

AP/ECON 4080 3.0M PUBLIC FINANCE II  
Public Finance in Canada : Expenditure  
Winter 2015 – 16

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[or *moodle*]

### Text

There is **NO** required textbook for this course.

There are several textbooks which may be worth using.

The only Canadian textbook is

**Rosen, Wen, and Snoddon : PUBLIC FINANCE IN CANADA  
Fourth Canadian Edition, McGraw-Hill Ryerson 2012**

This book has some useful information on Canadian expenditure policies, but is pretty expensive. It will be on 2-hour reserve in Scott Library.

A very good theoretical text, is

**Hindriks and Myles : Intermediate Public Economics, MIT Press, (second edition)  
2013**

Similar (good, theoretical) is

**Leach : A Course in Public Economics, Cambridge, 2004**

If you want lots of real-world applications and empirical examples (mostly American, unfortunately) try

**Gruber : Public Finance and Public Policy, Fourth Edition, Worth, 2013**

And an older book which still is very useful is

**Boadway and Wildasin : Public Sector Economics, Second Edition, Little Brown,  
1984 (Chinese translation : Renmin University Press, Beijing, 2000)**

And a good introductory text on public choice (used only in section 4 of the course) is

**Mueller : PUBLIC CHOICE III, Cambridge University Press, 2003**

Although most of the course is theoretical in nature, I will refer occasionally to the Canadian

tax system. Perhaps the best source of data on both the revenue ( fall term ) and expenditure ( winter term ) of the Canadian federal, provincial and municipal governments is: *Finances of the Nation*, by Treff and Ort. The most recent version available is the 2012 edition ; the reference section of the Schulich library has a copy.

I will refer below to material from some of these books. But perhaps the most comprehensive reference (if not the most elegant or coherent) are my lecture notes, which will be available (in "pdf" format) online on my website.

### **Evaluation**

Your grade will be determined by a mid-term exam, and a final exam.

Mid-term	Wed. Feb. 10	in class time	33.33%
Final Exam	exam period	(Apr. 6–20)	66.67%

The mid-term will be held in class time, and will last 1 hour.

### **Senate Policy on Academic Dishonesty**

The university's rules concerning cheating, and other breaches of academic honesty, can be found on the web at

<http://www.yorku.ca/secretariat/policies/document.php?document=69>

### **Deferred Standing**

The department's policy on deferred standing (make-up final examinations) can be found on the web at

[http://dept.econ.yorku.ca/undergraduate/Deferred\\_Standing1.pdf](http://dept.econ.yorku.ca/undergraduate/Deferred_Standing1.pdf)

## Course Outline

1. Public Goods (cf Rosen et al : chapter 4, Leach : chapters 10–12, Hindriks and Myles : sections 5.1–5.5, 5.6)
2. The Free Rider Problem and Preference Revelation (cf Varian, *Intermediate Microeconomics* : chapter 35, Nicholson, *Microeconomic Theory*,: chapter 24, Leach : chapter 20, Hindriks and Myles :5.7, 5.9)
3. Externalities (cf Rosen et al : chapter 5, Leach : chapters 6 –9, 13, Hindriks and Myles : chapter 7, Coase, R. : “The Problem of Social Cost”, *Journal of Law and Economics*, 3, 1960, 1–44, Dolbear, F. : “On the Optimum Externality”, *American Economic Review*, 57, 1967, 90–103)
4. Public Choice (cf Rosen et al : chapter 8, Hindriks and Myles : chapters 10 & 11, Mueller : chapters 4 – 18, Ordeshook, P. : *Game Theory and Political Theory*, Cambridge University Press, 1988)
5. Insurance and Pensions (cf Rosen et al : chapters 10–12, Leach : chapter 19, Hindriks and Myles : chapters 9, 20, Gruber, J. & D. Wise (editors) : *Social Security and Retirement around the World*, University of Chicago Press (NBER), 1999)
6. Fiscal Federalism (cf Rosen et al chapter 9, Hindriks and Myles : sections 6.5-6.7 ; chapters 17 & 18, Tiebout, C. : “A Pure Theory of Local Expenditures”, *Journal of Political Economy*, 64, 1956, 416–424)