

COURSE TITLE: PUBLIC FINANCE
COURSE CODE: ECON 3016
LEVEL: Undergraduate (Level III)
SEMESTER: I
NO. OF CREDITS: Three (3)
PRE-REQUISITE(S): ECON 1001 and ECON 1002

COURSE DESCRIPTION

This course examines: the Role of Government in the Economy especially in Developing Countries and the Caribbean; Taxation (both direct and indirect) and its Impact on the Economy; the Theory of Public Sector Pricing and Production; the Design of Public Policy and the Scope and Limitations of Public Economic Policy.

PURPOSE OF THE COURSE

ECON 3016: Public Finance is one of the Level III elective courses offered by the *Department of Economics*. It is designed to introduce you to the economics of government spending and taxation. The course focuses on analyzing the effects of expenditure programs and taxation policies on the economic behaviour of individual consumers, households and firms. The efficiency and equity effects of public policy will be discussed. Special emphasis will be placed on issues and challenges facing Caribbean countries.

LEARNING OUTCOMES

Upon successful completion of this course the student will be able to;

- Provide arguments for the case of government intervention in a modern economy.
- Identify both market failure and government failure and explain the causes of each.
- Distinguish between public goods, goods produced by the public sector and goods provided by the public sector.
- Identify externalities, their impacts, and evaluate the relative merits of various public sector interventions designed to resolve the associated issues.
- Explain and critically evaluate the concepts of equity and efficiency as a basis for decision making in taxation and public expenditure.
- Explain the planning and budgeting process in developing countries
- Distinguish between tax avoidance and tax evasion and articulate the considerations relevant to the design of public policy to minimize tax evasion
- Analyse specific policy issues in the area of public expenditure and taxation from the perspectives of both traditional public finance and public choice

- Critically evaluate contemporary public debate on topics in public finance.
- Understand the usefulness and limitations of economic analysis in the field of public finance.
- Critically evaluate systems of taxation and proposals for tax reform

CONTENT

1. The Nature of Public Finance

- 1.1 The Rationale for State Intervention
- 1.2 The Nature of State Intervention

2. Analysis and Impact of Taxation

- 2.1 Efficiency and Equity: Excess Burden and Incidence
- 2.2 Taxation and the Supply of Labour, Savings and Investment
- 2.3 Taxation in Developing Countries

3. Analyzing Public Expenditure and Budgeting

- 3.1 Public Expenditure and Economic Growth
- 3.2 Allocation and Control of Public Expenditure
- 3.3 Traditional Budgeting and Alternative Approaches
- 3.4 Deficit Financing and the Public Debt

4. Special Issue: Health and Equity

ASSESSMENT

Coursework: 25%

Final exam: 75%.

The coursework component will consist of 2 class quizzes (6% each) and an essay (12%) that will require the student to critically evaluate the design and application of a specific element of public finance management in any Caribbean economy, using the conceptual and analytical issues covered in this course.

TEACHING STRATEGIES

Lectures: Teaching will primarily take place through descriptive face to face lecture sessions and class discussions. Lectures will be conducted on Mondays between 2 pm – 4 pm. Each student is required to attend one two-hour lecture session per week. Delivery of the course will be

supported online via the "myelearning" website. On a regular basis, students should login to the site to access tutorial materials, assigned readings, links and activities, to make inquiries, and to see the latest announcements and discussions.

Tutorials: A tutorial session will be held once per week for one hour. The tutor will conduct the sessions on the assumption that all students in attendance have read/prepared the required material as indicated by the tutorial assignment(s). Each student will be required to prepare written responses to tutorial assignments and submit to the tutor. ***All students are expected to participate fully in these tutorial sessions.*** The tutor will maintain an attendance record which will be kept as part of the Department's records.

LECTURER INFORMATION

Lecturer: Dr. Ewan Scott
Office: Social Sciences Faculty Office
Telephone: 662-2002 x82402
Office Hours: To be announced
Email: ewan.scott@sta.uwi.edu

TEXTBOOK

Howard, Michael, Althea La Foucade and Ewan Scott. 2009. *Public Sector Economics for Developing Countries*: 2nd Edition. Mona, Jamaica: UWI Press.***

COURSE CALENDAR AND READINGS

Week (s)	Topic/Unit	Readings
1 - 3	1. The State and the Economy	<p>1.1 The Rationale for State Intervention</p> <p>References:</p> <p>Michael Howard, Althea La Foucade, Ewan Scott. 2009. <i>Public Sector Economics for Developing Countries: 2nd edition</i>. Mona Jamaica: UWI Press. Ch 1-4;***</p> <p>A.B. Atkinson and J.E. Stiglitz. 1980. Lectures on Public Economics. McGraw-Hill Lecture 1, pp. 3-10.**</p>

		<p>M.D. Reagan, <i>The Managed Economy</i>, Ch. 8.**</p> <p>C.V. Brown and P.M. Jackson. 1991. <i>Public Sector Economics</i>. 4th edition. Ch. 2, “The Economic Rationale of the Modern State,” pp. 27-60.***</p> <p>World Development Report (1997), Ch. 1, “<u>The Evolving Role of the State</u>,” pp. 19-28.**</p> <p>http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/1997/06/01/000009265_3980217141148/Rendered/PDF/multi0page.pdf</p> <p>Vito Tanzi. 1999. “The Changing Role of the State in the Economy - An Historical Perspective,” in <i>Fiscal Decentralisation in Emerging Economies</i>, eds. K. Fukasaku and Luiz de Mello, OECD. pp. 17 – 34.**</p> <p>http://www.imf.org/external/pubs/ft/wp/wp97114.pdf</p> <p>1.2 The Nature of State Intervention</p> <p>References:</p> <p><i>Public Sector Economics for Developing Countries: 2nd edition</i>. 2009. Michael Howard, Althea La Foucade, Ewan Scott. Mona Jamaica: UWI Press. Ch 7, 9***</p> <p>R. Musgrave: 1959. <i>The Theory of Public Finance</i>. A study in public economy. McGraw-Hill. Chs. 1, 2, & 4-6.*</p> <p>J. Williamson, “On the Characterization of Good Economic Policy: Is There a Consensus?” <i>World Development</i>, Sept. 1982.**</p> <p>Montek Ahluwalia, “The Scope for Policy Intervention,” in Chenery et al. <i>Redistribution and Growth</i>.*</p>
4 - 7	2. Analysis and Impact of Taxation	<p>2.1 Efficiency and Equity: Excess Burden and Incidence</p> <p>References:</p> <p><i>Public Sector Economics for Developing Countries: 2nd edition</i>. 2009. Michael Howard, Althea La Foucade, Ewan Scott. Mona Jamaica: UWI Press. Ch 14, 15, 21***</p>

R. Musgrave, op. cit., pp. 140-15.*

Shah, Anwar and John Walley, "Tax Incidence Analysis of Developing Countries: An Alternative View," The World Bank Economic Review, Vol. 5, No. 3, September 1991.*

2.2 Taxation and the Supply of Labour, Savings and Investment

References:

Public Sector Economics for Developing Countries: 2nd edition. 2009. Michael Howard, Althea La Foucade, Ewan Scott. Mona Jamaica: UWI Press. Ch 16, 17***

Atkinson and Stiglitz, op. cit., Ch.2, pp.31–58, Ch. 3, pp.60–81 and 90–95.*

Liam P.Ebrill, "Are Labour Supply, Savings and Investment Price-Sensitive in Developing Countries," in Supply-Side Tax Policy – Its Relevance to Developing Countries, edited by Ved Gandhi (IMF).*

Tax Reform in the Caribbean, Karl Theodore(ed.)

C.V. Brown and P.M. Jackson, op. cit., Ch. 17, "Income Taxation and the Work/Leisure Choice," pp.434-456.*

2.3 Taxation in Developing Countries

References:

Public Sector Economics for Developing Countries: 2nd edition. 2009. Michael Howard, Althea La Foucade, Ewan Scott. Mona Jamaica: UWI Press. Ch 18, 19,20***

Vito Tanzi, "Quantitative Characteristics of the Tax Systems of Developing Countries," in The Theory of Taxation for Developing Countries, edited by David Newberry and Nicholas Stern, A World Bank Research Publication, 1987. **

http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2000/03/23/000178830_98101911180371/Rendered/PDF/multi0page.pdf

8 - 10	3. Analyzing Public Expenditure and Budgeting	<p>References:</p> <p><i>Public Sector Economics for Developing Countries: 2nd edition.</i> 2009. Michael Howard, Althea La Foucade, Ewan Scott. Mona Jamaica: UWI Press. Ch 6,7, 11***</p> <p>R.O. Khalid, “Planning and the Budget Process: An Introduction,” Finance and Development, 1978*</p> <p>A. Premchand, Government Budgeting and Expenditure Controls, Chs. 1, 6 & 9. **</p> <p>World Bank, “Improving the Allocation of Public Spending,” World Development Report, 1988, Ch. 5. **</p> <p>http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2000/12/13/000178830_98101912131965/Rendered/PDF/multi_page.pdf</p> <p>UNECLAC. 1998. The Fiscal Covenant, Ch IV, “Public Expenditure,” pp. 99-130 *</p> <p>Karl Theodore. 2007. “Perspectives on Fiscal Policy for Trinidad and Tobago Budget 2007/8” Guest Lecture***</p> <p>Karl Theodore. 2000. A Fiscal Reform Agenda for the Caribbean: Fiscal Reform and Development.</p> <p>Rati Ram, “Causality Between Income and Government Expenditure: A Broad International Perspective.” AER reference**</p>
11	4. Special Issue: Health and Equity	<p>References:</p> <p><i>Public Sector Economics for Developing Countries: 2nd edition.</i> 2009. Michael Howard, Althea La Foucade, Ewan Scott. Mona Jamaica: UWI Press. Ch 8***</p>
12	5. Review /Recap Lecture Session	All of the above

*** Required Reading ** Supplemental Reading * Highly Recommended

PLANNED COURSE ACTIVITIES

Student Participation in planned Departmental activities for 2019/20

1. Attendance at the Department's Post National Budget Forum 2019. Date, venue and time of this event TBA.
2. Attendance at the Conference on the Economy (COTE 2019) on October 10 – 11, 2019.

ADDITIONAL INFORMATION

Policies to Note

Students are reminded of UWI Examination regulations 18 which states,

18. *“Any candidate who has been absent from the University for a prolonged period during the teaching of a particular course for any reason other than illness or whose attendance at prescribed lectures, classes, practical classes, tutorials, or clinical instructions has been unsatisfactory or who has failed to submit essays or other exercises set by his/her teachers, may be debarred by the relevant Academic Board, on the recommendation of the relevant Faculty Board, from taking any University examinations. The procedures to be used shall be prescribed in Faculty Regulations.”*

In this connection, the Faculty of Social Sciences **requires students to attend and participate in at least 75% of lectures and tutorials.**

Students are also reminded of UWI regulations on Plagiarism which states,

2 Plagiarism means the unacknowledged and unjustified use of the words, ideas or creations of another, including unjustified unacknowledged quotation and unjustified unattributed borrowing.

7 When a student submits for examination work under Regulation 1, the student shall sign a statement, in such form as the Campus Registrar may prescribe, that as far as possible the work submitted is free of plagiarism including unattributed quotation or paraphrase of the work of another

In this connection, all projects must therefore to be submitted to the Secretariat of the Department of Economics **and must include an accountability statement.**

How to Study for This Course

Students should keep up to date with the course material via the suggested readings as well as the lecture notes and tutorial assignments. The Department is committed to supporting students in their quest to understand and indeed to excel. Please feel free to consult with your course lecturer and

tutor as problems/issues arise. Students are strongly encouraged to visit the lecturer during stipulated office hours to discuss various issues and concerns. Alternatively, special appointments can be made (using the Instructor Information provided above) if necessary.

New GPA Grading Scheme: From the Board for Undergraduate Studies*

Grade	% Range	Grade Point	Grade Definition	Grade Descriptor
A+	90 -100	4.3	Exceptional	Demonstrates exceptional performance and achievement in all aspects of the course. Exceptional application of theoretical and technical knowledge that demonstrates achievement of the learning outcomes. Goes beyond the material in the course and displays exceptional aptitude in solving complex issues identified. Achieves the highest level of critical, compelling, coherent and concise argument or solutions within the course.
A	80 – 89	4.0	Outstanding	Demonstrates outstanding integration of a full range of appropriate principles, theories, evidence and techniques. Displays innovative and/or insightful responses. Goes beyond the material with outstanding conceptualization which is original, innovative and/or insightful. Applies outstanding critical thinking skills
A-	75 - 79	3.7	Excellent	Demonstrates excellent breadth of knowledge, skills and competencies and presents these in appropriate forms using a wide range of resources. Demonstrates excellent evidence of original thought, strong analytical and critical abilities; excellent organizational, rhetorical and presentational skills.
B+	70 - 74	3.3	Very Good	Demonstrates evidence of very good critical and analytical thinking in most aspects of the course. Very good knowledge that is comprehensive, accurate and relevant. Very good insight into the material and very good use of a range of appropriate resources. Consistently applies very good theoretical and technical knowledge to achieve the desired learning outcomes.
B	65 - 69	3.0	Good	Demonstrates good knowledge, rhetorical and organizational skills. Good insight into the material and a good use of a range of appropriate resources. Good integration of a range of principles, techniques, theories and evidence.
B-	60 - 64	2.7	Satisfactory	Displays satisfactory evidence of the application of theoretical and technical knowledge to achieve the

Grade	% Range	Grade Point	Grade Definition	Grade Descriptor
				desired learning outcomes. Demonstrates sound organizational and rhetorical skills.
C+	55 - 59	2.3	Fair	Demonstrates fair breadth and depth of knowledge of main components of the subject. Fair evidence of being able to assemble some of the appropriate principles, theories, evidence and techniques and to apply some critical thinking.
C	50 - 54	2.0	Acceptable	Demonstrates acceptable application of theoretical and technical knowledge to achieve the minimum learning outcomes required in the course. Displays acceptable evidence of critical thinking and the ability to link theory to application.
F1	45 - 49	1.7	Unsatisfactory	Demonstrates unsatisfactory application of theoretical and technical knowledge and understanding of the subject. Displays unsatisfactory ability to put theory into practice; weak theoretical and reflective insight. Unsatisfactory critical thinking, organizational and rhetorical skills.
F2	40 - 44	1.3	Weak	Weak overall performance with very limited knowledge and understanding of the subject. Little evidence of theoretical and reflective insight. Weak organizational and rhetorical skills.
F3	0 - 39	0	Poor	Overall poor or minimal evidence of knowledge and understanding of the subject. Displays little ability to put theory into practice; lacks theoretical and reflective insights. Incomplete breadth and depth of knowledge on substantive elements of the subject. Little or no evidence of critical engagement with the material. Responses are affected by irrelevant sources of information, poor organizational and rhetorical skills.

- <http://www.uwi.edu/gradingpolicy/index.html>