

YORK UNIVERSITY
LA & PS
DEPARTMENT OF ECONOMICS

WINTER 2020

AP/ECON 4080.03 M: PUBLIC FINANCE II
R 11:30 – 14:30, ROOM: SC 222

Instructor: VASSILIOS BARDIS
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PREREQUISITES

Prerequisites: AP/ECON 2300 3.00, AP/ECON 2350 3.00, AP/ECON 2400, and AP/ECON 2450 3.00, or equivalents.
Course credit exclusion: GL/ECON 3570 3.00. PRIOR TO FALL 2009: Course credit exclusions: AK/ECON 3450 3.00, AS/ECON 4070 3.00, GL/ECON 3570 3.00.

COURSE DESCRIPTION

The course identifies the role of government in a modern economy and examines the interaction between government's attempts to provide services and the financing of expenditures through traditional and non-traditional means.

SOME IMPORTANT DATES

Classes start / end	Jan. 6 / April 5
Reading Week	Feb. 15-21
Examination Period	April 7-25
Last date to add a course without/with permission of instructor	Jan. 19 / Feb. 3
Drop deadline: Last date to drop a course without receiving a grade	March 13
Course Withdrawal Period (withdraw from a course and receive a grade of "W" on transcript)	March 14 - April 5

GRADING

The course grade will be based on one midterm exam (worth 35%) to be held in class on Feb. 11, participation* (5%), and a final exam (60%). The final exam will be comprehensive and will held during the examination period. The date of the final exam will be scheduled and posted by the Registrar's office.

There is no makeup for the midterm exam. For students who miss the test for a valid reason and provide supporting documentation, the weight of the midterm will be transferred to the final exam.

Students who are unable to write the final exam must follow the steps described on <http://www.yorku.ca/roweb/exams/deferred/>

Observance Dates: Students for whom a term test date coincides with a religious observance must let me know within the first two week of classes. If there is such a conflict with respect to the final exam, students must complete an 'Examination Accommodation Agreement' soon after the final exam date is published. (This form can be obtained from the Registrar's office.)

Course requirement accommodation for students with disabilities, including physical, medical, systemic, learning and psychiatric disabilities <http://www.yorku.ca/secretariat/policies/document.php?document=68>

Reappraisal of Term Work: Reappraisal of students' term work should be completed during the course of the term and prior to the submission of final course grades.

Note on Senate Policy on Academic Honesty: Conduct that violates the ethical or legal standards of the University community or of one's program or specialization may result in serious consequences. Students are encouraged to familiarize themselves with the Senate Policy

Note on the use of Electronic Devices: All electronic devices must be turned off during class. Audio/visual recordings of any type are not allowed. Only simple calculators are allowed during tests and exams.

TEXTBOOKS

There is *no* required textbook.

1. John Leach, *A Course in Public Economics*, Cambridge University Press, 2003.
2. Jonathan Gruber, *Public Finance and Public Policy*, 3rd edition, Worth, 2011.
3. Jean Hindriks and Gareth D. Myles, *Intermediate Public Economics*, 2nd edition, MIT Press, 2013 (1st edition, 2006)
4. Harvey S. Rosen, Jean-Francois Wen and Tracy Snoddon, *Public Finance in Canada*, 4th edition, McGraw-Hill Ryerson, 2012.
5. David N. Hyman, *Public Finance: A Contemporary Application of Theory to Policy*, 11th edition, South Western Press, 2014. (10th edition, 2011)
6. Joseph P. Stiglitz, *Economics of the Public Sector*, 3rd edition, W. W. Norton, 2000.
7. Hal Varian, *Microeconomic Analysis*, 3rd Edition, W. W. Norton & Company, Inc., 1992.
8. Walter Nicholson and Christopher M. Snyder, *Microeconomic Theory: Basic Principles And Extensions*, Nelson Education, 2011.

LIST OF TOPICS (TENTATIVE)

Review of the Fundamentals of Welfare Economics

- Efficiency and Equilibrium (Leach 1-5)
- The Welfare Cost (Efficiency Loss) of Taxes/Subsidies (Leach 16, 17)

Externalities (Leach 6-9)

- Definitions and Examples
- Efficiency Implications under Perfect Competition
- Taxes/Subsidies in the Presence of Externalities
- Property Rights and Negotiation
- Common Property Resources
- Co-ordination Failures

Public Goods (Leach 10-12, 20)

- Definitions and Examples
- Voluntary Provision and the Free Rider Problem
- Efficiency
- Lindahl Pricing

Asymmetric Information (Leach 19)

- The Revelation Problem with Public Goods
- Regulation of Natural Monopoly
- Adverse Selection in Insurance Markets
- Government Bailouts and Moral Hazard

Public Choice

- Social Choice Rules and Arrow's Impossibility Theorem
- Political Parties and the Principle of Minimum Differentiation