

Economics 401 (L01) (Public Sector Economics: Expenditures)

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Lecture Location: PF 110
Lecture Days/Time: TR 15:30-16.45

Office: SS446
Office Hours: TR: 16:45-17:30

Winter 2023

Course Description:

Economics 401 focuses on the expenditure side of public finance (Economics 403 deals with the taxation side). The course examines the main government expenditure programs in Canada: health care, employment insurance, public pensions, etc. We will also consider income inequality and redistribution, including discussions on the rising income share of the top 1 percent. Coverage of the topics will consist of a presentation of institutional facts, a development of the economic theory, and a development of empirical tools required for understanding the economic purposes of the government programs. The course will follow a fairly pragmatic, policy-oriented approach and use the statistical software R to replicate the analysis of key empirical studies. Some of the material is technical and requires knowledge of Intermediate Microeconomics theory. Class discussions are encouraged. Check D2L for the postings of some of the readings.

Course Learning Outcomes:

- (a) Understand and appreciate the history and rationale of the government sector in developed countries with a particular focus on the expenditure side.
- (b) Know and understand under what circumstance the government should intervene in the economy. Examples include: Imperfect competition, adverse selection, behavioral failures, externalities
- (c) Familiarity with the institutions and rules surrounding different social insurance programs in Canada. Examples include: Health care, employment insurance, disability and retirement insurance
- (d) Understand and appreciate key principles, theories and ideas in the economics of social insurance programs including: Adverse selection, moral hazard
- (e) Know and understand the key findings in the empirical literature that studies the behavioural effects of social insurance programs and public education on key outcomes such as labour supply, education, savings, and health.

(f) Be able to analyse and critique current policy proposals in the areas of education, health care, income inequality, social welfare, public pensions, and unemployment using theoretical and empirical tools developed in class.

(g) Develop skills necessary to conduct research. This includes (i) learning how to come up with a research question, (ii) finding suitable data for empirical research questions, and (iii) conducting a statistical analysis of the data using the program R.

Course Outline:

Unless indicated otherwise, chapter listings refer to those in the Rosen, Wen, Snoddon, *Public Finance in Canada*, 5th edition. Other readings are on reserve or available online or on D2L. Additional readings will be added during the course delivery.

1. Introduction and Welfare Economics

- a. Chapter 2

2. Social Insurance and Health Care: Theory

- a. Chapter 9

3. Social Insurance and Health Care: Empirics

- a. Card, Dobkin, and Maestas (2008). "The Impact of Nearly Universal Insurance Coverage on Health Care Utilization: Evidence from Medicare." *American Economic Review*, 98 (5).
- b. Finkelstein et al. (2012). "The Oregon Health Insurance Experiment: Evidence from the First Year," *Quarterly Journal of Economics*, 127 (3)

4. Income Distribution

- a. Chapter 6
- b. Chapter 12

5. Automatic Stabilizers and Employment Insurance

- a. Chapter 10
- b. Lalive (2008). "How do extended benefits affect unemployment duration? A regression discontinuity approach," *Journal of Econometrics*, 142.

6. Public Pensions and Intergenerational Accounting

- a. Chapter 11
- b. Staubli and Zhao (2022). "The Long-Run and Distributional Impacts of Public Pensions," Working Paper.

7. Externalities and Public Goods (if Time)

- a. Chapter 4 and 5

Prerequisites/corequisites:

Economics 357 and 359.

Required Textbook(s):

None

Recommended Textbook(s):

H. Rosen, J.-F. Wen, and T. Snoddon, *Public Finance in Canada*, McGraw-Hill Ryerson, 2016, 5th Canadian Edition (earlier editions are fine too)

Books on Reserve:

The list of reserve titles, if any, is posted at the course D2L site.

Desire2Learn:

This course will make use of the Desire2Learn (D2L) platform. Students who are registered in the course can log on at <http://d2l.ucalgary.ca> through their student centre. Please note that D2L features a class e-mail list that may be used to distribute course-related information. These e-mails go to your University of Calgary e-mail addresses only.

Grade Determination:

Three Assignments	30%
Midterm Exam	25%
Final Exam	<u>45%</u>
	100%

Examination Details:

Tests and exams **WILL NOT** involve multiple choice questions.

Programmable calculators, cellphones, textbooks, course notes, and other electronic devices will not be allowed during the writing of tests or final examinations. Students are reminded that simply being able to access their cellphone during an exam is academic misconduct.

The exact date for the in-class midterm will be announced at least one week in advance.

Grading Policies:

The official grading system will be used. See <http://www.ucalgary.ca/pubs/calendar/current/f-1-1.html>.

Students must receive a passing grade on the final exam to pass the course. Students committing academic misconduct during the final exam will not receive a passing grade for the course.

If a student's letter grade on the final exam exceeds their midterm(s) letter grade, the weight of the midterm(s) is (are) transferred to the final exam. The student must have written the midterm(s) or provided supporting documentation for the absence(s). For Winter 2023 the University has suspended the requirement for supporting documentation. Instructors cannot currently ask students for documentation to support absences.

As per the Writing Across the Curriculum Statement in the Calendar, writing and grading thereof will be a factor in the evaluation of student work. See <https://www.ucalgary.ca/pubs/calendar/current/e-2.html>.

Any student work which remains undistributed after the last day of classes will be available to students through the instructor's office during the instructor's office hours.

The final examination will be comprehensive, scheduled by the Registrar, held in a classroom, and last 2 hours. If a student cannot write their final exam on the date assigned by the Registrar's Office, they need to apply for a deferred exam <https://www.ucalgary.ca/pubs/calendar/current/g-6.html>. Under no circumstance will this be accommodated by the Department.

THERE WILL BE NO MAKEUP OR DEFERRED QUIZZES/TESTS/EXAMS under any circumstances, nor may the quizzes/tests/exams be written early. Students unable to write the quizzes/tests/exams because of documented illness, family emergency, religious observance, or university-sanctioned event will have the weight shifted to the final examination; otherwise a grade of zero will be assigned.

Reappraisal of Grades:

For Reappraisal of Graded Term Work, see Calendar I.2

<http://www.ucalgary.ca/pubs/calendar/current/i-2.html>

For Reappraisal of Final Grade, see Calendar I.3

<http://www.ucalgary.ca/pubs/calendar/current/i-3.html>

Academic Misconduct and Intellectual Honesty:

Academic Misconduct refers to student behavior that compromises proper assessment of students' academic activities and includes: cheating; fabrication; falsification; plagiarism; unauthorized assistance; failure to comply with an instructor's expectations regarding conduct required of students completing academic assessments in their courses; and failure to comply with exam regulations applied by the Registrar.

Statement of Intellectual Honesty, see Calendar K.4

<https://www.ucalgary.ca/pubs/calendar/current/k-3.html>

Plagiarism and Other Academic Misconduct

<https://ucalgary.ca/student-services/student-success/learning/academic-integrity>

Academic Accommodations:

Students seeking an accommodation based on disability or medical concerns should contact Student Accessibility Services. SAS will process the request and issue letters of accommodation to instructors. Students who require an accommodation in relation to their coursework based on a protected ground other than disability should communicate this need in writing to their Instructor. The full policies on Student Accommodations are available at <https://www.ucalgary.ca/legal-services/sites/default/files/teams/1/Policies-Accommodation-for-Students-with-Disabilities-Procedure.pdf> and <https://www.ucalgary.ca/legal-services/sites/default/files/teams/1/Policies-Student-Accommodation-Policy.pdf>.

Freedom of Information and Protection of Privacy (FOIP) Act:

Personal information is collected in accordance with FOIP. Assignments can only be returned to the student and will be accessible only to authorized faculty and staff. For more information, see <https://www.ucalgary.ca/legal-services/sites/default/files/teams/1/faq-privacy-faculty-members.pdf> and <https://www.ucalgary.ca/legal-services/sites/default/files/teams/1/faq-privacy-students.pdf>

Internet and Electronic Communication Device information:

The use of cell phones for any purpose in class is prohibited. Computers and tablets may be used for note taking only unless otherwise authorized by the instructor.

Copyright Legislation:

See the University of Calgary policy on Acceptable Use of Material Protected by Copyright at <https://www.ucalgary.ca/legal-services/sites/default/files/teams/1/Policies-Acceptable-Use-of-Material-Protected-by-Copyright-Policy.pdf>. Students who use material protected by copyright in violation of this policy may be disciplined under the Non-Academic Misconduct Policy.

Recording of Lectures:

Recording of lectures is prohibited, except for audio recordings authorized as an accommodation by SAS or an audio recording for individual private study and only with the written permission of the instructor. Any unauthorized electronic or mechanical recording of lectures, their transcription, copying, or distribution, constitutes academic misconduct. See <https://www.ucalgary.ca/pubs/calendar/current/e-6.html>.

Instructor Intellectual Property:

Course materials created by instructors (including presentations and posted notes, labs, case studies, assignments and exams) remain the intellectual property of the instructor. These materials may NOT be reproduced, redistributed, or copied without the explicit consent of the instructor. The posting of course materials to third party websites such as note-sharing sites without permission is prohibited. Sharing of extracts of these course materials with other students enrolled in the course at the same time may be allowed under fair dealing.

Important Dates:

Please check: <http://www.ucalgary.ca/pubs/calendar/current/academic-schedule.html>.

Student Organizations:

Faculty of Arts Students' Association (F.A.S.A.):

Economics Department Representative

Office: SS 803, E-mail: econrep@fasaucalgary.ca and Web: www.fasaucalgary.ca.

Society of Undergraduates in Economics:

<https://www.ucalgarysue.com/>.

Society of Undergraduates in Economics is a student run organization whose main purpose is to assist undergraduate economics students to succeed both academically and socially at the University of Calgary. Services include access to the exam bank, career events such as Industry Night and information sessions, mentorship programs, and social events for members. They invite you to join by contacting SUE at sue@ucalgarysue.com.

Faculty of Arts Program Advising and Student Information Resources:

- Have a question, but not sure where to start? The Arts Students' Centre is your information resource for everything in Arts! Drop in at SS102, call them at 403-220-3580, or email them at artsads@ucalgary.ca. You can also visit the Faculty of Arts website at <http://arts.ucalgary.ca/undergraduate> which has detailed information on common academic concerns, including program planning and advice.

- For registration (add/drop/swap), paying fees and assistance with your Student Centre, contact Enrolment Services at 403-210-ROCK [7625] or visit them in the MacKimmie Library Block.

Student Support and Resources:

- See <https://www.ucalgary.ca/registrar/registration/course-outlines> for information on campus mental health resources, the Student Ombuds' Office, Student Success Centre, Safewalk, and Emergency Evacuation and Assembly.
- Online writing resources are available at <https://ucalgary.ca/student-services/student-success/writing-support>.

Notes:

1. Students are responsible for all assigned material, e.g., supplementary material posted on D2L, regardless of whether or not the material was covered in class.

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2022-11-24