

University of Southern California
Department of Economics
ECON 360: Public Finance
Fall 2016

Professor: Dr. Juliana Araujo
Office: KAP116A
Office Hours: Mon, Wed 12:30 – 2:00 pm

e-mail: juliana.araujo [at] usc.edu
Class Location: VKC 100
Schedule: Mon, Wed 4–5:50pm

COURSE OBJECTIVES AND DESCRIPTION

This course will analyze the role of the government intervention in a market economy and aims at equipping students with tools sufficient to address a wide range of modern public policy issues. In particular, this course will study the impact of government expenditure programs and taxation systems on the welfare and behavior of its citizens. The course will cover a wide range of issues in public finance with a focus on current policy debates. Topics covered will include optimal tax structure, public debt and macroeconomic stability, health care reform, social security and public assistance programs.

EVALUATION

Students will complete four assignments throughout the semester which will be graded and returned. In addition there will be two midterm examinations and one final exam. The material covered on the final exam is not cumulative relative to the midterm exam. All will be closed-book and will cover assigned readings from the text and assigned articles, as well as the lectures. The breakdown of the evaluation in the course is as follows and no exceptions will be made to this grading scheme:

Assignments (four):	20%
Midterm 1:	25%
Midterm 2:	30%
Final Exam:	25%

TEXTBOOKS AND READINGS

The required textbook for the course is David N. Hyman, *Public Finance: A Contemporary Application of Theory to Policy* (11th Edition), SouthWestern Press, 2014. Additional reading will

be assigned as current events become relevant throughout the semester, and are typically available online.

TENTATIVE SCHEDULE

The schedule below is tentative and may be adjusted as we progress through the semester.

I. Fundamental Principles of Public Finance

1. Introduction [Aug 22]

Reading: Chapter 1

2. Free Market and Efficiency [Aug 24]

Reading: Chapter 2

3. Externalities, and Government Interventions [Aug 29, 31]

Reading: Chapter 3

4. Public Goods and the Free Riding Problem [Sept 7]

Reading: Chapter 4

5. Public Choice and Political Economy [Sept 12, 14]

Reading: Chapter 5

Assignment 1 due [\[Sept 12\]](#)

6. Review and discussions [Sept 19]

7. Midterm 1 (Part I) [\[Sept 21\]](#)

II. Public Debt and Tax Policy

8. Introduction to Taxation [Sept 26]

Reading: Chapter 10

9. Theory of Tax Incidence [Sept 28, Oct 3]

Reading: Chapter 11

10. Budget Balance and Government Debt [Oct 5, Oct 10]

Reading: Chapter 12

Assignment 2 due [\[Oct 10\]](#)

11. Theory of Income Taxation [Oct 12]

Reading: Chapter 13

- 12. U.S. Personal Income Tax System** [Oct 17]
Reading: Chapter 14
- 13. Taxation of Corporate Income** [Oct 19]
Reading: Chapter 15
- 14. Taxation of Consumption and Sales** [Oct 24]
Reading: Chapter 16
Assignment 3 due [Oct 24]
- 15. Taxation on Wealth, Property and Estates** [Oct 26]
Reading: Chapter 17
- 16. Review and discussions** [Oct 31]
- 17. Midterm 2 (Part II)** [Nov 2]

III. Public Expenditure Policy: Selected Issues

- 18. Government Support Programs for the Poor** [Nov 7]
Reading: Chapter 7
- 19. Social Security** [Nov 9, 14]
Reading: Chapter 8
- 20. Other Social Insurance Programs** [Nov 16]
Reading: Chapter 8
- 21. Health Care and Health Care Reform** [Nov 21, 28]
Reading: Chapter 9
Assignment 4 due [Nov 21]
- 22. Review and discussions** [Nov 30]
- 23. Final Exam (Part III)** [Dec 7, 4.30-6.30 p.m.]

DISABILITIES

Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to me (or to TA) as early in the semester as possible. DSP is located in STU 301 and is open 8:30 a.m.–5:00 p.m., Monday through Friday. Website and contact information for DSP:

http://sait.usc.edu/academicsupport/centerprograms/dsp/home_index.html, (213) 740-0776 (Phone), (213) 740-6948 (TDD only), (213) 740-8216 (FAX) ability@usc.edu.

ACADEMIC INTEGRITY

USC seeks to maintain an optimal learning environment. General principles of academic honesty include the concept of respect for the intellectual property of others, the expectation that individual work will be submitted unless otherwise allowed by an instructor, and the obligations both to protect one's own academic work from misuse by others as well as to avoid using another's work as one's own. All students are expected to understand and abide by these principles. *SCampus*, the Student Guidebook, (www.usc.edu/scampus or <http://scampus.usc.edu>) contains the University Student Conduct Code (see University Governance, Section 11.00), while the recommended sanctions are located in Appendix A.