

YORK UNIVERSITY
LA & PS
DEPARTMENT OF ECONOMICS

WINTER 2022

AP/ECON 4080.03 M: PUBLIC FINANCE II
R 11:30 – 14:30, LOCATION: ACW 307

Instructor: VASSILIOS BARDIS
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Course Website: on eClass
Website: on *moodle.yorku.ca*

Please Note:

- “The Winter 2022 academic term will commence as planned on January 10 (with some exceptions, for example, Osgoode Hall Law School); however the **in-person delivery of courses and on-campus activities are planned to resume on January 24**. Between January 10 and January 24, all classes and support services will be delivered in a remote format unless it is essential that they be delivered in person.”
- Accordingly, the content of the course during the first two weeks will be delivered **asynchronously online (no live lectures)** by posting videos and/or handouts on the course website on eClass.
- The course website will become available by the first week of classes and posting of course material will begin on the officially scheduled start date/time of the class, **January 13, 11:30am**.

COURSE DESCRIPTION

The course provides an introduction to the microeconomic analysis of 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.

SOME IMPORTANT DATES

Classes start / end	Jan. 10 / April 10
Last date to add a course without / with permission of instructor	Jan. 23 / Feb. 7
<i>Last date to drop course without receiving a grade</i>	<i>March 18</i>
Course Withdrawal Period (withdraw from a course and receive a “W” on the transcript)	March 19 – April 10
Examination Period	April 12 - 29
Reading Week	Feb. 19 - 25
Holiday (University Closed)	Feb. 21, April 15

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%.
- if both tests are *not* completed, then a grade of *zero* will be assigned to 15% of the course grade and the weight of the final exam will be 85%.
- the weight of the final exam cannot exceed 85%.

Term Work

Each test will be held during our class times. The composition of each test will rely more heavily on the material covered in the three to four weeks preceding the date of the test.

The term test dates will be posted on the course website 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* attend the final exam must request deferred standing by completing the required mach form. This information is available on the department website at <https://www.yorku.ca/laps/econ/undergraduate-programs/academic-resources/department-policies/deferred-standing/>

Reappraisal of Term Work

It is strongly recommended that 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. 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](#).

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