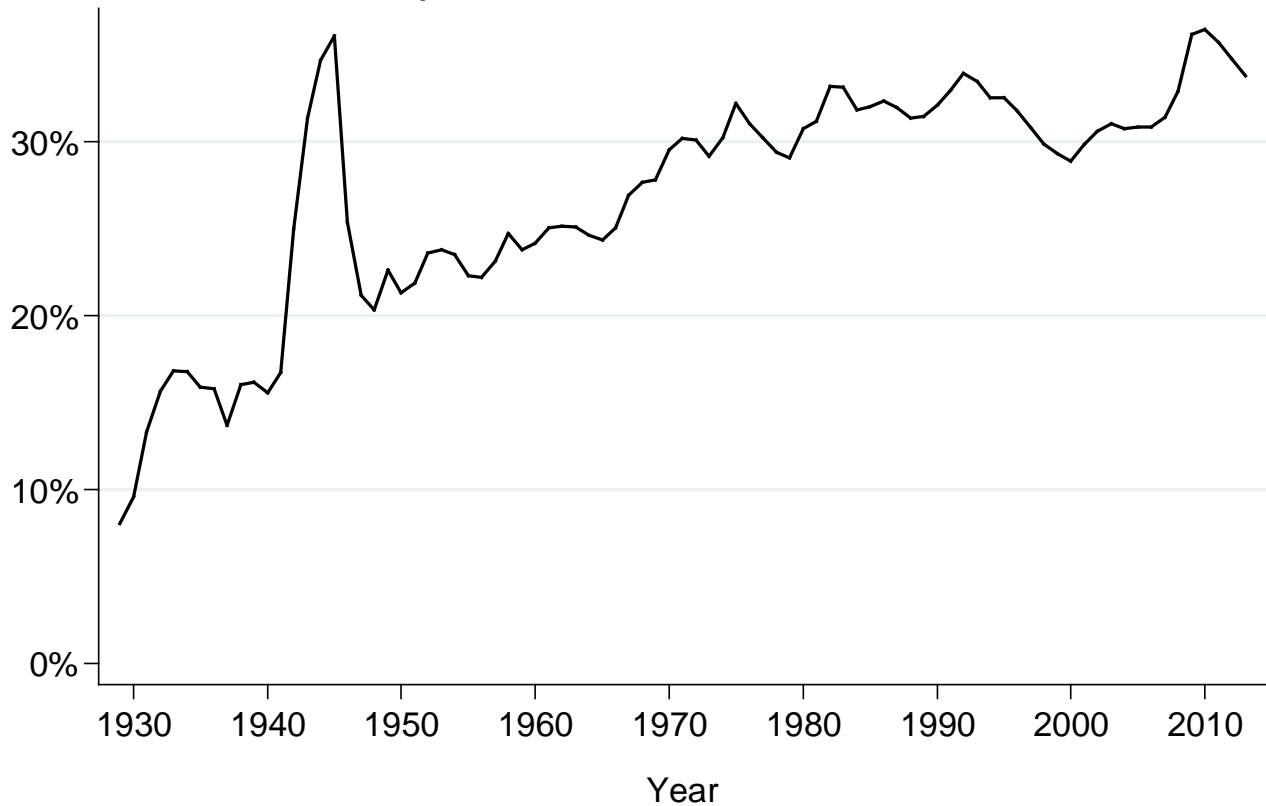


University of Waterloo
Department of Economics
Course Outline
ECON 341: Public Economics: Expenditure
Fall 2016

Government Expenditures as a Share of GDP in the U.S.



Source: Bureau of Economic Analysis

Course Introduction: Governments of industrialized countries are involved in an increasing array of economic activities. This course documents the scope of government involvement in economic activities and examines the economic rationales for it.

Instructor: Mikko Packalen

Office Hours: Usually on Thursdays 9am-noon in HH 205, but please check the course website for possible weekly changes (learn.uwaterloo.ca); and by appointment.

Email: packalen@uwaterloo.ca; subject line should state “ECON 341”; the message should come from your .uwaterloo account (so that I know it’s really you).

Phone: (519) 888 4567 ext. 33431

1. Course Description

The course focuses on the rationale for government intervention in a market economy. The course begins with a consideration of market successes through the analysis of the first and second theorems of welfare economics. The course then considers market failures through an analysis of distributional issues, public goods, externalities, non-competitive market structures, and asymmetric information. Time permitting, some issues in the public economics of taxation may be covered.

2. Course Objectives

Students should gain a better understanding of economic rationales for government involvement in resource allocation. Student should also gain an understanding of how to produce information that is useful in the design and evaluation of economic policy.

3. Course Materials

Problem Sets, Lectures, Slides, Textbook, Scientific Journal Articles, and News Articles. These are all complementary to one another; none of them is a substitute to another.

4. Lectures

Tuesdays and Thursdays, 4-5.20pm, RCH 308.

5. Problem Sets

Problem sets are distributed through learn.uwaterloo.ca. A group of 2-3 students can submit one set of answers (please put each student's name and student ID in the submission). Talking to students other students or groups is permitted. Copying answers of other students or groups is not permitted.

6. Scientific Journal Articles and News Articles

Assigned readings and links will be distributed through learn.uwaterloo.ca.

7. Textbook

Gruber, Jonathan, *Public Finance and Public Policy*. 5th Edition

A copy of this textbook is placed on reserve at the Dana Porter library.

8. Tentative Schedule

Week 1: Behavior

- Should governments make choices for us?
- What is economists' key behavioral assumption?
- Do people actually make good decisions?
- Can government intervention help us make better decisions?

Weeks 2-3: The Baseline Case

- What allocation does the market economy yield?
- How do economists measure welfare?
- When does the market economy yield a good allocation?

- Should we measure happiness directly?

Weeks 4-5: Taxes and Subsidies

- What taxes and subsidies exist?
- Why does government tax/subsidize activities?
- What characterizes an optimal tax/subsidy?
- Applications: education, global warming, innovation, health

Midterm Exam (in class on Thursday, October 20th 2015)

Week 6: Direct Provision

- What products do governments produce?
- Why does government produce some goods?
- Applications: broadcasting, roads, schools, health care, utilities

Weeks 7-8: Mandates

- How is government involved in insurance?
- Why do governments impose insurance mandates?
- Why do governments offer insurance directly?
- Applications: employment, retirement, health, cars

Week 9: Regulation

- Which activities do governments regulate?
- Why do governments ban some activities?
- Applications: beer, organs, net neutrality, sex, competition policy

Weeks 10: Redistribution

- How do we redistribute resources?
- How much redistribution is there?
- Is there an economic rationale for redistribution?
- Is there an economic rationale against redistribution?
- Is the welfare state sustainable?

Weeks 11-12: Technological Progress and Economic Growth

- Which public policies depend on economic growth?
- How much have economies grown historically?
- What are the engines of economic growth now?
- What do we know about the future of economic growth?
- What policies facilitate/hinder technological progress?

Final Exam

9. Assessment

All students are evaluated based on weekly assignments, a midterm exam, and a final exam. Final grade is calculated using the following weights:

Assignments	Due weekly	30%
Midterm Exam	Thursday Oct 20 th (in class)	20%
Final Exam	TBA	50%

Why there is no term paper option for this course. Based on my experience, some students would prefer to write a term paper instead of a final exam, in order to fulfill the “472 term paper requirement”. This course (Econ 341) does not offer a term paper option because I believe that you will write a far *better* research paper and you will enjoy the research experience a lot more if you first acquire a semester’s worth of training in Public Economics before you start writing a term paper on it. Hence, my suggestion for those who are interested in fulfilling the “472 term paper requirement” is to first complete Econ 341 this Fall and then enroll in Econ 472 in the Winter term to write a research paper that builds on the knowledge that you acquire this Fall in Econ 341.

Notes:

- Exams are based on material in Lectures, Problem Sets, Slides, Assigned Sections of the Textbook, and other assigned readings (Scientific Journal Articles and News Articles).
- Exams are cumulative; the questions are based on any material studied in the course so far.
- The date and time for the final exam will be set by the Registrar at a later time.
- Students are expected to be available during the exam period to write the final exam. Travel plans are not an acceptable reason for requesting an alternative final exam. See <http://www.registrar.uwaterloo.ca/exams/finalexams.html> for details.
- Late work is assigned grade 0.
- If a student misses the midterm exam due to illness and has valid documentation (approval required), the weight of the missed midterm will be shifted to the final exam. Without valid and timely submitted documentation, the student will receive zero for the missed midterm. The midterm exam will not be rescheduled *under any circumstances*.
- Missing the final exam is a very serious matter which automatically results in a zero mark for the exam itself and possibly a failing mark for the course. Read the department policy on deferred final exams <http://economics.uwaterloo.ca/DeferredExams.html> for instructions.
- Classroom Protocols
 - No private conversations in class will be tolerated.
 - Turn off all cell phone communication devices and put them away for the duration of the lecture.
 - Photographic devices are not permitted in class; this is a University regulation.
 - In order to maintain a learning environment in this classroom, I expect the highest level of courtesy and professional behaviour from every student.

10. University Statements

Economics Department Deferred Final Exam Policy

Deferred Final Exam Policy found at <https://uwaterloo.ca/economics/current-undergraduates/policies-and-resources/deferred-final-exam-policy>.

Cross-listed course

Please note that a cross-listed course will count in all respective averages no matter under which rubric 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 rubric.

Academic Integrity

Academic Integrity: In order to maintain a culture of academic integrity, members of the University of Waterloo are expected to promote honesty, trust, fairness, respect and responsibility.

Discipline: A student is expected to know what constitutes academic integrity, to avoid committing academic offences, 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 professor, academic advisor, or the Undergraduate Associate Dean. When misconduct has been found to have occurred, disciplinary penalties will be imposed under Policy 71 – Student Discipline. For information on categories of offenses and types of penalties, students should refer to [Policy 71 - Student Discipline](https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-71) (<https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-71>)

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](https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-70) (<https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-70>), Section 4.

Appeals: A student may appeal the finding and/or penalty in a decision made under Policy 70 - Student Petitions and Grievances (other than regarding a petition) or Policy 71 - Student Discipline if a ground for an appeal can be established. Read [Policy 72 - Student Appeals](https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-72) (<https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-72>).

Other sources of information for students:

[Academic Integrity website \(Arts\)](https://uwaterloo.ca/arts/current-undergraduates/student-support/ethical-behaviour)

<https://uwaterloo.ca/arts/current-undergraduates/student-support/ethical-behaviour>

[Academic Integrity Office \(UWaterloo\)](https://uwaterloo.ca/academic-integrity/)

<https://uwaterloo.ca/academic-integrity/>

Accommodation for Students with Disabilities

Note for students with disabilities: The [AccessAbility Services](https://uwaterloo.ca/disability-services) office (<https://uwaterloo.ca/disability-services>), located on the first floor of the Needles Hall extension, 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 AS office at the beginning of each academic term.