Course Syllabus
Public Finance, ECON 3702, 3 S.H.
Spring, 2007
Monday, Wednesday, Friday 12:00-12:50

Instructor: Dr. Tod Porter
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Office Hours: Monday and Wednesday, 9-11, Thursdays 1-2 and by appointment.

Messages: If you call my number and the line is busy or I am not in my office, you can leave a voice mail message. Messages can also be left with the department secretary (330-941-3428) any time between 8 a.m. and 5 p.m.

Text: Public Finance, 8th ed., by David N. Hyman

Course Objective:
This course covers the rationale for government provision of goods in a market economy and the effects of taxes on economic efficiency and income distribution. The primary emphasis is on expenditures and taxes at the federal level.

In the first part of the course we will discuss the conditions under which a market economy would produce inefficient levels of a good. Given that market failure may justify government intervention, we will talk about the implications of using voting to determine the level of output of a publicly provided good, and show that majority rule voting procedures will not necessarily result in an optimal provision of the public good.

In the second part of the course we will study the programs which account for the largest share of the federal government’s expenditures. We will look at the impact of the programs on income distribution, labor supply and savings. One of the key issues is the conflict between the goals of greater equalization of income and economic efficiency.

The third part of the course introduces a theoretical analysis of the tax system. Issues in this section include the deadweight loss created by taxes, the incidence of a tax, and the progressivity of a tax.

In the final section of the course we will focus on the characteristics of two of the major taxes imposed by the government, the federal income tax and the corporate income tax. We will discuss the studies examining how the tax effects the work and saving behavior of households.

At the end of the course the student will have a good understanding of the two fundamental problems of public finance: the difficulties in identifying an efficient level of provision of a good in the face of market failure, and the conflicts between promoting economic efficiency and promoting greater equality in income distribution. The student should be able to understand how to evaluate tax and expenditure policies in terms of their effect on efficiency and income inequality.

Attendance Policy:
Regular class attendance is crucial to your success in this course. If you miss a class you are responsible for any material covered during the lecture and for any homework that is assigned in class.
## Schedule

<table>
<thead>
<tr>
<th>Dates</th>
<th>Chapters</th>
<th>Topics</th>
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<tbody>
<tr>
<td>Jan. 16 – Feb. 9</td>
<td>1 - 5</td>
<td>Introduction, economic efficiency, market failure, externalities, public goods, public choice</td>
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<tr>
<td>Feb. 12</td>
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<td>Exam 1</td>
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<td>Feb. 14 – March 7</td>
<td>6 - 9</td>
<td>Benefit-cost analysis, income distribution, poverty, Social Security</td>
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<td>March 9</td>
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<td>Exam 2</td>
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<tr>
<td>March 19 – April 9</td>
<td>10 - 12</td>
<td>Taxes and efficiency, tax incidence, tax policy</td>
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<td>April 11</td>
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<td>Exam 3</td>
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<tr>
<td>April 13 – May 4</td>
<td>13-15</td>
<td>Income taxation, taxes and household behavior, corporate income taxes</td>
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<tr>
<td>May 9, Wed., 10:00 am - 12:30 pm</td>
<td>Exam 4</td>
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**Last Day to Withdraw with a W:** March 29

**Exam Format:**
The exams will consist of true/false questions, definitions, essay questions, and graphical questions. Each exam is worth 100 points. All exam dates, except for the final, are tentative. The instructor reserves the right to reschedule the exam dates.

**Make-up Exams:**
Make-up exams will be given only if I am notified in advance and if the circumstances are extreme enough to justify a make-up.

**Position Papers:**
There will be two position papers in which you will be asked to build an argument for or against a particular public policy and participate in a class discussion of the issue.

**Grades:**
The grade will be based on four exams, each of which will be worth 100 points, and two position papers each worth 25 points. The final grade will be assigned as follows: greater than 85%, A; 75-84%, B; 65-74%, C; 55-64%, D; below 54%, F.

**Academic Honesty:**
If a student is caught cheating, he or she will be given a failing grade and referred for disciplinary action. (Refer to the Undergraduate Bulletin.) Also, remember the rules on plagiarism from English 1551. You need to document from any sources you use, and if you are copying material directly from a source you should put that material in quotation marks. I encourage you to use material from the Internet, but recognize that “cutting and pasting” information from the Internet without appropriate attribution is plagiarism.

**Disability Policy:**
In accordance with University procedures, if you have a documented disability and require accommodations to obtain equal access in this course please contact me privately to discuss your specific needs. You must be registered with the Disability Services Office and provide a letter of accommodations to verify your eligibility. The Disability Services Office is located in Wick House, the phone number is (330) 941-1372.