

**Economics 440
Public Finance**

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Information

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1. Prerequisites

Econ 410 (Intermediate Microeconomics) and at least one semester of differential calculus. It is, however, beneficial to have had Econ 420 (Intermediate Macroeconomics), or any economics course that presents joint model of consumption and production (e.g. the Classical Model).

2. Introduction

This course undertakes an examination of the public sector as an economic agent. There are two sides to this now classic topic: taxation (the collection of public monies = Federal/State receipts) and expenditure (Federal/State outlays). This course will focus primarily on taxation, the logical, but not necessary (as we'll see) precursor to expenditure. The course is naturally theory based: in order to grasp how systems of taxation have developed, we need to model individual and firm behavior in static (one-time period), dynamic (inter-temporal settings), partial equilibrium (one person, one market), and general equilibrium (many people, many markets; inputs and outputs) settings.

3. Course Information

Homework assignments, data web-sites, government web-sites, answer keys and announcements will be posted on the course web-page.

4. Required Text Book

4.1 "Public Finance" 9th Edition (or most recent edition), by Harvey Rosen and Ted Gayer, McGraw-Hill, 2009.

4.2 In general, older editions of the text book are fine, including the ones with only the author Harvey Rosen. But, the chapters may be arrangements and numbered differently.

5. Course Structure

5.1 There will be 2 tests (midterm = 30%, final = 40%), and numerous assignments, roughly 4-6 (30%). Grades will be scaled relative to the performance of your classmates.

5.2 Only under a document medical emergency can the midterm be skipped: in this case the final exam will be weighted 70%. The final exam, however, cannot be skipped under any circumstance.

6. Homework

6.1 There are typically 5-7 graded homework assignments (including quizzes: see below). Please do the math: if there are 6, worth 30% of the total grade, then each is worth 5% of the course grade. If you miss one you lose, without exception, 5% of the course grade. Please keep up with due dates, etc.

6.2 Students may consult with each other as they work on homeworks (in fact, you are invited to do so), but all students must turn in their own work. If two or more students have identical answers to some problem(s), both will receive an “F” in the course and be reported to the Dean’s office.

6.3 Homework can only be turned in *early*, or on the *due date at the beginning of lecture*. Under no circumstances will *late* homework assignments be accepted, including legal/medical emergencies, since answer keys will be posted.

6.4 Homework cannot be emailed (I will delete the email without even reading the attached homework), cannot be placed in my mailbox, nor placed under the door of my office. There are no exceptions. If you foresee a problem please contact me so we can work out a fair option that involves handing the assignment in early.

6.5 If a student cannot be present on the due date of a homework due to a UNC sanctioned event, *nor* can they reasonably turn in the assignment *early* (e.g. the student must be out of town for a week), and can provide proof of such **at least one week prior to the homework date**, then the remaining homeworks will be re-weighted.

7. Quiz Policy

7.1 I hold the right to give pop quizzes at any time, unannounced (hence “pop”). Quizzes are *counted as a homework assignment* (if there are 4 homeworks and 1 quiz, then the total of 5 homeworks will be tallied together as 30% of the course grade).

7.2 If a student cannot be present during a quiz due to a UNC sanctioned event, including sport events, or experiences a medical emergency, and can provide documented proof of such, then the remaining quizzes and homeworks will be re-weighted. In the case of a UNC sanctioned event the proof of an excused absence must be presented **at least one week prior to the quiz date**. A quiz *cannot be made-up* under any circumstance, including due to school sanctioned activities, simply because

a made-up quiz is not the original *pop*-quiz, by construction. A randomly given quiz cannot, by definition, be given on a pre-specified date.

8. Exam Policy

The midterm and final exams **cannot be made-up** under any circumstance. If the **midterm is missed** due to a *university sanctioned event*, or a *medical emergency*, the final exam will be re-weighted. In the case of a *university sanctioned event* the student must provide proof at least one week prior to the scheduled midterm exam. In the case of a medical emergency, the student must provide proof by the last scheduled lecture (i.e. not after the semester ends). Note that missing any exam due to non-emergency associated travel plans will render an exam score of zero.

9. Examinations and Quizzes - Allowed Material

9.1 *Quizzes* are always open book/open note. You simply cannot consult with other students. There may, of course, never be a quiz, but the practical solution is to bring everything to each lecture just in case, and to study recent lecture material prior to each lecture, just in case. *Quizzes are always on the most recent material.*

9.2 During *exams* students are allowed **one sheet (two sides)** of **standard** paper or smaller (no larger than 8"-by-11") with **handwritten** notes. You cannot bring photocopied material of any sort. If there is any deviation from "1 sheet", "2 sides", "standard" or "handwritten" the student will receive an "F" in the course and be reported to the Dean. (Example: 1 sheet, two sides, of A4 paper with photocopied material = F). I hold the right to inspect the "cheat sheet" during the exam (and I do inspect them!).

9.3 Always bring a **calculator**. The calculator can only be used to compute numerical solutions. If it is used to store and retrieve formulae the student will receive an "F" in the course and be reported to the Dean. Absolutely **no phones** may be used as a calculator. So, bring a calculator. I hold the right to swap your calculator with mine.

Tentative Lecture Schedule and Readings (the week #'s may change)

Week	Topic	Chapter (text book)
1	Introduction Tools of positive analysis (empirical research) Tools of normative analysis (concepts of welfare)	2-3
2	Public Goods	4
3-4	Taxation and income distribution	14
5-6	Taxation and efficiency	15
7-8	Efficient and equitable taxation	16
Midterm Examination		
9-10	The personal income tax (the individual)	17

11	Personal taxation and behavior	18
12	The corporate tax (the firm and profit)	19
13	Deficit finance (why taxation does not need to come before expenditure)	20
14	Taxes on consumption and wealth	21

Final Examination