

Public Finance

財政學

Fall 2017 and Spring 2018

Instructor: Prof. Li-Chen Hsu

Time: 1:10-4:00 p.m. Monday

Classroom: 綜合院館南棟 270209

Office: 綜合院館南棟九樓 270945

Office hours: 4:10–5:10 p.m. Monday

COURSE OBJECTIVE: Public Finance is a series of two-semester course. The first semester deals primarily with issues of public expenditures and the second semester will discuss government revenues (mainly taxation) and local public finance. The purpose of this course is to use microeconomic theory to analyze some basic topics of public finance. Some practical events will also be discussed in class.

PREREQUISITES: Introductory Microeconomics and Calculus.

TEXTS:

Rosen, Harvey S. and Ted Gayer (2014), *Public Finance*, 10th edition, McGraw Hill. (required)

Boadway, Robin W. and David E. Wildasin (1984), *Public Sector Economics*, 2nd edition, Little, Brown & Company.

Fisher, Ronald C. (2007), *State and Local Public Finance*, second edition, 3rd edition, Irwin.

Musgrave, Richard A. and Peggy B. Musgrave (1989), *Public Finance in Theory and Practice*, 5th edition, McGraw-Hill Book Company.

Stiglitz, Joseph E. (2000), *Economics of the Public Sector*, 3rd edition, W.W. Norton & Company.

GRADING & EXAMS: There will be one midterm exam and one final exam in each semester. Each exam will take two to three hours. The midterm and the final exams will each count 45% of your course grade. Homework assignments will count 10%.

OTHER REQUIREMENTS:

1. 每週至少五小時用於上課前預習，下課後複習。
2. 若要請假，不管是任何假，請自行依政大學生請假規則辦理，千萬不要寄信給我或找我談。
3. 任何缺課的同學，除非符合政大學生請假規則之規定，學期成績依上述方式計算，完全不調整。
4. 上課時禁止使用手機、平板、筆電、與任何電子產品，桌上並且不要擺放這些電子產品，也不要拿在手上隨時準備滑，也不要拿起來拍照和自拍。

5. 本課程準時上課，除非同學因上節課結束太晚以致不及準時進入教室，為避免干擾其他同學上課，請大家切勿遲到。
6. 上課時切勿睡覺聊天或閱讀本課程所指定的教科書以外的書籍或任何雜誌。
7. 除飲料麵包等氣味較淡的食物外，上課時切勿食用其他食物，尤其是炒麵漢堡便當等重口味食物最好不要帶入教室。
8. 遲交的作業以零分計。作業請寫在 A4 或類似大小乾淨的紙張上，並且不接受計算紙，日曆紙，墊便當的紙。

COURSE OUTLINES:

THE FIRST SEMESTER

Review of Some Basic Microeconomics (Rosen Appendix) [第 0 週]

INTRODUCTION

Welfare Economics (Rosen Chapters 2, 3) [第 1, 2 週]

PART 1: WHY IS THERE A ROLE FOR THE GOVERNMENT?

A. Public Goods (Rosen Chapter 4, Stiglitz Chapter 6) [第 3, 4 週]

- the definition of public goods
- the efficiency condition of the provision of public goods: Samuelson conditions
- problem with public goods
- Lindahl equilibrium (Stiglitz Chapter 7)
- preference revelation (Boadway & Wildasin: Groves-Ledyard mechanism, pp. 161-166, Varian: Clarke tax, pp. 622-627)
- merit goods and club goods (Musgrave & Musgrave: various chapters, Boadway and Wildasin Chapter 4)

B. Externalities (Rosen Chapter 5, Stiglitz Chapter 9) [第 6, 7 週]

- the definition of externalities
- types of externalities
- private solutions to externalities
- government sector solutions to externalities
- the theory of commons

C. Public Choice (Rosen Chapter 6, Stiglitz Chapter 7, Boadway & Wildasin Chapter 6) [第 8, 9 週]

- Direct democracy
 1. the Bowen-Black majority voting model
 2. the Buchanan-Tullock model
 3. Arrow's impossibility theorem

- Representative democracy
 1. the Downs model
 2. the Romer-Rosenthal model

Midterm Exam: 2017/11/13 [第 10 週]

D. Cost-Benefit Analysis (Rosen Chapter 8, Stiglitz Chapter 11) [第 11, 12 週]

- private sector project evaluation
 - net present value (NPV)
 - internal rate of return (IRR)
 - benefit-cost ratio (B/C)
- social discount rates
- shadow prices and market prices
- the evaluation of time, life, natural resources, and risk

E. Public Enterprise Pricing (Stiglitz Chapter 8, Boadway & Wildasin Chapter 7) [第 13 週]

F. Expenditure Programs (Rosen Chapters 9, 10, 11, 12, 13, Stiglitz Chapters 10, 12, 13, 14, 15, 16) [第 14, 15, 16 週]

- efficiency consequences to expenditure programs
- distributional consequences to expenditure programs
- welfare programs
- defense
- social insurance
- education

Final Exam: 2018/01/08 [第 18 週]

THE SECOND SEMESTER

GOVERNMENT REVENUES

A. Criteria for a Good Tax (Rosen Chapters 14, 15, 16, Stiglitz Chapter 18, 19, 20)

- taxation and equity: tax incidence (Rosen Chapter 14) [第 1, 2 週]
 - partial equilibrium analysis (Stiglitz Chapter 18)
 - general equilibrium analysis
- taxation and efficiency: excess burden (Rosen Chapter 15, Stiglitz Chapter 19) [第 3, 4 週]
- optimal taxation (Rosen Chapter 16, Stiglitz 20) [第 5, 6 週]
- tax evasion (Rosen Chapter 16, Stiglitz Chapter 24) [第 7 週]

Midterm Exam: 2018/4/23 [第 9 週]

B. The Tax System (Rosen Chapters 17, 18, 19, Stiglitz Chapters 19, 22, 23, 24)

- the incentive effect of personal income taxes (Rosen Chapter 18, Stiglitz Chapter 19) [第 8, 10 週]
- the personal income tax (Rosen Chapter 17, Stiglitz Chapter 22) [第 11, 12 週]
- the corporation income tax (Rosen Chapter 19, Stiglitz Chapter 23) [第 13, 14 週]

C. Debt (Rosen Chapter 20, Stiglitz Chapter 18) [第 15 週]

- Ricardian equivalent theorem

PART III: STATE AND LOCAL PUBLIC FINANCE (Rosen Chapter 22) [第 16 週]

- Tiebout model
- optimal government size
- grants
- property tax

Final Exam: 2018/6/25 [第 18 週]