Public Finance (ECON-3320)  
Fall 2011  
Texas A&M University-Corpus Christi  
College of Business

Instructor: Dr. Deniz Gevrek  
Section & Location: Section 001, Wednesday 04:20-06:50 pm; OCNR 117  
Office Hours: Tue: 11:00am-2pm and Wed: 1:00-4:00pm or by appointment.  
Office: OCNR 366  
E-mail: deniz.gevrek@tamucc.edu  
Phone: (361) 825 3601  
Course Web Page: all course materials will be posted on Blackboard 9, https://iol.tamucc.edu/  
Prerequisites: ECON 2301, 2302 and Junior standing or above

Course Description:
This course examines the role that government plays in the economy. The course discusses the conditions for economic efficiency to be achieved and circumstances where a market fails. It also presents the concepts of public goods and the aggregation of individual preferences into collective priorities as expressed by the general public through the political process. Topics include taxation, welfare economics, and budget and fiscal federalism.

Learning Objectives:
By the end of this course, the students will be able to demonstrate:
   1. A deeper understanding of the allocation and distribution effects of common resources, public goods, and externalities.  
   2. The ability to analyze the effects of market imperfections that lead to government intervention in markets.  
   3. An ability to use benefit-cost analysis to evaluate government decisions/programs.  
   4. A better understanding of the effects of government transfer programs on efficiency, incentives and equity.  
   5. The ability to analyze the effects of various taxes on efficiency, incentives and equity.

Relationship to Other Courses:
This course is designed for those students who have completed their principles of economics courses and wish to do additional course work in the area of economics. The student will have an opportunity to apply quantitative skills introduced in other courses to solve economic problems in this course. In addition, this course will emphasize the following specific skills: mathematical competency, critical thinking, writing, reading, listening and speaking. The emphasis on the development of these specific skills in this course should benefit the student in other courses to be undertaken.

Instructional Methodology:
In addition to lectures, the class will be interactive. A variety of learning methodologies will be used, such as: class discussions and participation, team activities, problem sets, and quizzes.
How to succeed:
Part of your responsibility as a TAMU-CC student is to attend classes and take notes. This is an essential part of the learning process. Please see my attendance policy below for more details. I will post on the BlackBoard website some lecture materials and slides, but not detailed lecture notes. Attendance to the class and keeping up with the readings are essential to pass this course. Do not forget that it is in your best interest to finish the reading assignment before each class. The detailed class schedule, which is subject to changes and revisions throughout the semester, is on the last page of this syllabus should tell you which chapters to read before you come to class. The class notes, slides and the textbook are complementary to each other so use them both preparing for the tests. Starting from basic concepts, we will proceed to much more complicated ones, do not get overconfident with you and keep hard work. I also encourage you to work in study groups.

Attendance Policy:
Students are held responsible for class attendance. Class attendance is a necessary but not sufficient condition for active class participation and satisfactory course performance. Students absent from classes are responsible for making arrangements to submit assignments due, material discussed, and announcements made in class. Assignments missed due to absences cannot be made up except for illness or other emergencies, in which case a doctor’s note or other official documentation is required to accompany the assignment.

Performance Evaluation and Grading:
Your grade will be based on two midterm exams, attendance, 6 problem sets, and a final test. The first midterm is on Wednesday, September 28 will cover material up to and including lecture 5. The second midterm is on Wednesday, November 2 will cover lectures 6-10. These two midterm scores will make up 50% of your final grade (each 25%). There will be NO MAKEUP tests under ANY circumstances, DO NOT make any plans for these days. Please read on for my policy on missed examinations.

Attendance will make up 8% of your grade. We will meet 15 times and I will take attendance during those classes. If you attend 10 out of 15 classes, you will get full attendance credit of 8%.

There will also be six problem sets. Assignments will be distributed in the class or posted on the course web page and are due on every other Wednesday, in class. Please see the tentative schedule regarding the detailed due dates. Late homework will NOT be accepted under any circumstances. You are allowed, and in fact encouraged, to work on the problems in groups. However, you must write up your own answer and cannot copy from someone else, even if you worked with that person together. Problems sets that contain identical answers will collectively receive zero points.

The final test will be comprehensive, but will draw more heavily on lectures after the second midterm. Final makes up 30% of your grade. Registrar’s Office scheduled the final test on Wednesday, December 14, from 4:30pm to 7pm at our regular class location. Do not plan to leave before this date because there is no makeup test for the final. University policy requires that you take the final exam at the time Registrar’s office determines. If you miss the final you will lose the 30% of your grade with no exceptions.

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Attendance</td>
<td>8%</td>
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<tr>
<td>Problem Sets</td>
<td>12%</td>
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<tr>
<td>2 Midterms (25% each)</td>
<td>50%</td>
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<tr>
<td>Final Exam</td>
<td>30%</td>
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<tr>
<td>Total</td>
<td>100%</td>
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Your letter grade will be based on your cumulative number of points. The approximate letter grades will be as follows, but I reserve the right to adjust the cut-off points. I will use standard rules for rounding and the following conversion table for the absolute scale:

<table>
<thead>
<tr>
<th>Percent</th>
<th>90.0 – 100.0</th>
<th>80.0 – 89.9</th>
<th>70.0 – 79.9</th>
<th>60.0 – 69.9</th>
<th>0.00 – 59.9</th>
</tr>
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<tbody>
<tr>
<td>Letter Grade</td>
<td>A</td>
<td>B</td>
<td>C</td>
<td>D</td>
<td>F</td>
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**Grading Policy:**
The dates of the two midterm exams and the final, quizzes as well as the problem sets are fixed. There will be NO makeup tests under any circumstances. Missed exams generally will be treated as zeroes; only serious and substantiated medical, university related or personal emergencies may be accepted as legitimate excuses for a missed exam. No exceptions will be made for job interviews, Thanksgiving travel, or other non-academic activities. If you miss a midterm for a legitimate reason, then its weight will be shifted to other midterm and final, i.e. 10% will be shifted to the other midterm (other midterm will count as 35% of your grade) and 15% will be shifted to the final (final exam will count as 45% of your grade). If you fail to take any midterms, your final test will have a weight of 80%, but I strongly suggest you to not to put yourself in any of the above situations. Students who are athletes present an official letter from the University if any of the test dates causes conflict with their scheduled activities. This letter must be presented in advance to me.

Your grade is determined solely by your performance, not by the instructor’s. There will not be any additional credit opportunities after the final test to supplement your grade. You earn your grade based on your performance not based on your needs or wants. The main purpose of my policies is fairness. I believe in rewarding those people who take their responsibilities seriously.

**Course Withdrawal Policy:**
THE LAST DAY TO WITHDRAW FROM A COURSE WITH AN AUTOMATIC “W” IS 2:00 PM, FRIDAY, NOVEMBER 4, 2011. Please keep in mind that there is a maximum of SIX class withdrawals allowed during a student’s undergraduate career in Texas institutions.

**Classroom/professional behavior:**
Texas A&M University-Corpus Christi, as an academic community, requires that each individual respect the needs of others to study and learn in a peaceful atmosphere. Under Article III of the Student Code of Conduct, classroom behavior that interferes with either (a) the instructor’s ability to conduct the class or (b) the ability of other students to profit from the instructional program may be considered a breach of the peace and is subject to disciplinary sanction outlined in article VII of the Student Code of Conduct. Students engaging in unacceptable behavior may be instructed to leave the classroom. This prohibition applies to all instructional forums, including classrooms, electronic classrooms, labs, discussion groups, field trips, etc.

**Classroom Etiquette:** Examples of classroom misconduct that may affect student evaluation include

1. *Habitually* entering or leaving the classroom during class time without the consent of the instructor,
2. Using any telecommunication device (definition: Use of a mobile phone during class, including text messaging, surfing internet. Out of respect for your fellow classmates mobile phones are to be turned off and placed in your bag or pocket. If you are caught using a phone the instructor reserves the right to confiscate the phone and return it at her convenience.)
3. Talking or chit-chatting with other students, and any other activities that are disruptive to the learning environment are also not allowed.
4. Engaging in fraudulent activities regarding class attendance.
Students caught engaging in such activities should expect class or course dismissal along with a letter of reprimand placed in their academic files. According to the University policy, **no cell phone is allowed** in a room when a test/exam is taken.

**Academic Honesty:**
This course, and all other courses offered by the College of Business (COB), requires all of its students to abide by the COB Student Code of Ethics (available online at [www.cob.tamucc.edu](http://www.cob.tamucc.edu)). Provisions and stipulations in the code are applicable to all students taking College of Business courses regardless of whether or not they are pursuing a degree awarded by the COB. Students who violate University rules on scholastic honesty are subject to disciplinary penalties, including the possibility of failure in the course and dismissal from the University. Since dishonesty harms the individual, fellow students, and the integrity of the University, policies on scholastic dishonesty will be strictly enforced.

**Americans with Disabilities Act Compliance:**
The Americans with Disabilities Act (ADA) is a federal anti-discrimination statute that provides comprehensive civil rights protection for persons with disabilities. Among other things, this legislation requires that all students with disabilities be guaranteed a learning environment that provides for reasonable accommodation of their disabilities. If you believe you have a disability requiring an accommodation, please contact the Disability Services Office at (361) 825-5816 or visit the office in Driftwood 101. If you are a returning veteran and are experiencing cognitive and/or physical access issues in the classroom or on campus, please contact the Disability Services office for assistance at (361) 825-5816.

**Grade Appeals:**
As stated in University Rule 13.02.99.C2, Student Grade Appeals, a student who believes that he or she has not been held to appropriate academic standards as outlined in the class syllabus, equitable evaluation procedures, or appropriate grading, may appeal the final grade given in the course. The burden of proof is upon the student to demonstrate the appropriateness of the appeal. A student with a complaint about a grade is encouraged to first discuss the matter with the instructor. For complete details, including the responsibilities of the parties involved in the process and the number of days allowed for completing the steps in the process, see University Rule 13.02.99.C2, Student Grade Appeals, and University Procedure 13.02.99.C2.01, Student Grade Appeal Procedures. These documents are accessible through the University Rules Web site at [http://www.tamucc.edu/provost/university_rules/index.html](http://www.tamucc.edu/provost/university_rules/index.html). For assistance and/or guidance in the grade appeal process, students may contact the Office of Student Affairs.

**Other Aspects of the Course:**

**Oral and Written Communication Content:**
Class discussion, active participation, problem sets, as well as major examinations will provide an opportunity for evaluating students' performance in oral and written communications.

**Technology Applications:**
Students should strive to use current technological aids and use whatever visual aids would improve the quality of their learning process. The course syllabus and other course material will be available online. Students are encouraged to communicate with the instructor using the Internet. Students are expected to develop computer skills and to use the Internet. Students are encouraged to use financial calculators in class for team activities, problem sets, and major examinations. Students may use computers in class for note taking and presentations.
Ethical Perspectives:
Decentralized decision-making in a market price system is emphasized. Outcomes of decentralized decisions are examined at the micro and macro levels of the economy. Class discussions are encouraged so that different perspectives may be openly examined. Positive ("what was done") rather than normative ("what should have been done") is generally the approach used in microeconomics since a competitive market decision is usually considered a desired outcome. The assumption is that people tend to make decisions that they consider to be in their self-interest. Using incentives to encourage people’s decisions toward desired outcomes may accommodate the firm or society’s interest.

Global Perspectives:
Throughout the course, students discuss and compare economic activities in the domestic economy to other economies of the world. The market price system in the U.S. is emphasized and compared to decision-making systems used in other economies.

Demographic Diversity Perspectives:
There is much opportunity to compare and discuss demographic diversity in the course. Input markets are especially important regarding the diversity of labor.

Political, Social, Legal, Regulatory, and Environmental Perspectives:
The market price system is examined in detail throughout the course. How our society deals with property ownership (private vs. public), monopoly power (regulation vs. state ownership), and environmental issues (marginal costs vs. total costs) are continuing topics for discussion throughout the course.
<table>
<thead>
<tr>
<th>Lecture</th>
<th>Date</th>
<th>Subjects Covered</th>
<th>Chapters</th>
<th>PS’s due in Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>WEEK 1</td>
<td>Wed, Aug 24</td>
<td>Introduction; Why Study Public Finance; Theoretical Tools of Public Finance</td>
<td>1 &amp; 2</td>
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<tr>
<td>WEEK 2</td>
<td>Wed, Aug 31</td>
<td>Finish 2, Empirical Tools of Public Finance</td>
<td>3</td>
<td>PS#1</td>
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<tr>
<td>WEEK 3</td>
<td>Wed, Sept 7</td>
<td>Budget Analysis and Deficit Financing</td>
<td>4</td>
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<tr>
<td>WEEK 4</td>
<td>Wed, Sept 14</td>
<td>Externalities: Problems and Solutions</td>
<td>5</td>
<td>PS#2</td>
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<tr>
<td>WEEK 5</td>
<td>Wed, Sept 21</td>
<td>Externalities in Action: Environmental and Health</td>
<td>6</td>
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<td>WEEK 6</td>
<td>Wed, Sept 28</td>
<td>In Class MIDTERM #1 &lt;br&gt; Public Goods</td>
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<td>WEEK 7</td>
<td>Wed, Oct 5</td>
<td>Cost-Benefit Analysis</td>
<td>8</td>
<td>PS#3</td>
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<tr>
<td>WEEK 8</td>
<td>Wed, Oct 12</td>
<td>Political Economy</td>
<td>9</td>
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<td>WEEK 9</td>
<td>Wed, Oct 19</td>
<td>State and Local Government Expenditures</td>
<td>10</td>
<td>PS#4</td>
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<tr>
<td>WEEK 10</td>
<td>Wed, Oct 26</td>
<td>Social Insurance</td>
<td>12</td>
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<td>WEEK 11</td>
<td>Wed, Nov 2</td>
<td>In Class MIDTERM #2 &lt;br&gt; Social Security</td>
<td>13</td>
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<tr>
<td>WEEK 12</td>
<td>Wed, Nov 9</td>
<td>Health Insurance I: Health economics and Private Health Insurance &lt;br&gt; Health Insurance II: Medicare, Medicaid, and Health Care Reform</td>
<td>15 &amp; 16</td>
<td>PS#5</td>
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<tr>
<td>WEEK 13</td>
<td>Wed, Nov 16</td>
<td>Taxation in the US and Around the World</td>
<td>18</td>
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<tr>
<td>WEEK 14</td>
<td>Wed, Nov 23</td>
<td>Equity Implications of Taxation: Tax Incidence</td>
<td>19</td>
<td>PS#6</td>
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<tr>
<td>WEEK 15</td>
<td>Wed, Nov 30</td>
<td>Tax Inefficiencies and Their Implications for Optimal Taxation</td>
<td>20</td>
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Wednesday, December 14, 4:30 p.m. – 7:00 p.m.  FINAL TEST