

**DEREE COLLEGE SYLLABUS FOR: EC 3542 PUBLIC FINANCE**

(Previously EC 3342)  
(Updated Spring 2023)

**UK LEVEL: 5**  
**UK CREDITS: 15**  
**US CREDITS: 3/0/3**

**PREREQUISITES:**

EC 1000 Principles of Microeconomics  
EC 1101 Principles of Macroeconomics  
MA 1008 College Algebra  
MA 2105 Applied Calculus  
EC 3470 Managerial Economics

**CATALOG DESCRIPTION:**

The role of the public sector in a mixed economy. Description and analysis of the three main functions of government: allocation, distribution and stabilization. The government budget and efficiency in taxation and government spending. Project evaluation. Public goods. Fiscal Policy.

**RATIONALE:**

By focusing on the public sector and public finance theory and policy this course attempts, on the one hand, to analyze the effects of governmental actions on the economy and, on the other hand, to describe the various governmental institutions, such as the budget and its construction, the taxation system and policy channels. In this way, this course supplements the study of allocation theory in microeconomics and the study of stabilization in macroeconomics, while also concentrating on distributional aspects and the role of the government, e.g. poverty and welfare. Finally, efficiency in the public sector through PPBS (planning, programming and budgeting systems) and cost-benefit analysis expounded in welfare economics will facilitate the examination of case studies in public project evaluation.

**LEARNING OUTCOMES:**

As a result of taking this course, the student should be able to:

1. Evaluate the role of the government in the economy.
2. Analyze the effects of government actions on the structure of the economy and evaluate their effectiveness.
3. Demonstrate detailed knowledge of the tax structure and public expenditure.
4. Demonstrate understanding of the institutional framework (preparation, planning and coordination of budget) within which government actions take place.
5. Describe and evaluate the tax system as used by mixed economies.

**METHOD OF TEACHING AND LEARNING:**

In congruence with the learning and teaching strategy of the college, the following tools are used:

- Classes consist of lectures and class discussions of recent articles in economic
- Office hours: students are encouraged to make full use of the office hours of their instructor, where they can ask questions and go over lecture material.
- Use of Blackboard, where instructors post lecture notes, assignment instructions, timely announcements, as well as additional resources.

<p><b>ASSESSMENT:</b></p>	<p><b>Summative:</b></p> <table border="1" data-bbox="483 275 1273 548"> <tr> <td data-bbox="483 275 1102 411">1<sup>st</sup> assessment: Term project (group project 2,800-3,200 words; presentation of group project; reflective essay on group project – individual, 200-300 words)</td> <td data-bbox="1102 275 1273 411"><b>50%</b></td> </tr> <tr> <td data-bbox="483 411 1102 548">Final assessment: In-class written examination (Two-hour, essay questions/problems, closed-book, comprehensive)</td> <td data-bbox="1102 411 1273 548"><b>50%</b></td> </tr> </table> <p><b>Formative:</b></p> <table border="1" data-bbox="483 646 1273 684"> <tr> <td data-bbox="483 646 1084 684">Formative assignments</td> <td data-bbox="1084 646 1273 684"><b>0%</b></td> </tr> </table> <p>The formative assignments prepare students for the examinations and ensure that students are actively engaged during the term.</p> <p>The 1<sup>st</sup> assessment tests Learning Outcomes 1, 2, and 3. The final assessment tests Learning Outcomes 1, 2, 3, 4, and 5, with emphasis on 4 and 5.</p> <p>The final grade for this module will be determined by averaging all summative assessment grades, based on the predetermined weights for each assessment. If students pass the comprehensive assessment that tests all Learning Outcomes for this module and the average grade for the module is 40 or higher, students are not required to resit any failed assessments.</p>	1 <sup>st</sup> assessment: Term project (group project 2,800-3,200 words; presentation of group project; reflective essay on group project – individual, 200-300 words)	<b>50%</b>	Final assessment: In-class written examination (Two-hour, essay questions/problems, closed-book, comprehensive)	<b>50%</b>	Formative assignments	<b>0%</b>
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Final assessment: In-class written examination (Two-hour, essay questions/problems, closed-book, comprehensive)	<b>50%</b>						
Formative assignments	<b>0%</b>						
<p><b>INDICATIVE READING:</b></p>	<p><b>REQUIRED READING:</b></p> <p>Hyman, D., Public Finance, Thomson, South-Western latest edition.</p> <p>Journal articles, accessible through the Library, as assigned by the instructor.</p> <p><b>RECOMMENDED READING:</b></p> <p>Akgun, O., D. Bartolini and B. Cournède (2017), "The capacity of governments to raise taxes", OECD Economics Department Working Papers, No. 1407, OECD Publishing, Paris, <a href="https://doi.org/10.1787/6bee2df9-en">https://doi.org/10.1787/6bee2df9-en</a></p> <p>Bloch, D. and J. Fournier (2018), "The deterioration of the public spending mix during the global financial crisis: Insights from new indicators", OECD Economics Department Working Papers, No. 1465, OECD Publishing, Paris, <a href="https://doi.org/10.1787/2f6d2e8f-en">https://doi.org/10.1787/2f6d2e8f-en</a>.</p> <p>Coy, P., Dmitrieva, K., Boesler, M. (2019): "Warren Buffett Hates It. AOC Is for It. A Beginner's Guide to Modern Monetary Theory". Bloomberg Businessweek, March 2019.</p>						

	<p><a href="https://www.bloomberg.com/news/features/2019-03-21/modern-monetary-theory-beginner-s-guide">https://www.bloomberg.com/news/features/2019-03-21/modern-monetary-theory-beginner-s-guide</a> ]</p> <p>IMF Fiscal Monitor reports, various years</p> <p>Rosen H. and Gayer, T. Public Finance. McGraw-Hill, latest edition.</p> <p>Stiglitz, Joseph. Economics of the Public Sector. Norton, latest edition.</p>
<p><b>INDICATIVE MATERIAL:</b> (e.g. audiovisual, digital material, etc.)</p>	<p><b>REQUIRED MATERIAL:</b> N/A</p> <p><b>RECOMMENDED MATERIAL:</b> N/A</p>
<p><b>COMMUNICATION REQUIREMENTS:</b></p>	<p>Use of appropriate academic conventions as applicable in oral and written communications.</p>
<p><b>SOFTWARE REQUIREMENTS:</b></p>	<p>Word, Excel, Powerpoint</p>
<p><b>WWW RESOURCES:</b></p>	<p><a href="http://netec.mcc.ac.uk">netec.mcc.ac.uk</a>  <a href="http://ntanet.org">ntanet.org</a>  <a href="http://www.cbo.org">www.cbo.org</a>  <a href="http://www.aei.org">www.aei.org</a>  <a href="http://www.brook.edu">www.brook.edu</a>  <a href="http://www.nber.org">www.nber.org</a>  <a href="http://www.oecd.org">www.oecd.org</a>  <a href="http://www.fraserinstitute.com">www.fraserinstitute.com</a>  <a href="https://www.imf.org/en/Publications/FM">https://www.imf.org/en/Publications/FM</a></p>
<p><b>INDICATIVE CONTENT:</b></p>	<ol style="list-style-type: none"> <li>1. The Public Sector <ol style="list-style-type: none"> <li>1.1. Fiscal functions</li> <li>1.2. The public sector in national accounts</li> </ol> </li> <li>2. Allocation and Distribution <ol style="list-style-type: none"> <li>2.1. Public provision of social goods</li> <li>2.2. Social goods further considered: merit goods</li> </ol> </li> <li>3. Public Expenditure <ol style="list-style-type: none"> <li>3.1. Structure and growth</li> <li>3.2. Expenditure evaluation principles</li> </ol> </li> <li>4. Public Revenue: Principles of Taxation <ol style="list-style-type: none"> <li>4.1. Introduction to taxation</li> <li>4.2. Approaches to tax equity</li> <li>4.3. Tax and expenditure incidence and excess burden</li> </ol> </li> <li>5. Tax Structure <ol style="list-style-type: none"> <li>5.1. Income taxes</li> <li>5.2. Consumption taxes</li> </ol> </li> </ol>

	<p>5.3. Property and wealth taxes 6. Fiscal policy. Theory and evidence 7. Debt sustainability analysis</p>
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