

**Econ 3B03-C01 Public Sector Economics: Expenditures**

Instructor: Dr. Zhen He

Fall 2017

Lectures: Mon & Wed 2: 30 pm - 3: 20 pm; Fri 4: 30 pm - 5: 20 pm in TSH B106

Office: KTH 420

Office hours: Monday 3: 30 pm - 4: 30 pm & Friday 2: 30 pm -3: 30 pm

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**COMMUNICATION**

When sending email to me, please always use your McMaster email account. Put “ECON 3B03” in the subject line and include your full name and student ID in the message. Please do not use the mail function within Avenue.

**COURSE DESCRIPTION:**

Governments of industrialized countries are involved in an increasing array of economic activities. In this course, we focus on government expenditure programs. We examine economic rationales for government spending programs, as well as the limitations and incentive effects of spending and transfer programs. The analysis will be carried out first in general terms using economic models, and then in the context of public expenditure programs in Canada.

**COURSE MATERIAL:**

Harvey Rosen, et al., **Public Finance in Canada**, 5<sup>th</sup> Canadian edition, published by McGraw-Hill Ryerson, 2016.

**TENTATIVE COURSE OUTLINE:**

Category	Topic	Chapter
1. Introduction	Introduction to Public Finance in Canada	Ch. 1
	Fundamentals of Welfare Economics	Ch. 2
	Cost-Benefit Analysis	Ch. 3
2. Framework for Public Expenditure Analysis	Public Goods	Ch. 4
	Externalities	Ch. 5
	Income Redistribution	Ch. 6

3. Public Expenditures in Canada	Health care	Ch. 9
	Employment Insurance	Ch. 10
	Public Pensions	Ch. 11
	Social Welfare Programs	Ch. 12
	Education	Ch. 13
4. Political Economy	Public Choice	Ch. 7*
	Fiscal Federalism	Ch. 8*

Course materials (e.g. lecture slides, announcements, midterm solution keys, etc.) will be posted on the Avenue to Learn website <http://avenue.mcmaster.ca>

The Avenue site is down occasionally. Save the course materials to your computer as soon as they are posted. You are responsible for making yourself aware of any changes made to the course by checking Avenue daily.

### **EVALUATION:**

The final grade for the course will be determined according to the following formula:

Group Presentation	15%
Midterm (October 20, in class)	30%
Final exam	55 %

### **Group Presentation (15%)**

Students will be broken into groups. Group members will be assigned by the instructor. Group presentation will be scheduled at the end of the semester. Detailed schedule will be posted on Avenue. Groups are free to choose presentation topics. However, the presentation topic **must** be related to public economics issues. You should view the presentation as an opportunity to show off your creativity, to hone your research and presentation skills, and to tackle a real issue.

Each group needs to submit an outline (**no more than 2 pages, font-size 12, double-spaced**) on the topic of the presentation on **November 3, 2017 (Friday)** in class. Late submission will not be accepted and 5% of 15 marks will be deducted. Presentations will last **8 minutes**. The slides must be sent to the instructor at least **24 hours** before your presentation. 5% of 15 marks will be deducted for late submission.

Evaluation will be based on the following criteria. Detailed grading rubrics will be posted on Avenue.

- Informativeness: How much did we learn from your presentation? Did the group cover important and useful public economics theories and issues? Why does it matter?

- Analysis: Was the information valid and accurate? Did you display full grasp of the subject? Did you apply theory and data effectively? Did we gain novel insights into the topic? What policy recommendations did you make?
- Style/delivery/creativity: Was your presentation clear and compelling? Were the slides effective?
- Did the group address questions well? (There will be a Q&A session after the presentation).

Each group is required to submit a group report form and peer-evaluation form. A student's grade depends on both the group performance and the individual contribution.

You can consult the following journals for potential presentation topic.

### **Public Finance Journals**

- *Journal of Public Economics*
- *Canadian Tax Journal*
- *National Tax Journal*
- *Public Finance*
- *Public Finance Quarterly*
- *International Tax and Public Finance*
- *Journal of Public Economic Theory*
- *Economics of Governance*

### **General-Interest Economics Journals**

- *Canadian Journal of Economics*
- *American Economic Review*
- *Canadian Public Policy*
- *Journal of Economic Perspectives*
- *Journal of Political Economy*
- *Review of Economics and Statistics*
- *Canadian Business Economics*
- *Journal of Economic Literature*

### **Public Finance Data**

- *The National Finances (annually until 1994)*
- *Provincial and Municipal Finances (biannually until 1993)*
- *Finances of the Nation (beginning in 1995)*

### **Useful Websites:**

- *Canadian Tax Foundation* <http://www.ctf.ca>
- *Canadian Centre for Policy Alternatives* <http://www.policyalternatives.ca>
- *The C.D. Howe Institute* <http://www.cdhowe.org>

- *The Fraser Institute* <http://www.fraserinstitute.ca>
- *The Institute for Research on Public Policy* <http://www.irpp.org>
- *Department of Finance* <http://www.fin.gc.ca>
- *Statistics Canada* <http://www.statcan.ca>

### **ATTENTION:**

- Coverage of the midterm will depend on the pace of the class to that point in the term. All exams will include multiple choice questions and short answer questions. Midterm marks will be posted on Avenue. Only the Registrar's Office can issue final grades.
- **No make-up midterm** and **No early writes** are provided. Please note the MSAF regulations have changed beginning Spring/Summer 2015. The upper limit for when an MSAF can be submitted has been reduced from 'less than 30%' to 'less than 25%' of the course weight. The timeframe within which the MSAF is valid has been reduced from 5 days to 3 days.  
<https://socialsciences.mcmaster.ca/current-students/academic-advising/procedures-forms-policies/student-absence-information>

You cannot use the MSAF reporting system for a missed midterm as it is worth 30% toward your final grade. In the event that a student is unable to write the midterm exam on the scheduled date, a medical certificate should be submitted within 5 days. With valid documentation, the 30% of total course grade from the missed mid-term will be re-assigned to the final examination. In the absence of valid documentation, a grade of zero will be assigned for the missed mid-term exam.

- **The final exam is cumulative.** Schedule and location of the final exam will be announced by the Registrar Office. Please visit the following website for further details: <http://registrar.mcmaster.ca/exams/requirements/> Travel plans are NOT a sufficient reason to have a final exam deferred. The Deferred Exam Policy is listed on the following website at: <http://registrar.mcmaster.ca/exams/deferred/>
- Combination of particular distribution and absolute measures will be used to determine the course grades. The university grading system will be relied on as benchmark. Class attendance and participation will be considered for borderline cases.
- No programmable (graphing) calculator is allowed during the tests.

### **OTHER NOTES:**

#### **Electronic Device Policy**

Cell phones must be turned off or muted for the duration of the lecture. Laptop/tablet may only be used to view lecture material.

### **Attendance Policy**

Class attendance is an integral part of your educational experience. It is an important factor in ensuring your complete understanding of the material presented. You are responsible for all material presented in the scheduled lecture periods whether you choose to attend lectures or not.

### **Students Writing with SAS**

Students registered with SAS must book time to write the midterm tests with SAS. **You may only write on the same day as the rest of the class.** Tests written on any other day will not be accepted and a grade of zero will be assigned.

### **Classroom Protocols**

The highest level of courtesy and professional behaviour are expected from every student. In particular, be punctual and turn off all audible ringers on all devices during class. As a courtesy to the custodial staff, if you have coffee, water, etc., please dispose of your garbage when you leave the classroom.

### **Midterm Recess**

Reading Week is October 9 – October 15. No classes.

### **Academic Dishonesty**

Academic dishonesty consists of misrepresentation by deception or by other fraudulent means and can result in serious consequences, e.g. a grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: “Grade of F assigned for academic dishonesty”), and/or suspension or expulsion from the university. It is your responsibility to understand what constitutes academic dishonesty. For information on the various kinds of academic dishonesty, please refer to the Academic Integrity Policy located at <http://www.mcmaster.ca/academicintegrity/>

We have a zero – tolerance policy with respect to cheating. Any student found cheating will be given a grade of zero on the test or exam. In every case, you will be reported to the Office of Academic Integrity and to your faculty. If it is a first offence, a letter will remain in your file until you graduate. If it is a serious first offence or a second offence, the minimum penalty is zero in the course and a notation on your transcript.

If you are found with a cheat sheet, a cell phone, iPod, etc on or near your person during a test or the exam, this constitutes cheating and you may be prosecuted as outlined above, even if you were not using such items at the time. Talking at any time during a test or exam is also cheating, regardless of what you claim you were talking about. In addition, we have software that can identify students who were copying from other students. Any and all of these cases will be prosecuted in full.