

Appalachian State University
Economics 3550 – Fall 2016
Public Finance

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Office Hours: Monday: 4 – 5 PM, Wednesday 9 – 10 AM, Friday: 10 AM – 11 AM. Or, send an email and we can make an appointment.

Text: Rosen and Gayer, *Public Finance* (10th edition) McGraw-Hill

Synopsis: The government plays a substantial role in all our lives. Various levels of government provide such services as police protection, the legal system, the monetary system, national defense, and education. It regulates many of our daily lives even when we do not see it. For example, the quality and labeling of the food that you eat are regulated by the FDA. Many of the consumer products you buy are regulated to ensure safety and uniformity. To pay for these services governments raise revenues through taxes, fees, and by issuing debt. In this course we will introduce you to the way the government funds the goods and services it provides and how it decides what to provide and to whom. Since we live in a federal fiscal system we will cover the interactions between the federal and state governments. Finally, since this is an election year, we will spend some time evaluating various campaign promises.

Evaluation: There will be a midterm and a final that will comprise a total of 70% of your grade. There will be 3 writing assignments that will comprise the remainder of your grade.

Outline:

I. Introduction on the size and role of government – herein the concept of “fiscal exchange”

The size and growth of government – Chapter 1
Tools for analysis – Chapters 2 and 3

First writing assignment – handed out

II. Categories of Market Failure – Why Do We Need Government?

Public goods – Chapter 4
Externalities – Chapter 5

III. Government Decision Making – Some Things Work Better than Others

Political economy – Chapter 6:
Here we will discuss voting and the interaction between politicians and bureaucrats. We will investigate how the government decides what goods and service to provide and how these are to be financed.

Second writing assignment – handed out

Chapter 8: Benefit-Cost Analysis. Tools used by the government to evaluate projects.

Midterm will cover to here. Date: TBA

IV. Taxation

The theory of taxation and the analysis of alternative taxes – Chapters 14, 15, 16 (only part of this).

V. Principle Taxes in the U.S.

The personal income tax (PIT) and its effects – Chapters 17 and 18
Taxes on business – Chapter 19

VI. Non-tax Revenues – deficits and debt

Chapter 20

VII. Two current hot issues of public production and provision

Education and Health Care – Chapters 7, 9 and 10

VIII. The Distribution of Income – the government’s role in the distribution of income across persons and regions

Income transfers to persons. Social insurance, welfare, in-kind transfers.
Chapters 11, 12, and 13 (parts of these chapters)

Third writing assignment – handed out

VIII. The Federal Structure – federal government and state and local governments.

Interaction between the levels of government – Chapter 22

Final exam covers *mainly* topics IV - VIII.

Note: There are some announcements that could appear here but are part of university policy. I expect you can and should look these up. We are also required to remind you that the policy is: “It is the responsibility of the student to be sure s/he is officially registered for this course. Students who are not officially registered should not expect to be added late.”

The web site is: <http://academicaffairs.appstate.edu/syllabi>