SYLLABUS

Department of Economics  A. Laramie
ECON3365  Public Finance
Fall 2018  Boston College

Office Hours: Maloney Hall, Room 386b; Tuesday and Thursday 10:45 am to 11:45 am and by appointment; e-mail: laramiea@bc.edu.

Required Readings: Richard W. Tresch, Public Sector Economics, Palgrave Macmillan. For supplemental materials, including chapter summaries, end of chapter questions and case studies (examples), see: http://www.palgrave.com/companion/Tresch-Public-Sector-Economics/student-zone/

Course Description: This course examines the functions of government in theory and practice. The appropriate role for government, how government finances its expenditures, and who benefits or is burdened by government budget and regulatory decisions are discussed. After introducing the field of public finance, the normative standards of efficiency, equity and social welfare maximization and the causes of market failures are reviewed. The expenditure functions of government are developed in response to market failures and trade-offs between normative standards are analyzed. The course concludes with the study of taxation. Tax efficiency, fairness, and incidence are analyzed.

The specific learning goals for this course include: To understand that economics is a social science—it is the study of social relationships; To understand the principles of market analysis; To understand normative market analysis; i.e. the efficiency, equity and stability criteria used in judging market performance; To understand the trade-offs involved in reaching economic goals; To understand the relationship between core assumptions and world views; To understand basic factual information about fiscal functions of government and the U.S. economy; To understand national and international economic events; To understand national and international economic policies; To apply basic economic principles to public policy and business problems.

Course Outline:
I. Introduction to the study of Public Finance
   A. Foundations of Public Sector Theory
   B. Normative Criteria: Efficiency, Equity and Stability
   C. Market Failure
   D. An Overview of Federal and State Budgets
II. Public Expenditures Theory and Policy
   A. The Social Welfare Function and the Quest for Distributive Justice
   B. Applying the Social Welfare Function
   C. The Theory of Externalities
   D. Externalities: Policy Considerations
   E. Public (Nonexclusive) Goods
   F. U.S. Transfer Payments
   G. Practical Issues in Designing Transfers to the Poor
   H. Social Insurance: Social Security and Health Care
III. Tax Theory and Policy
   A. Taxation and income distribution
   B. The Ability to Pay Principles: Federal Personal Income Tax
   C. Taxation and efficiency
   D. Efficient and equitable taxation: Trade-offs
   E. Tax Incidence

IV. Conclusion

Attendance: Attendance will be taken at the beginning of class. Regular attendance is expected. I reserve the right to fail a student who misses more than 5 classes.

Classroom Etiquette: Students need to arrive to class on time, and remain seated during the class period. In case a student needs to leave the classroom during the class period, the student may do so, but the student will not be readmitted until the class period is over. Use of electronic/mobile devices, such as cell phones, tablets and computers, is prohibited during class time. Cell phones must be off the desk and stowed away during class times. The use of an electronic device, such as a laptop computer or a tablet, is allowed, if the appropriate college officer recommends the use of the device as a reasonable American Disabilities Act learning accommodation. Handheld calculators are allowed in the classroom. Cell phone/tablet calculators are not allowed in the classroom. Failure to adhere to these standards can result in a reduction, at my discretion, in your course grade.

Academic Integrity: "Academic integrity is central to the mission of higher education. Please observe the highest standards of academic integrity in this course. Please review the standards and procedures that are published in the university catalog (see: http://www.bc.edu/offices/stserv/academic/integrity.html). Make sure that the work you submit is in accordance with university policies. If you have any questions, please consult with me. Violations will be reported to the Deans' Office and reviewed by the College's Committee on Academic Integrity. Violations could result in failure in the course or even more severe sanctions." (letter from Joseph Quinn)

Grading: Grading is based upon two semester exams, and a final exam. Each semester exam's grade weight is 30%. The final exam's grade weight is 40%. The final exam is cumulative.

Tentative assignment schedule:

<table>
<thead>
<tr>
<th>Week of</th>
<th>Assignment</th>
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<tbody>
<tr>
<td>8/28</td>
<td>Chapter 1, Chapter 3</td>
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<tr>
<td>9/4</td>
<td>Chapter 3 continued, Chapter 2</td>
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<tr>
<td>9/11</td>
<td>Chapter 2 continued</td>
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<tr>
<td>9/18</td>
<td>Chapters 4</td>
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<tr>
<td>9/25</td>
<td>Chapter 5</td>
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<tr>
<td>10/2</td>
<td>Exam 1, Chapters 1 -5</td>
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<td>Chapter 6</td>
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10/9  No Classes Tuesday: Fall Break
       Chapter 6 continued

10/16  Chapter 6 continued
       Chapter 7
10/23  Chapters 8
10/30  Chapter 9
11/6   **Exam 2, Chapters 6 – 9**
       Chapter 10
11/13  Chapters 11 and 12
11/20  Chapter 12 continued
       Thanksgiving Break
11/27  Chapter 13
12/4   Chapters 14 and 15

**Final Exam: December 13, Thursday, 12:30 PM**