

**University of Waterloo**  
**Department of Economics**  
**ECON 441**  
**Public Economics**  
**Winter 2023**  
**Tuesday & Thursday 11:30-12:50, ML 349**

**Instructor**

Instructor: Anindya Sen  
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**Course Description**

From a broad perspective, government intervention is a consequence of the failure of markets to allocate resources in a welfare enhancing manner. In a similar fashion, taxes are often interpreted as a remedy to various market inefficiencies. Therefore, the natural questions which arise are: When does market failure occur? And if government intervention occurs, is it efficient? What is efficiency and is it the same as welfare? Does equalization imply efficiency? How much income should the government redistribute? What is the amount of taxation that is required to finance government expenditure? How can tax revenue be raised efficiently? The course will focus on various theories and empirical work that offer explanations to these questions. In order to demonstrate the relevance of these theories, I will also spend a fair amount of time on topics that are contemporary and quite relevant to Canadian public policy

**Course Goals and Learning Outcomes**

The objective of this course is to educate students on contemporary issues relating to government spending and developing problem solving skills and the ability to work with abstract theoretical models

Upon completion of this course, students should be able to:

- Understand why government intervention in some sectors may be necessary to generate revenue through taxes and correct negative consequences from market incentivized behaviour
- Use basic economic models in order to evaluate the efficiency, equity, and welfare implications of government policies
- Write a concise and compelling paper on a public policy issue with appropriate cost benefit analysis tools.
- Display knowledge of various provincial and national Canadian policies related to government spending

## Required Text

- There are no required textbooks. I will be drawing from Harvey Rosen, et al., 2016, 'Public Finance in Canada', (Toronto, McGraw-Hill Ryerson) and 'A Course in Public Economics' by John Leach. Notes based on my lectures should be sufficient for student learning purposes. Please note that I do not create or distribute slides. Students must attend lectures to construct their own notes to understand course material. Articles for each topic will be made available on the course website and may be updated periodically.

## Readings Available on LEARN

- Reading Lists
  - Guidelines & Instructions for all submissions.
  - Dropbox for all submissions

## Course Requirements and Assessment

Information on course requirements and assessments.

Assessment	Date of Evaluation (if known)	Weighting
Midterm	Thursday February 16th	25%
Assignments (2)	Date of Evaluation 2	10%
Term paper	Due on last day of class	25%
Final Exam	To be set by university	40%
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Total		100%

Please note that I do not respond to emails regarding class content. I, however, am happy to schedule an appointment for office hours through email, in order to answer questions and clarify any doubts regarding course content and material.

## Missed Midterms

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.

## Assignments

You are free to discuss and attempt to solve assignment problems by consulting each other. You are also free to submit solutions in groups of two. However, answers are expected to accurately reflect individual thought and effort, and copying solutions is not permitted. Also note that there will be similarities between assignment and test questions. Therefore, attempting to solve assignment questions individually is recommended.

## Term Paper

Guidelines for the paper will be distributed in class. Please note that the paper can be done in groups consisting of two.

## Course Outline (Approximate)

Notes on readings.

Week	Topic
1	The Role of Government in a Market Economy
2	The Role of Government in a Market Economy: General Equilibrium
3	Public Goods: Market Failure and Efficiency
4	Welfare Analysis
5	Externalities and property rights
6	Methods for Cost Benefit Analysis
7	Methods for Cost Benefit Analysis
8	Optimal commodity taxation
9	Optimal income taxation
10	Optimal Income Redistribution
11	Cash versus In Kind Transfers
12	Social Welfare Programs, Unemployment Insurance, Health Care in Canada

### Late Work

Ten percent will be deducted for the first day, and 5% each day thereafter.

### Electronic Device Policy

Students are welcome to bring laptop computers during class. However, they are only meant to be used in a manner that is relevant to what is being taught and discussed in lectures. Browsing of the internet is not permitted as it can be extremely distracting to me and more importantly, to other students.

### Accommodation for Students with Disabilities:

Note for students with disabilities - [AccessAbility Services](#), located in Needles Hall, room 1401, 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 [AccessAbility Services](#) office at the beginning of each academic term.

### Attendance Policy

Consistent attendance is highly recommended. I do not construct nor do I offer class notes. I also do not use overheads. My style of teaching is "chalk and talk". Attendance is helpful from the perspective of having a consistent set of notes and also being exposed to in class debates and questions and answers, which are of great importance in the learning process.

### 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 the [Office of Academic Integrity website](#) 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](#). 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 to avoid committing academic offenses and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offense, or who needs help in learning how to avoid offenses (e.g., plagiarism, cheating) or about "rules" for group work/collaboration should seek guidance from the course professor, academic advisor, or the undergraduate associate dean. For information on categories of offenses and types of penalties, students should refer to [Policy 71, Student Discipline](#) (<http://www.adm.uwaterloo.ca/infosec/Policies/policy71.htm>). For typical penalties check [Guidelines for the Assessment of Penalties](#) (<http://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](#) (<http://www.adm.uwaterloo.ca/infosec/Policies/policy72.htm>).

**Mental Health Support:** All of us need a support system. The faculty and staff in Arts encourage students to seek out mental health supports as needed. Full details can be found online at the Faculty of ARTS website.

### On Campus

- Counselling Services: [counselling.services@uwaterloo.ca](mailto:counselling.services@uwaterloo.ca) / 519-888-4567 ext 42655
- MATES: one-to-one peer support program offered by the Waterloo Undergraduate Student Association (WUSA) and Counselling Services
- Health Services Emergency service: located across the creek from Student Life Centre
- A variety of campus groups offer further resources and support, including, but not limited to: GLOW centre for sexual and gender diversity peer support, the Women's Centre, the Waterloo Indigenous Student Centre, UWRAISE (Racial Advocacy for Inclusion, Solidarity & Equity), Committee on Access and Disability, Food Support Service, please see WUSA main web page for further services and clubs which may provide more specific and personalized support for you.

### Off campus, 24/7

- Good2Talk: Free confidential help line for post-secondary students. Phone: 1-866-925-5454

- Grand River Hospital: Emergency care for mental health crisis. Phone: 519-749-4330 x6880 • Here 24/7: Mental Health and Crisis Service Team. Phone: 1-844-437-3247

- OK2BME: set of support services for lesbian, gay, bisexual, transgender or questioning teens in Waterloo. Phone: 519-884-0000 x 213 Download UWaterloo and regional mental health resources (PDF) Download the WatSafe app to your phone to quickly access mental health support information

**Academic freedom at the University of Waterloo:** [Policy 33, Ethical Behaviour](#) states, as one of its general principles (Section 1), “The University supports academic freedom for all members of the University community. Academic freedom carries with it the duty to use that freedom in a manner consistent with the scholarly obligation to base teaching and research on an honest and ethical quest for knowledge. In the context of this policy, 'academic freedom' refers to academic activities, including teaching and scholarship, as is articulated in the principles set out in the Memorandum of Agreement between the FAUW and the University of Waterloo, 1998 (Article 6). The academic environment which fosters free debate may from time to time include the presentation or discussion of unpopular opinions or controversial material. Such material shall be dealt with as openly, respectfully and sensitively as possible.” This definition is repeated in Policies 70 and 71, and in the Memorandum of Agreement, Section 6.

**Intellectual Property:** Students should be aware that this course contains the intellectual property of their instructor, TA, and/or the University of Waterloo.

Intellectual property includes items such as:

- Lecture content, spoken and written (and any audio/video recording thereof)
- Lecture handouts, presentations, and other materials prepared for the course (e.g. lecture slides)
- Questions or solution sets from various types of assessments (e.g. assignments, quizzes, tests, final exams)
- Work protected by copyright (e.g. any work authored by the instructor or TA or used by the instructor or TA with permission of the copyright owner) Course materials, and the intellectual property contained therein, are used to enhance student’s educational experience. However, sharing this intellectual property without the intellectual property owner’s permission is a violation of intellectual property rights.

For this reason, it is necessary to ask the instructor, TA and/or the University of Waterloo for permission before uploading or sharing the intellectual property of others online (e.g. to an online repository). Permission from an instructor, TA or the University is also necessary before sharing the intellectual property of others from completed courses with students taking the same/similar courses in subsequent terms/years. In many cases, instructors might be happy to allow distribution of certain materials. However, doing so without expressed permission is considered a violation of intellectual property rights. Please alert the instructor if you become aware of intellectual property belonging to others (past or

present) circulating, either through the student body or online. The intellectual property rights owner deserves to know (and may have already given their consent).

**Cross-listed courses:** Please note that a cross-listed course will count in all respective averages no matter under which subject code it has been taken. For example, a PHIL/PSCI cross-list will count in a Philosophy major average, even if the course was taken under the Political Science subject code.

**Instructor Illness & Other Potential Disruptions:** If there is a physical space disruption (e.g. building shutdown) or if the instructor becomes ill for a short space of time, the class will be cancelled for those days and in-class discussions/exercises will be covered in subsequent class periods. Students should keep up with the lecture videos during that time. If the instructor becomes ill for an extended period of time, the department will coordinate appropriate alternative arrangements for the class, and will inform the class as soon as possible. Any broader public health issues (e.g. pandemic lockdowns) are unexpected but always a possibility and will be guided by University policy. In such cases, the instructor will inform the class as soon as possible.

**Territorial Acknowledgement:** We acknowledge that we are living and working on the traditional territory of the Neutral, Anishinaabe and Haudenosaunee peoples. The main campus of the University of Waterloo is situated on the Haldimand Tract, the land promised to the Six Nations that includes six miles on each side of the Grand River. Our active work toward reconciliation takes place across our campuses through research, learning, teaching, and community building, and is centralized within the [Office of Indigenous Relations](#). Learn more about the Anishinaabe, Haudenosaunee, Six Nations and territorial acknowledgement. For more information about the purpose of territorial acknowledgements, please see the CAUT Guide to Acknowledging Traditional Territory.