

### **II. Public Expenditure: Structure and Growth**

#### **A. General**

1. Rosen et al. Ch 1<sup>a</sup>

### **III. Rationale for Government Activity**

#### **A. The No-Government Economy**

1. Notes<sup>a</sup>

#### **B. The All-Government Economy**

1. Notes<sup>a</sup>

#### **C. Canadian Fiscal Institutions**

1. Rosen et al. pp 4-7<sup>a</sup>

#### **D. Efficiency and Optimality**

1. Economic Heaven: The Concept of Pareto Optimality

- a. Rosen et al. Ch 2<sup>a</sup>

2. Market Failure: What may go wrong with the Market System?

- a. Rosen et al. Ch. 5<sup>a</sup>

### **IV. The Theory of Public Goods and Government's Role**

#### **A. Public Goods**

1. Rosen et al. Ch. 4<sup>a</sup>

#### **B. The Public Choice**

1. Rosen et al. Ch. 7<sup>a</sup>

#### **C. Natural Monopolies, User charges and Imperfect Competition**

1. Rosen et al. pp. 330-332<sup>a</sup>

#### **D. Public Sector and Efficiency**

- a. Notes<sup>a</sup>

## **V. Theory of Optimal Income Distribution**

### **A. General**

1. Rosen et al. Ch. 6<sup>a</sup>

### **B. Canada**

1. Social Welfare Programs

Rosen et al. Ch. 12<sup>a</sup>

2. Employment Insurance

1. Rosen et al. Ch. 10<sup>a</sup>

### **C. Public Pension**

1. Rosen et al. Ch. 11<sup>a</sup>

### **D. Health Care in Canada**

1. Rosen et al Ch 9<sup>a</sup>

### **E. Education**

2. Rosen et al Ch 13<sup>a</sup>

## **VI. Cost-Benefit Analysis**

### **A. Theory**

1. Rosen et al Ch 2<sup>a</sup>

### **B. Application**

1. Notes<sup>a</sup>

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- a. Required reading

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<sup>1</sup> Some adjustments and changes may be made to the outline. You will be informed in due time if this should be the case.

## 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/](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) .

## 7. Requests for Academic Accommodations

The latest information on this topic if you should need academic accommodations can be found under this link: <https://students.carleton.ca/course-outline/>