

**Economics 440
Public Finance**

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Information

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1. Prerequisites

Econ 410 (Intermediate Microeconomics) and at least one semester of differential calculus. It is, however, beneficial to have had Econ 420 (Intermediate Macroeconomics), or any economics course that presents joint model of consumption and production (e.g. the Classical Model).

2. Introduction

This course undertakes an examination of the public sector as an economic agent. There are two sides to this now classic topic: taxation (the collection of public monies = Federal/State receipts) and expenditure (Federal/State outlays). This course will focus primarily on taxation, the logical, but not necessary (as we'll see) precursor to expenditure. The course is naturally theory based: in order to grasp how systems of taxation have developed, we need to model individual and firm behavior in static (one-time period), dynamic (inter-temporal settings), partial equilibrium (one person, one market), and general equilibrium (many people, many markets; inputs and outputs) settings.

3. Course Information

Homework assignments, answer keys, practice exams and announcements will be posted on the course Sakai page..

4. Required Text Book

4.1 "Public Finance" 10th Edition (or most recent edition), by Harvey Rosen and Ted Gayer, McGraw-Hill, 2009.

Feel free to use any edition by Rosen and Gayer. The chapter numbering may differ, but other than that there is little difference.

4.2 In general, older editions of the text book are fine, including the ones with only the author Harvey Rosen. But, the chapters may be arranged and numbered differently. The older editions also do not cover more recent economic events, of course.

5. Course Structure

5.1 There will be 2 tests (midterm = 30%, final = 40%), and numerous assignments, roughly 4-5 (30%).

5.2 Only under a documented medical/legal emergency can the midterm be skipped: in this case the final exam will be weighted 70%. The final exam, however, cannot be skipped under any circumstance. If it is missed with a university approved excuse, then a course grade of “incomplete” will be given.

6. Homework

6.1 There are typically 4-5 graded homework assignments. Please do the math: if there are 5, worth 30% of the total grade, then each is worth 6% of the course grade. If you miss one you lose, without exception, 6% of the course grade. Please keep up with due dates, etc.

6.2 Students may consult with each other as they work on homework (in fact, you are invited to do so), but all students must turn in their own work. If two or more students have identical answers to some problem(s), both will receive an “F” in the course and be reported to the Dean’s office for academic dishonesty.

6.3 Homework can only be turned in *early*, or on the *due date at the beginning of lecture*. Under no circumstances will *late* homework assignments be accepted, including legal/medical emergencies, since answer keys will be posted.

6.4 Homework cannot be emailed (I will not print nor grade the homework), it cannot be placed in my mailbox, nor placed under the door of my office. There are no exceptions. If you foresee a problem please contact me so we can work out a fair option that involves handing the assignment in early.

6.5 If a student cannot be present on the due date of a homework due to a UNC sanctioned event, *nor* can they reasonably turn in the assignment *early* (e.g. the student must be out of town for a week), and can provide proof of such **at least one week prior to the homework date**, then the remaining assignments will be re-weighted.

7. Exam Policy

The midterm and final exams **cannot be made-up** under any circumstance. If the **midterm is missed** due to a *university sanctioned event*, or a *medical emergency*, the final exam will be re-weighted. In the case of a *university sanctioned event* the student must provide proof at least one week prior to the scheduled midterm exam. In the case of a medical emergency, the student must provide proof by the last scheduled lecture (i.e. not after the semester ends). Note that missing any exam due to non-emergency associated travel plans will render an exam score of zero.

8. Examinations- Allowed Material

8.1 During *exams* students are allowed **one sheet (two sides)** of **standard** paper or smaller (not larger than 8"-by-11") with **handwritten** notes. You cannot bring photocopied material of any sort. If there is any deviation from "1 sheet", "2 sides", "standard paper" or "handwritten" the student will receive an "F" in the course and be reported to the Dean. (Example: 1 sheet, two sides, of A4 paper with photocopied material = F). I hold the right to inspect the "cheat sheet" during the exam (and I do usually walk around and check them).

8.2 Always bring a **calculator**. The calculator can only be used to compute numerical solutions. If it is used to store and retrieve formulae the student will receive an "F" in the course and be reported to the Dean. Absolutely **no phones** may be used as a calculator. So, bring a calculator. I hold the right to swap your calculator with mine. I will always bring an extra calculator in case you forget yours.

9. Computer/Laptop/Media Device Policy

Students cannot use a laptop (or related media device: for example, an iPad) during lecture for any reason, including taking notes or reading course material. The sole exception is if a student has a university sanctioned medical reason for using a laptop.

My reason is the same reason many professors invoke: it is now an empirical fact that many students use the device for checking email, social media, web use, and so on. I have seen it as have other professors (professors sit in the back of classrooms in order to watch their peers teach: we also get to see what students are doing on their computers).

Tentative Lecture Schedule and Readings (the week #'s may change)

Week	Topic	Chapter (text book)
1	Introduction Tools of positive analysis (empirical research) Tools of normative analysis (concepts of welfare)	2-3
2	Public Goods	4
3-4	Taxation and income distribution	14
5-6	Taxation and efficiency	15
7-8	Efficient and equitable taxation	16
Midterm Examination		
9-10	The personal income tax (the individual)	17
11	Personal taxation and behavior	18
12	The corporate tax (the firm and profit)	19
13	Deficit finance (why taxation does not need to come before expenditure)	20
14	Taxes on consumption and wealth	21
Final Examination		