

University of Waterloo

**Economics 341
Public Economics – Expenditure**

Fall 2011

Instructor: Wai Hong Choi
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Time and Place: 11:30 am – 12:20 pm MWF, PAS 1241

Office Hours: 1:00 pm – 2:20 pm MW, or by appointment

Course description:

“This course examines the role of government in a market economy, with emphasis on the expenditure side of public finance. After covering the fundamentals of welfare economics, we will study market failures through an analysis of public goods, externalities, and asymmetric information. We will then consider political economy issues pertaining to government decision making. Finally, we will apply our theoretical knowledge to the analysis of major public expenditure programs in Canada. At the end of the course, the student should (i) understand the rationale for and the limits of government intervention and (ii) be able to use the theory and tools of economics to analyze important public policy questions.”

Prerequisites: ECON 201; one of ECON 211, MATH 106/125, 109, 115, 116, 117, 118, 119, 128, 136, 138, 146, 148

UW-ACE: Class announcements, notes, assignments and any relevant information will be posted at <https://uwangel.uwaterloo.ca/uwangel/frameIndex.htm>.

Recommended text:

Rosen, H. S., Dahlby, B., Smith, R. S. and P. Boothe, [2002], *Public Finance in Canada*, McGraw-Hill, Second Canadian Edition. A copy of the 1st edition of this book will be on 3-hour reserve at the Porter library.

Topics to be covered:

1. Overview of the role of government in a market economy – Rosen, Chapters 1 and 3
2. Welfare Analysis – Rosen, Chapter 2
3. Public goods: Market failure and efficiency – Rosen, Chapters 4 and 9 (pp.160-164)

4. Externalities and property rights – Rosen, Chapter 5
5. Political Economy – Rosen, Chapters 6, 8 and 9
6. Expenditure programs I: Social Welfare Programs, Rosen, Chapter 10
7. Expenditure programs II: Unemployment Insurance, Rosen, Chapter 11
8. Expenditure programs III: Public Pensions, Rosen, Chapter 12
9. Expenditure programs IV: Health Care, Rosen, Chapter 13
10. Expenditure programs V: Education, Rosen, Chapter 14

Evaluation:

Midterm (October 19th) :	25%
Assignments (2):	10% (5% each)
Term paper:	25% (Guidelines will be distributed in class.)
Final Exam:	40%

Missed midterm: Students who do not have a relevant medical certificate will receive a mark of zero. There is no make up test. Those with a valid excuse will have their midterm weight transferred to the final. Students MUST give me their medical certificate within a week of the midterm (by October 26th).

Rules for group work in assignments and term paper: The assignments and the term paper can be done in a group consisting of at most two students. However, only single-authored term papers will be given an exemption for ECON 472.

Late submission: The assignments and the term paper have to be handed in in class on their respective due date. Late assignment or term paper will have 10% of its mark deducted for each day or part of the day that the assignment or the term paper is late.

Academic Integrity: In order to maintain a culture of academic integrity, members of the University of Waterloo community are expected to promote honesty, trust, fairness, respect and responsibility. [Check www.uwaterloo.ca/academicintegrity/ for more information.]

Grievance: A student who believes that a decision affecting some aspect of his/her university life has been unfair or unreasonable may have grounds for initiating a grievance. Read Policy 70, Student Petitions and Grievances, Section 4, www.adm.uwaterloo.ca/infosec/Policies/policy70.htm. When in doubt please be certain to contact the department's administrative assistant who will provide further assistance.

Discipline: A student is expected to know what constitutes academic integrity [check

www.uwaterloo.ca/academicintegrity/] to avoid committing an academic offence, and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offence, or who needs help in learning how to avoid offences (e.g., plagiarism, cheating) or about “rules” for group work/collaboration should seek guidance from the course instructor, academic advisor, or the undergraduate Associate Dean. For information on categories of offences and types of penalties, students should refer to Policy 71, Student Discipline, www.adm.uwaterloo.ca/infosec/Policies/policy71.htm. For typical penalties check Guidelines for the Assessment of Penalties, www.adm.uwaterloo.ca/infosec/guidelines/penaltyguidelines.htm.

Appeals: A decision made or penalty imposed under Policy 70 (Student Petitions and Grievances) (other than a petition) or Policy 71 (Student Discipline) may be appealed if there is a ground. A student who believes he/she has a ground for an appeal should refer to Policy 72 (Student Appeals) www.adm.uwaterloo.ca/infosec/Policies/policy72.htm.

Note for Students with Disabilities: The Office for persons with Disabilities (OPD), located in Needles Hall, Room 1132, collaborates with all academic departments to arrange appropriate accommodations for students with disabilities without compromising the academic integrity of the curriculum. If you require academic accommodations to lessen the impact of your disability, please register with the OPD at the beginning of each academic term.