   
University of Benha  
Faculty of Commerce

English Section   
Dept. of Economics

COURSE SYLLABUS

Economics ME326  
Economics of Public Finance

Second Term 2018/2019

1. Instructor Contact Info.

Name: Dr. Walaa Wageh Diab

Office Hours: Thursday 11am to 1 pm.

Online Office Hours: Friday 5 am to 8 pm.

Class meets Monday 8a m to 11 am & 11am. To 2pm.

Email: [Walaa.dyab@fcom.bu.edu.eg](mailto:Walaa.dyab@fcom.bu.edu.eg)

* Course website:   
  Lecture slides and exercises accessible through My official page:

<http://bu.edu.eg/staff/walaadyab4>

1. Course Materials
2. (Text Book)

This course is not based on a single text. However, encouraged to have:

- Arye L. Hillman, (2012), “Public Finance and Public Policy: Responsibilities and Limitations of Government”, Cambridge University Press.

- Jonathan Gruber (2011) Public Finance and Public Policy, 3rdedition, Worth Publishers.

- Nicholas Barr (2012) The Economics of the Welfare State, (5th ed.), Oxford University Press

Much has changed in the world of public Finance over the past few years. As a consequence most textbooks are out of date. The lectures will not always follow a certain book. Additional material as presented below is covered in class. Therefore, you should make an effort to come to the lectures (in fact, attendance is strongly recommended). I teach largely from Power-Point presentations, which I make available to students. The lecture slides are my version of lecture notes. They tie together concepts from different readings and provide a solid framework for the lectures but are by no means a substitute for doing the readings and attending class. That said, I do recommend that students have access to the standard the textbooks mentioned below.

1. Course Description

This course provides an introduction to the economic analysis of public policy issues. The focus of the course is on the development of up-to-date analytical tools, drawn from recent research, and their application to key policy issues relating to the spending, taxing and financing activities of government. The first part of the course presents the foundations of public economics. We start by laying down the general problem and methods of welfare and distributional analysis, and review the traditional rational for government intervention (externalities, public goods, etc.). We also present empirical tools needed to evaluate public policies and conduct welfare analysis. We then look at problems of public choice and political economics, and go on to consider the implications of recent research in behavioral economics for welfare analysis. The second part studies in much more detail two of the most important domains of public intervention: education policies, and social insurance programs. The third part is devoted to taxation, behavioral responses and the design of tax policy. We begin by examining the effects of taxes and transfers on labor supply, and then go on to study the impact of taxation on the incomes distribution. We look at the implications of taxation for economic efficiency and explore the optimal taxation of commodities and income. Then in Part Four, we will make analysis for Egypt as a case study of all topics studied in the entire course. The final lecture is devoted to the presentations of your required Projects.

The course is divided in to four parts:

Part 1. An overview of the role of Government and it’s rationale.

Part 2. Examining the issues relating to Economics of happiness, welfare analysis, Public goods, Education, social insurance and pensions.

Part 3. Assessing the tax policy and its impact on individuals and companies, exploring the issues of privatization, outsourcing and the proper scope of government.

Part 4: Analysis of the Egyptian Budget and taxation system as a case study.

1. Useful links

* <https://quizlet.com/subject/public-finance/>
* https://quizlet.com/201034576/flashcards
* <https://books.google.com.eg/books?id=BCryrQEACAAJ&hl=ar&source=gbs_ViewAPI&redir_esc=y>
* http://wwwwds.worldbank.org/external/default/WDSContentServer/WDSP/IB/
* 2000/03/23/000178830\_98101911180371/Rendered/PDF/multi0page.pdf

1. Course Aims and Objectives:

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 Egypt

The course aims to provide the student with an introduction to the role of government in the allocation and distribution of resources, as well as the regulation of economic activity. It also aims to give students an appreciation of the analytical methods in economics for the study of the public sector and the role of the state in principle and in practice. To provide a thorough grounding in the principles underlying the role of the state, the design of social insurance and the welfare state and the design of the tax system. To enable students to understand the practical problems involved in implementing these principles.. This course will cover the fundamentals of public finance. It also covers the basic topics of a course in public finance or public economics, or a course in the political economy of markets and governments. Moreover, it summarizes evidence on and reasons for the growth of government.

|  |  |
| --- | --- |
| Learning outcomes   On successful completion of this course, student should be able to: | 1. Analyze the functioning of modern public finance;  2. Identify the types of public needs and the mechanisms of their financing;  3. Argue the theoretical basis of public expenditures and to analyze their types and economic effects;  4. Classify public revenues and integrate them into the fiscal and tax system;  5. Classify public expenditures through the budget;  6. Analyze the instruments and objectives of budgetary policy;  7. Distinguish between tax avoidance and tax evasion and articulate the considerations relevant to the design of public policy to minimize tax evasion.  8. Analyze specific policy issues in the area of public expenditure and taxation for Egypt |

1. Course Calendar:

At the end of this Syllabus is a Course Calendar. It outlines the topic for each class meeting and is subject to change at the discretion of the instructor and upon consideration of class dynamics.

1. Background Reading:
2. J Gruber (2011) Public Finance and Public Policy, 3 rd. edition, Worth Publishers. , Chapters 2, 3.
3. Michael Howard, Althea La Foucade, Ewan Scott. 2009. Public Sector Economics for Developing Countries: 2ndedition. Mona Jamaica: UWI Press. Ch. 1,2,34
4. N Barr (2012), The Economics of the Welfare State, 5th ed., OUP, chapters 2, 3, 5.
5. R. Musgrave: 1959. The Theory of Public Finance. A study in public economy. McGraw-Hill. Chs. 1, 2, & 4-6.
6. Other Supplemental Readings:

A considerable portion of the course will cover topics related to monetary economics. You may wish to read a textbook on monetary economics to improve your understanding of these topics like: Bain, K. and P. Howells.

As a large component of this course is macro-based, you may also wish to read a macroeconomics textbook to supplement your understanding. Numerous recommended macroeconomics books are available, such as Froyen, Gordon or Blanchard.

For better understanding of the course material, you can read:

* Auerback, A.J. and Feldstein, M., (2002). Handbook of Public Econmics, Amsterdam: North Holland, volumes 1 and 2, 1985, and volumes 3 and 4.
* Howells, P and K. Bain. (2005) The Economics of Money, Banking and Finance: A European Text, 3rd ed. Prentice Hall.
* J Gruber (2011) Public Finance and Public Policy, 3 rd edition, Worth Publishers. - N Barr (2012), The Economics of the Welfare State, 5th ed., OUP - Institute for Fiscal Studies, Mirrlees Review: Reforming the Tax System for the 21st Century, Volume 1 (2010): Dimensions of Tax Design, Volume 2 (2011): Tax by Design. Oxford University Press, Oxford. Available online at: http://www.ifs.org.uk/mirrleesReview
* Public Sector Economics for Developing Countries: 2 nd edition. (2009). Michael Howard, Althea La Foucade, Ewan Scott. Mona Jamaica: UWI Press. Ch 14, 15, 18,19,20,21.
* Vito Tanzi,(1987). “Quantitative Characteristics of the Tax Systems of Developing Countires,” in The Theory of Taxation for Developing Countries, edited by David Newberry and Nicholas Stern, A World Bank Research Publication, 1987.

|  |  |
| --- | --- |
|  |  |

1. Assessment:

Attendance/Participation: Participation in class will be rewarded with up to 5 points. If you attend class consistently and occasionally answer questions during class, you’ll be fine.

Lateness and Courtesy: Please arrive on time to class and please turn off all cell phones.

Attendance is not mandatory for the course. However, mature behavior is a course is a requirement. Engaging in behavior that disturbs the class will result in a reduction in the course grade.

There are four sets of requirements for this course:

| ACTIVITIES | PERCENTAGES |
| --- | --- |
| In class participation | 5% |
| Quizzes  Mid- term exam | 5%  10% |
| Final exam | 80% |
|  |  |

1. Instructor Policies

(Honor Code): All work submitted for this course must be your own. Any evidence of cheating and/or plagiarism in any assignment or exam will be dealt with as specified by the Academic Integrity Policy. All students in violation of the honor code during an exam will receive an immediate grade of zero for that exam and the violation will be forwarded to the Honor Committee.

(Exam Policy)

The midterm and final exams cannot be made-up under any circumstance. If the midterm is missed due to a medical emergency, the final exam will be re-weighted. In the case of a medical emergency, the student must provide proof by the last scheduled lecture (i.e. not after the semester ends). Note that missing any exam due to non-emergency associated travel plans will render an exam score of zero.

Office Hours

I will hold office hours by appointment. Please e‐mail me to schedule a time. I will also allocate Sunday and Wednesday mornings to answering e‐mail questions about the course. If your question is urgent, please indicate this in the subject line and I will try to respond sooner.

Copyright Notice.

Students should assume that: the respective author copyrights all course material. The course instructor prohibits the reproduction of course material without consent. Violation of copyright is against the law and will be reported.

1. Course Calendar

Below is a tentative course calendar. It may change at discretion of lecturer and class dynamics.

PROJECTED TIMETABLE

Tentative Lecture Schedule and Readings (the week may change)

|  |  |
| --- | --- |
| Monday 11/2 | 1. Why study public finance? 2. Economic rationale for the government Intervention 3. The Impact of the recent financial crisis |
| Monday 18/2 | 1. Political economy 2. The growth of Asian countries and the role of government intervention in the development Process. 3. Externalities in theory and practice 4. Theory: market failure and government failure |
| Monday  25/2 | 1. Debates about fiscal policy, monetary policy and central banking. 2. Interest groups and public policy - the economics of rent seeking. |
| Monday  4/3 | 1. General principles of public finance 2. Reforming welfare systems and Economics of Happiness. |
| Monday  11/3 | 1. Minimum wages and international labour market regulation 2. Basic theory, optimality and pricing |
| Monday  18/3 | 1. Cost/benefit analysis 2. Public provision of private goods: Case Study -Education |
| Monday  25/3 | 1. Introduction to taxation, tax incidence 2. Globalization and tax policy |
| Monday  1/4 | Mid Term Exam |
| Monday  8/4 | 1. Taxation in Developing Countries 2. The relationship between tax, lending and aid for low income countries |
| Monday  15/4 | 1. Tax incentives and investment, including cross-border investment 2. The corporate tax and multinationals in the context of economic globalization |
| Monday  22/4 | 1. International tax transparency and coordination between governments |
| Monday  29/4 | Vacation of sham El-Nessim |
| Monday  6/5 | * Case Study (Egypt)  1. Analyzing the Egyptian Tax System and recent tax reform 2. Analyzing Public Expenditure of Egypt and Budgeting |
| Monday  13/5 | Project Presentations |