Basic Course Information:
Professor: Greg Burge (Dr. B)  
Office Location: Cate Center 1, Room 430
E-mail: gburge@ou.edu  
Office Hours: MW 1:15 - 2:15 PM
Class Time: MW 3:00 - 4:15 PM  
Class Meeting Room: Cate Center 1, Room 174

Course Description: Public Finance is the study of the role of government in a market oriented economy and the effects of government policies on resource allocation (efficiency) and income distribution (equity). In this course, we will discuss the fundamental theoretical principles that justify the existence of the public sector and coercive taxation. These include various types of market failure, public goods, and externalities. We seek to compare and contrast the concepts of market failure and government failure, to better understand what the role of the public sector should and should not be in a market oriented economy.

We will address both the positive and normative aspects of government activity, with a focus on taxation. Our positive analysis will focus on how the government (mainly the US but other countries as well) currently raises tax revenue and what effects these policies/programs have on economic behavior and outcomes. Our normative analysis will focus on how economic theory indicates governments should raise revenues. This course focuses mainly on taxation (the revenue raising side) and leaves the analysis of government programs (the revenue spending side) less formally covered. Two additional goals are as follows: 1) that you leave the course with a better understanding of how the analytical tools of economics enable further critical thinking about other public polices as you move on in your lives & 2) that you strengthen your research, writing, and critical thinking skills.

Prerequisites: Familiarity with the basic models and tools of microeconomics, introduced in principles and refined/expanded in Intermediate Micro (3113) is assumed.

Text: Public Finance, by Harvey Rosen & Ted Gayer, McGraw-Hill, 10th ed., 2014. You need the e-Book version to be able to complete the on-line HW assignments. [ISBN 9781259306730] You may be able to find the physical textbook (or a previous edition of the book) at a discounted price if you look in the right spots! Previous editions contain (largely) the same discussions that you will find in the current edition.

Desire to Learn and Email:  
Course materials (PowerPoint slides, problem sets, practice questions, answer keys, etc.) will be posted on Desire to Learn. Students should check OU email and the course webpage at least somewhat regularly.

Students with Disabilities:  
Students seeking accommodation for any reason (including pregnancy-related conditions) should register with the Office of Disability Services (ODS). Please note exams are time sensitive. For quizzes I will reserve 40-45 minutes, and for exams the entire class period. If taking timed exams is an issue, please contact ODS.

Honor Code Statement:  
Academic dishonesty will not be tolerated. Students are assumed to be familiar with the student honor code. Instances of academic dishonesty will be dealt with harshly. However, students are encouraged to work/study together on problem sets and to use group learning sessions to prepare for exams.

Religious Observance:  
Absences due to religious observances are excused. Students needing to make work up should contact me.

Title IX Resources and Reporting Requirement  
For any concerns regarding gender-based discrimination, sexual harassment, sexual assault, dating/domestic violence, or stalking, the University offers a variety of resources. To learn more or to report an incident, please contact the Sexual Misconduct Office at 405/325-2215 (8 to 5, M-F) or smo@ou.edu. Incidents can also be reported confidentially to OU Advocates at 405/615-0013 (phones are answered 24 hours a day, 7 days a week).
Course Components:

**Problem Sets & Quizzes:** There are 3 problem sets. Problem sets will not be collected or graded. However, we will have 3 in class quizzes, one roughly corresponding to each problem set. The quiz will be a combination of analytical and/or essay response problems that mirror the structure of the problem set, and multiple choice questions. The 3 quizzes will account for 10% of your final grade and are primarily meant to prepare you for the course exams. I will drop your lowest quiz grade. **For this reason there are no make-ups on the quizzes.**

**Homework:** We cover 15 Chapters, each with an on-line HW assignment providing lots of Multiple Choice questions to develop your mastery of the material. HW is worth 15% of our final grade, so 1% per assignment, simple enough. IF COMPLETED, the HW is designed to be a grade-booster, with full 100% credit.

**Midterms:** There will be 2 midterms, each worth 15% of your final grade. While they are not cumulative, analytical skills you develop early in the course will be used in later sections. Problems may include multiple choice questions, analytical problems, graphing exercises, and essays. Some questions may require the use of a calculator - **students may bring calculators but will not be allowed to use graphing calculators, cell phones, or other personal devices.** Students missing an exam will have one week from the exam date to make it up.

**Final Exam:** The final exam will be worth 25% of your final average and will take place on Friday December 14th, from 4:30 pm - 6:30 pm. Contact me ASAP if an emergency causes you to miss the final.

**Curve:** There will be a consistent curving rule applied to each midterm and the final exam. I take the highest natural score and increase that to a 100. The same “bump” is then added to all other scores.

**Class Participation/Attendance:** You are expected to positively contribute to the learning environment. Even the best textbook can’t possibly replicate a great classroom environment. **While there is no attendance grade per se, I will take attendance 15 times.** These measures can boost or penalize your final grade by no more than two points. Adjustments are as follows: 14-15 times earns a boost of +2, 13 times gets a boost of +1.5, 12 would be +1. 8-11 times gets left alone, 6-7 times means one point subtracted off, and 5 or less means 2 points subtracted off. If you have excused absences for University activities (sports events, research presentations, organizational meetings) or miss for a religious holiday you can receive credit for those days.

**Tax Policy Paper:** We will talk much more about the paper before it is due Monday, Nov. 19th. Late papers will not receive full credit. The paper is worth 20% of your final grade. You will receive a separate handout comprehensively covering the details of the paper. You will submit a digital copy to turnitin.com and a regular physical copy to me in class.

**Grading:** Your final grade for the course will be a weighted average coming from:

- Quizzes (10%)
- Homework (15%)
- Midterm 1 (15%) & Midterm 2 (15%)
- Final Exam: 25%
- Tax Policy Paper: 20% with final letter grades determined as follows:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>A</td>
<td>90.0-100</td>
</tr>
<tr>
<td>B</td>
<td>80.0-89.99</td>
</tr>
<tr>
<td>C</td>
<td>70.0-79.99</td>
</tr>
<tr>
<td>D</td>
<td>60.0-69.99</td>
</tr>
<tr>
<td>F</td>
<td>less than 60</td>
</tr>
</tbody>
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Any cutoff is “harsh” in the sense that two individuals with final averages just above/below the cutoff earn different grades, even though they have similar scores. **PLEASE keep in mind that the class participation adjustment is meant to address this unavoidable situation.** Strong attendance combined with a “close” score will result in the higher grade. Poor attendance combined with a “close” score will result in the lower grade.

**Classroom Setting:**
Please be on time and respectful to all your classmates. Feel free to ask questions – discussion enhances the learning environment. Laptops/tablets are not a problem if they are displaying the course lectures – they are not to be used for other purposes during class. Cell phones should be set to silence. Please sit close to an exit if you need to arrive late or leave early for a legitimate conflict.
Schedule of Topics

Syllabus & Course Introduction: (weeks 1-2)
- Introduction (Chapter 1)
- Tools of Positive Analysis (Chapter 2)
- Tools of Normative Analysis (Chapter 3)

Section I: Market failure & the role of government in a market economy (weeks 3-4)
- Externalities (Chapter 5)
- Public Goods (Chapter 4)

Midterm Exam 1: Monday, September 17th

Section II: Political Economy, Government Failure and Related Topics (weeks 5-6)
- Political Economy (Chapter 6)
- Public Debt and Deficits (Chapter 20)

Section III: Issues in Taxation – Taxing efficiently and equitably (weeks 7-10)
- Motivations for Taxation & Income Redistribution (Chapter 12 and extensions)
- A “Taxonomy” of Taxation (handout/extensions)
- Taxation and Income Distribution (Chapter 14)
- Equity and Efficiency Issues in Taxation (Chapter 15 & 16)

Midterm Exam 2 covering Sections II & III: Wednesday, October 24th

Section IV: US Federal Taxes (weeks 11--12)
- Personal Income Taxation & Behavioral Effects (Chapters 17 & 18)
- Taxes on Consumption and Wealth & Tax Reform (Chapter 21)

Section V: Fiscal Federalism (weeks 13-14)
- Public Finance in a Federal System (Chapter 22 & extensions)

Section VI: Housing & Property Taxation (week 15)
- Property Taxes, Housing Policy, related topics (Portions of Chapter 22 & supplemental readings)

Cumulative Final Exam, with emphasis on Sections IV, V and VI (Friday Dec. 14th, 4:30 PM – 6:30 PM)

A brief note on an Economics Department Policy:

THE ECONOMICS DEPARTMENT RESERVES THE RIGHT TO DROP STUDENTS FROM ECONOMICS COURSES FOR NON-ATTENDANCE DURING THE FIRST WEEK OF CLASSES OR FAILURE TO MEET PREREQUISITES. STUDENTS WHO WISH TO DROP ECONOMICS COURSES AFTER ENROLLMENT STILL HAVE THE RESPONSIBILITY FOR THE DROP.
Introduction & Section I: covered on the first midterm exam. We will cover questions like:

- Why do governments exist?
- What role should they play in a market based economy?
- Can markets fail? If so – when and why do they fail?
- What are externalities and how do they affect society?
- What are public goods and how do they affect society?
- How do economists approach issues related to the size of government?
- How may ones political ideology affect their view of the role of government?
- What are the three main types/categories of political ideology that exist in the world?
- What is welfare economics and why do economists care about it in the first place?

Section II and Section III: covered on Midterm Exam #2. We will cover questions like:

- Can governments fail?
- If so, how can they fail and what factors cause them to fail?
- What types of voting rules can be used to determine policies? What are the advantages and disadvantages of each type?
- What is the “Median Voter Theorem” and how does it affect political outcomes?
- What is Rent Seeking and what role does it play in a pluralistic democracy?
- So many seemingly conflicting statements are made about the US deficit – can one begin to sort out some of the simple facts about US debt and deficits?
- What are the different economic rationales that have been developed to justify income redistribution policies?
- What main types of taxes are used by governments? Which are most relied upon in the US? Other parts of the world?
- How progressive/regressive are different types of taxes. What about our tax system as a whole? What is vertical equity and horizontal equity in regards to taxation?
- Why are marginal tax rates so important and what is the difference between marginal tax rates and average tax rates.
- What is the “excess burden” of a tax?
- How do the important concepts of “efficiency” and “equity” affect the analysis of tax policy and why are they often at odds with each other.

Sections IV, V, and VI: covered in weeks 11-16 and emphasized more heavily on the final exam.

- How does our income tax system work and why is it used so intensively in the US compared to other countries?
- What sorts of behavioral effects do income taxes have on households’ decisions?
- What is “Fiscal Federalism”? What is the “Tiebout” model?
- What are the advantages/disadvantages of a decentralized system of government?
- Why are property taxes so important for local governments? How has the reliance on the property tax changed over time?
- Why are property taxes so consistently disliked by citizens?
- What are some current issues associated with property taxation?
- How does the federal government subsidize homeownership?
- How does the federal government subsidize renting?
Icebreaker Questions

1. What fashion trend did you used to wear/do that you are embarrassed about now?

2. What is the most enjoyable place to which you have traveled/visited?

3. What is the oldest piece of clothing you own that you still actually wear?

4. What is your earliest childhood memory?

5. What is your favorite line from a movie?

6. What was your favorite TV show growing up?

7. What is (or was) a nickname that friends/relative call you by?

8. Plain or Peanut M&M’s

9. If you were to get a tattoo, what would it say/be?

10. What was your worst job ever? Best job ever? (answer either or both!)

11. What is your favorite sport to watch? To play?

12. What was the first car you ever purchased? How much did it cost?

13. What household chore do you enjoy most? Least?

14. Where were you born? How many states have you lived in?

15. Do you have any siblings? (& how many & gender breakdown)
Survey of Interests/Background: Econ 4353 – Public Finance – Issues and Taxation
This is intended to help me understand our composition and make the course as productive as possible.

NAME ___________________________ STANDING (by credit hours) ___________________________

Major(s) and/or Minor(s) ________________________________________________________________

1. What do you expect to learn in this course? (Please be as specific as possible)

2. Which of the following classes have you taken: (please indicate with a check) 
   Previously? Concurrent?
   a. Intermediate Microeconomics
   b. Intermediate Macroeconomics
   c. Please list any other upper division Economics classes you have taken and indicate if they are
      previous or concurrent with this semester.

3. From your previous economics courses, what do you like most about economics?

4. From your previous economics courses, what do you like least about economics?

5. Tentative post-graduation plans? Don’t be afraid to say you are unsure but take a ‘guess’ if possible.

Statement of Familiarity with the Course Syllabus: Please SIGN (do not print) your name below to
indicate you received the course syllabus and that you are familiar with it.

Student Signature ________________________________________________________________