

Public Finance
Econ 344
TR 12:40-2:00, East 119

Instructor: Dzmitry Asinski

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Office hours: TR 11:00-12:30 and by appointment.

Webpage: <http://www.econ.iastate.edu/classes/econ344/Asinski/> (the web-page will be updated all the time over the course of the semester)

Texts:

Required:

Harvey S. Rosen, *Public Finance*, 7th edition, McGraw-Hill Irwin, 2005.

Additional texts:

Neil Bruce, *Public Finance and the American Economy*, 2nd edition, Addison-Wesley, 2001.

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

Grading policy:

The evaluation will be based on the following schedule:

Homework and class participation	15%
Midterm Exam 1	25%
Midterm Exam 2	25%
Final Exam	35%

Homework and Exams:

There will be two midterm exams and one final exam. Each midterm will carry the same weight and will be non-cumulative. The **first midterm** will cover the material of the first five weeks (first four homework assignments); it **will be held in class on Tuesday, February 22**. The **second midterm** will cover the material of the weeks six through nine (homework assignments 5 through 7); it **will be held in class on Tuesday, March 29**. The final exam will be cumulative but most of the questions will come from the last part of the course (homework assignments 8 through 10).

There will be no make-up exams. If you miss the midterm exam you will be assigned a zero for it, unless you have a well-documented proof of medical or family emergency. In the latter case, the other two exams will carry proportionately higher weight. You must take final to pass the course.

In addition, I will give 11 homework assignments during this semester. The assignments will typically be given out on Thursdays and will be due in a week next Thursday in class. This deadline will be enforced because I will post the answers to each homework assignment on the webpage on the day it is due. You may work in groups on the homework, but each of you still has to turn in a copy of the solution. It is important that you do your homework because the exams will contain problems similar to the ones given in the homework assignments.

Below is the schedule of homework assignments:

	Distributed	Due
hw1	Thursday, Jan 20	Thursday, Jan 27
hw2	Thursday, Jan 27	Thursday, Feb 3

hw3	Thursday, Feb 3	Thursday, Feb 10
hw4	Thursday, Feb 10	Thursday, Feb 17
hw5	Thursday, Feb 24	Thursday, Mar 3
hw6	Thursday, Mar 3	Thursday, Mar 10
hw7	Thursday, Mar 10	Thursday, Mar 24
hw8	Thursday, Mar 31	Thursday, Apr 7
hw9	Thursday, Apr 7	Thursday, Apr 14
hw10	Thursday, Apr 14	Thursday, Apr 21
hw11	Thursday, Apr 21	Thursday, Apr 28

Course Description:

Public finance concentrates on the economic decisions made by government. There are naturally two distinct sides of government's activities. One is related to collecting revenues (taxation); the other is related to spending the collected money. These policies affect the allocation of (scarce) resources in an economy, which is the focus of economics as a science. We will use both positive and normative approaches to analysis of public policies. Recall that normative economics tries to answer the question "what **should be** happening", while positive economics tries to answer the question of "what **is** happening". The former approach is mostly related to the developing advice for government, and quite expectedly, it generates the largest difference in opinions and depends heavily on personal attitudes toward the role of government of each analyst. The tools of positive economics can be used to analyse the actual policies as well as to predict the effects of new planned laws and regulations.

The government intervention is often associated (but clearly not limited to) with the so-called market failures (when market forces left alone do not produce desired (efficient) outcome). A few examples include public goods like national defence and (negative) externalities coming from smoking. To conduct policies government taxes individuals and businesses. All of the issues mentioned above became increasingly important in recent years.

If you require any special arrangements (e.g., due to disability), please let me know as soon as possible. In general, if you have any problems/concerns, please feel free to contact me at any time through email.