COURSE DESCRIPTION

Public Economics (aka Public Finance and Economics of the Public Sector) studies the relationships between government policies and economic welfare. In order to accomplish this, Public Economics uses economic theory and empirical evidence to analyze and measure the effects public policies have on the economic choices of firms and households. Prerequisites: differential calculus and permission of the program coordinator.

OBJECTIVES

To be more specific than the Course Description above, Public Economics studies the effects on the economy's real resources of governments' spending, taxing, and regulatory activities. The course begins with a review of the fundamental concepts in Public Economics, namely Pareto efficiency, externalities, public goods, and market failures such as Tragedy of the Commons. We discuss the way the fundamental concepts circumscribe the economic role of government. The course then proceeds to an in-depth discussion of Cost Benefit Analysis of government programs. Then we will work through a detailed study of the economic theory of taxation and how the theory compares with actual practice in the U.S. This section of the course will cover equity concepts as they apply to taxation and fundamental tax reform. Given sufficient time, we will cover government deficits and debt, and concepts of fundamental tax reform. Public Economics is a vast field, so we can only touch on main issues and debates. Issues that must be left for future study and research by interested students include, but are not limited to, economics of the arts, education, health care, insurance, the environment, as well as federalism, income distribution, local and club goods, mechanism design, public choice, social insurance systems, and voting.

TOOLS

Theoretical tools: we will often use indifference curve analysis common in intermediate microeconomics. If it has been awhile since you studied intermediate micro, review the textbook (see below) Appendix on microeconomics before beginning to read the text proper. Mathematical tools: a strong facility with calculus is a pre-requisite. From time-to-time we may use dynamic optimization and general equilibrium analysis. I will introduce these tools as needed.

READINGS


Hardcopies of Public Finance should be available in the campus bookstore in late August. The bookstore sells new copies at a hefty price, and used copies at a somewhat lower price. McGraw Hill's online version of a new copy of the text is 50% to 60% less expensive than the campus bookstore.

A used copy of the previous (9th) edition will cost less than the 10th and is usable. The authors made some small changes in the 10th edition, but none will prevent a conscientious user of the 9th edition from keeping up with the class.

GRADES

Course grades are based on: 1) a mid-semester exam, 2) a final exam, and 3) homeworks. Each exam is worth 33% of the course grade. The remainder of the course grade is determined by homework grades. Homework assignments and their due dates will be provided in class.

IMPORTANT DATES (note that the Mid-semester exam date is tentative and may change)

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid-semester exam</td>
<td>October 14</td>
</tr>
<tr>
<td>Thanksgiving break (class canceled)</td>
<td>November 25</td>
</tr>
<tr>
<td>Last class day</td>
<td>December 9</td>
</tr>
<tr>
<td>Final exam (note the time change)</td>
<td>December 16, 2:00 - 4:30 pm</td>
</tr>
</tbody>
</table>
TOPICS and READINGS

This list of topics is tentative. Some topics may not be covered. And some topics not listed below, but that become part of the current policy debate, may be added. Occasionally academic and other articles will be added to the readings.

I) Outline of course, basic tools of positive analysis
   Read Rosen and Gayer, Chapters 1 and 2

II) Normative analysis (aka welfare economics) and market failure
    Rosen and Gayer, Chapter 3

III) Public goods, externalities, Coase's Theorem, government policy
     Rosen and Gayer, Chapters 4 and 5

IV) Introduction to Cost Benefit Analysis (CBA)
    Rosen and Gayer, Chapter 8

V) Introduction to the economic theory of taxation
    Rosen and Gayer, Chapters 14 and 15

VI) Continued discussion of tax theory
    Rosen and Gayer, Chapters 15 and 16

VII) The personal income tax and behavioral responses to taxes
     Rosen and Gayer, Chapters 17 and 18

VIII) The corporate income tax
     Rosen and Gayer, Chapter 19

IX) Budgeting and government debt
    Rosen and Gayer, Chapter 20

X) Fundamental tax reform
    Rosen and Gayer, Chapter 21

XI) Introduction to property taxes
    Rosen and Gayer, Chapter 22

Important: Read this! Standards of Academic Integrity will be enforced in this class. Students are responsible for observing the UNCC Code of Student Academic Integrity, which forbids cheating, fabrication or falsification of information, multiple submission of academic work, "plagiarism" (the World Book Dictionary defines plagiarism as a verb meaning to take as one’s own the thoughts, writings, or inventions of another, especially to take and use a passage … from the work of another writer), abuse of academic materials, and complicity in academic dishonesty. Academic evaluation in this course includes a judgment that student work is free of dishonesty. Grades will be adversely affected by academic dishonesty. Students who violate the Code can be expelled. The normal penalty for a first offense is zero credit on the work involving dishonesty and substantial reduction of the course grade. In almost all cases the course grade is reduced to an F. Students are expected to report cases of academic dishonesty.

The Belk College of Business strives to create an inclusive academic climate in which the dignity of all individuals is respected and maintained. Therefore, we celebrate diversity that includes, but is not limited to ability/disability, age, culture, ethnicity, gender, language, race, religion, sexual orientation, and socio-economic status.