

ECON 731: Public Finance

Winter 2020

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Lecture: Monday 2:00 pm – 4:50 pm in KTH 334

The first four weeks of the course (January 6 – January 27, inclusive) will be taught by Professor Cuff. The next four weeks (February 3 – March 2, inclusive) will be taught by Professor Lavecchia. The last three weeks of the course (March 16 – March 30, inclusive) will be taught by both Professors Cuff and Lavecchia.

TA: TBA
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COURSE DESCRIPTION

This course one of two courses in the graduate public economics sequence at McMaster University. This course explores a range of topics in the economics of taxation and the economics of government expenditure with a focus on the trade-off between equity and efficiency. In the first four weeks of the course, we will focus on the normative analysis of taxation from the perspective of public finance economists. Topics studied include optimal income taxation, optimal commodity taxation and optimal capital income and wealth taxation. For each of these policies, we will learn about the ways in which public finance economists typically model the trade-offs associated with designing the tax system. In the second four weeks of the course, we will study topics in the economics of pensions and retirement savings, public goods and fiscal federalism.

PREREQUISITES

There is no prerequisite for this course.

COURSE OBJECTIVES

By the end of the course students should be able to:

- Have a good understanding of the theoretical models and empirical techniques used in modern public economics
- Be familiar with academic articles and reports (required readings) covered in the course
- Be able to critique existing research, with the aim of identifying promising areas for future research (including your own research)

CLASS FORMAT

Three hours of lecture per week. Students are expected to come to each class having completed the required reading(s) and participate by asking questions and contributing to class discussions.

COURSE MATERIALS AND TEXTS

There is no required textbook for this course. A list of the required readings will be listed on the Econ 731 Avenue to Learn site. Most readings are academic journal articles that can be accessed online through the university's library website. To access the university's library resources off-campus, go to <https://library.mcmaster.ca/>.

That being said, the following reference textbooks may be useful. These textbooks are available one reserve at the Mills Library. The Atkinson and Stiglitz text is an especially good reference for students planning to study public economics at the Ph.D. level.

1. Atkinson, Anthony B. and Joseph E. Stiglitz. 2015. *Lectures on Public Economics: Second Edition*. Princeton, New Jersey: Princeton University Press.
2. Salanie, Bernard. 2012. *The Economics of Taxation, 2nd Edition*. Cambridge, Massachusetts, MIT Press
3. Leach, John. 2004. *A Course in Public Economics*. Cambridge, U.K., Cambridge University Press
4. Hindriks, Jean and Gareth Myles. 2013. *Intermediate Public Economics, 2nd Edition*. Cambridge, Massachusetts, MIT Press
5. Tresch, Richard. 2015. *Public Finance: A Normative Theory: Third Edition*. Amsterdam, Academic Press.

AVENUE TO LEARN

Course materials, including the syllabus, announcements, lecture slides and grades, will be posted on the course Avenue to Learn page. Students are expected to check the ECON 731 Avenue to Learn course page regularly.

Please do not use the email within Avenue to contact us. Rather, please use our McMaster email accounts.

Students should be aware that, when they access the electronic components of this course, private information such as first and last names, user names for the McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course. The available information is dependent on the technology used. Continuation in this course will be deemed consent to this disclosure. If you have any questions or concerns about such disclosure please discuss this with the course instructor.

COURSE EVALUATION – OVERVIEW

1. Participation – 5% based on attendance and contribution to class discussions
2. Assignment 1 -10%, due February 3, 2020
3. Assignment 2 - 10%, due March 2, 2020
4. Class presentation – 10%, held in class during the last three weeks of the semester

5. Research Paper – 35%, due April 28, 2020 (end of exam period)
6. Term Test - 30%, March 9, 2020

COURSE EVALUATION – DETAILS

Participation (5%)

Students are expected to attend class and be prepared to discuss the course readings.

Assignment 1 (10%), February 3, 2020

The format of Assignment 1 will be short-answer and problem based. The assignment will cover material covered in the course, up to and including class on Monday, January 27, 2020.

Assignment 1 is due at the beginning of class on Monday, February 3, 2020. Although students are encouraged to talk to your classmates about the assignment, each must submit their own hard copy of the assignment.

Assignment 2 (10%), due March 2, 2020

The format of Assignment 2 will be short-answer and problem based. The assignment will cover material covered in the course, up to and including class on Monday, February 24, 2020.

Assignment 2 is due at the beginning of class on Monday, March 2, 2020. Although students are encouraged to talk to your classmates about the assignment, each must submit their own hard copy of the assignment.

Class Presentation (10%), held during the final three weeks of the semester

Each student will be responsible for an in-class presentation to be held during the final three weeks of the semester. A list of presentation topics and the specific instructions for the presentation will be posted to the course Avenue to Learn page and discussed in class.

Research Paper (35%), due April 28, 2020

Research proposal: The aim of the research proposal is to identify an interesting, unanswered research topic/question in public economics and propose a viable way of answering the question. The specific instructions for the research proposal will be posted to the course Avenue to Learn page and will be discussed in class. The research proposal is mandatory for PhD students.

Term paper: The aim of the term paper is to develop the ability of students to critically analyze a recent policy change made by the Government of Canada or any provincial or local government. The policy change must either currently be under consideration or implemented within that last three years. The specific instructions for the term paper will be posted to the course Avenue to Learn page and will be discussed in class. Masters students have the option of choosing from the term paper or research proposal.

Term Test (30%), held in class on March 9, 2020

A 2-3-hour term test will be held in class on March 9, 2020.

The term test will be short-answer and problem-based and will cover all material from the two modules of the course.

McMaster ID cards must be presented to write the term test.

Students should plan to be on campus during the entirety of the final examination period. Travel plans are not a sufficient reason to have a final exam deferred. The Deferred Exam Policy is available at: <https://registrar.mcmaster.ca/exams/deferred/>.

COURSE POLICIES

Grades

Grades will be based on the McMaster University grading scale:

MARK	GRADE
90-100	A+
85-90	A
80-84	A-
77-79	B+
73-76	B
70-72	B-
Below 70	F

Grade Adjustment Techniques

A combination of particular distributional and absolute measures will be used to determine the course grades. The university grading system will be relied on as a benchmark.

Submission of Assignments

Both Assignment 1 and Assignment 2 are due at the beginning of class on the due dates listed in the syllabus. Both hand-written and typed assignments will be accepted.

Late Assignments

The two assignments, the term test, the presentation and final exam are not optional. A penalty will be applied to assignments that are not submitted by the start of class on the due date. Each day of (unexcused) late submission results in a penalty of 5% (weekends are not excluded). This also applies to assignments sent by email, and in this case, the time of receipt of the email by the recipient is guarantor of the time of delivery.

Calculators and iClickers

Only McMaster Standard Calculators (Casio FX 991 MS or MS Plus) will be allowed during both the midterm test and the final exam. iClickers will not be used in the course.

UNIVERSITY POLICIES

Academic Integrity Statement

You are expected to exhibit honesty and use ethical behavior in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behavior can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation

reads: “Grade of F assigned for academic dishonesty”), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the [Academic Integrity Policy](#).

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one’s own or for which credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations.

Academic Accommodation of Students with Disabilities

Students who require academic accommodation must contact Student Accessibility Services (SAS) to make arrangements. Academic accommodations must be arranged before classes or academic work begins, and for each term of study. Student Accessibility Services can be contacted by phone 905-525-9140 ext. 28652 or e-mail sas@mcmaster.ca. For further information, consult McMaster University’s Policy for [Academic Accommodation of Students with Disabilities](#).

Academic Accommodation for Religious, Indigenous and Spiritual Observances

Students who require academic accommodation due to an Observance must submit a RISO form to their Faculty office, electronically or in person, normally within ten working days from the beginning of each term in which they are anticipating a need for Accommodation. For further information, consult McMaster University’s [Policy on Academic Accommodation for Religious, Indigenous and Spiritual Observances](#).

Faculty of Social Sciences E-mail Communication Policy

Effective September 1, 2010, it is the policy of the Faculty of Social Sciences that all e-mail communication sent from students to instructors (including TAs), and from students to staff, must originate from the student’s own McMaster University e-mail account. This policy protects confidentiality and confirms the identity of the student. It is the student’s responsibility to ensure that communication is sent to the university from a McMaster account. If an instructor becomes aware that a communication has come from an alternate address, the instructor may not reply at his or her discretion.

Please include ECON 731 in the subject line and include both your full name and student ID in any emails you send to me.

In general, email is not the best way to communicate questions about course material or the assignments. These types of questions should be asked during office hours. Consequently, I will only respond to emails that deal with administrative questions (e.g. missing an assignment or a logistical question).

Course Modification

The instructors and university reserve the right to modify elements of the course during the term. The university may change the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment

on changes. It is the responsibility of the student to check his/her McMaster email and course websites weekly during the term and to note any changes.

WEEKLY COURSE SCHEDULE (AND/OR IMPORTANT DATES)

Lecture	Date	Topic
1	January 6, 2020	Commodity Taxation
2	January 13, 2020	Income Taxation
3	January 20, 2020	Income Taxation
4	January 27, 2020	Capital Income and Wealth Taxation
5	February 3, 2020	Pensions, Social Security and the Economics of Retirement Saving
6	February 10, 2020	Pensions, Social Security and the Economics of Retirement Saving
Reading Week (no classes)		
7	February 24, 2020	Public Goods
8	March 2, 2020	Fiscal Federalism
9	March 9, 2020	Term Test
10	March 16, 2020	Topics in Public Economics/Presentations
11	March 23, 2020	Topics in Public Economics/Presentations
12	March 30, 2020	Topics in Public Economics/Presentations

OTHER NOTES

Attendance Policy

Class attendance is necessary to your learning and to your ability to successfully complete this course. Students are responsible for all material presented in the lectures. Obtaining and learning about missed material is the responsibility of the student.

Electronic Device Policy

Cell phones must be turned off or muted for the duration of all lectures. Laptops or tablets may only be used to take notes or to view lecture material.