

YORK UNIVERSITY

LA & PS
DEPARTMENT OF ECONOMICS
WINTER 2021

AP/ECON 4080.03 M: PUBLIC FINANCE II
R 11:30 – 14:30

Instructor: VASSILIOS BARDIS
E-mail: vbardis@yorku.ca
Website: on *eClass.yorku.ca*

COURSE DESCRIPTION

The course examines the role of government in contexts where markets fail to function efficiently in the presence of (i) externalities, (ii) public goods and (iii) asymmetric information.

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 ORGANIZATION

(A) Content Delivery (computer with internet access required)

There are *no* virtual live lectures. The course content will be delivered online *asynchronously* on the eClass course website using a *combination* of the following:

- (1) detailed notes/handouts or readings
- (2) notes/handouts accompanied by pre-recorded short videos
- (3) pre-recorded video lectures

These will be posted weekly on the course website, mainly on the officially scheduled class dates (Thursday of each week). They will be complemented by practice sets which will also be posted approximately weekly and usually at the end of the week.

(B) Tests and Exams (computer with internet access required)

The following apply to the tests and exams in the course:

- They will be based on the material covered in (1), (2) and (3) above and draw from (but not be limited to) the questions in the practice sets.
- They will be available, take place and/or have to be submitted on the course website on eClass.
- All terms tests will be held and/or have to be submitted during the originally scheduled class times (see below under *Grading* for the specific dates and times).
- The final exam will be held during the examination period on the date and times scheduled by the University (to be announced).

(C) Virtual Office Hours (computer with microphone and internet access required)

Regular office hours will use Zoom and will be held each week during the officially scheduled class times. Zoom registration is required. The *times* and *registration link and instructions* will be available under “Virtual Office Hours” on the course website.

Please note:

- 1) all handouts and recordings should be used for educational purposes only and as a means for enhancing accessibility;
- 2) students *do not have permission to duplicate, copy and/or distribute the handouts, practice sets, tests and recordings* outside of the class (these acts can violate not only copyright laws but also [FIPPA](#)); and
- 3) all recordings will be destroyed after the end of classes.

GRADING

The course grade will be based on **two term tests** and a **final exam**.

There are no deferred term tests. There will a deferred final exam for students who qualify (see below).

The course grade will be calculated as follows. Let H and L denote the highest and lowest of the two term test grades and X denote the final exam grade (each grade out of 100). Then the course grade, Y, will be

$$Y = \max (0.25 H + 0.25 L + 0.5 X , .35 H + .65 X, 0.85X).$$

It follows from the above that

- the maximum weight of the term work is 50% and the minimum weight of the final exam is 50%.
- for students who complete both tests, the worst test will be ignored if it benefits the student.
- for students who complete only one of the two tests, the weight of the test is 35% and the final exam weight is 65%. (No penalty for not completing a single test due to technical issues or otherwise.)
- if both tests are *not* completed, then a grade of *zero* will be assigned to 15% of the course grade.
- the weight of the final exam cannot exceed 85%.

Term Work

Each test will have to be completed and/or submitted on the course website during the officially scheduled class times. The composition of each test will rely more heavily on the material covered in the four to five weeks preceding the date of the test. The test dates will be announced on the first week of classes.

Final Exam

The final exam will be comprehensive and will held during the examination period on the date and time scheduled by the University (to be announced). The opportunity to write a deferred exam will be available to students for whom a religious observance coincides with the date of the final exam or who are unable to complete the exam due to reasons beyond their control. If this applies to you, please email me to let me know. (*After* the date of the final exam, students who did not complete the final exam must request deferred standing by completing and then uploading the required form on the course website using the link “Deferred Exam Request.” The information on deferred standing is available at <https://myacademicrecord.students.yorku.ca/deferred-standing>.

Academic Honesty and Integrity

In this course, we strive to maintain academic integrity to the highest extent possible. Please familiarize yourself with the meaning of academic integrity by completing SPARK’s [Academic Integrity module](#) at the beginning of the course. Breaches of academic integrity range from cheating to plagiarism (i.e., the improper crediting of another’s work, the representation of another’s ideas as your own, etc.). All instances of academic dishonesty in this course will be reported to the appropriate university authorities, and can be punishable according to the [Senate Policy on Academic Honesty](#).

Reappraisal of Term Work: It is strongly recommended that reappraisal of students' term work should be completed during the term and prior to the submission of final course grades.

USEFUL COMPUTING LINKS

Below are some useful links for computing information, resources and help:

- Course requirement accommodation for students with disabilities, including physical, medical, systemic, learning and psychiatric disabilities: <https://accessibility.students.yorku.ca/>.
- [Student Guide to Moodle](#)
- [Zoom@YorkU Best Practices](#)
- [Zoom@YorkU User Reference Guide](#)
- [Computing for Students Website](#)
- [Student Guide to eLearning at York University](#)

SOME IMPORTANT DATES

Classes start / end	Jan. 11 / Apr. 12
Winter Reading Week	Feb. 13 - 19
Winter Examination Period	Apr. 14-28
<i>Last date to add a course without/with permission of instructor</i>	Jan. 25 / Feb. 8
<i>Drop deadline: Last date to drop a course without receiving a grade</i>	March 12
<i>Course Withdrawal Period (withdraw from a course and receive a grade of "W" on transcript)</i>	Mar. 13 – Apr. 12
Holidays and University Closures (Good Friday):	Apr. 2

TEXTBOOKS

The first book on the list below is recommended.

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

- Equilibrium and Efficiency under Perfect Competition (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