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ECON 304.01: Public Finance - Expenditures

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Kupilik, Michael H., "ECON 304.01: Public Finance - Expenditures" (2001). *University of Montana Course Syllabi*. 6035.

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SYLLABUS
PUBLIC FINANCE: EXPENDITURES
FALL SEMESTER 2001

Dr. Michael Kupilik
 Office: LA 405; ext. 4575
 Hours: 10-11 MTWThF; 12-1 MW; and arranged
 Text: Public Finance - 7th ed. David Hyman

FUNDAMENTAL CLASS GOALS

This is a course in Public Finance: Expenditures. As such, the basic goal is to impart to the student an understanding of the relationship between the expenditure function of the government and the economy.

To the end, the course goals are:

- I. To give the student an understanding of the broad perspective of the role of government in the economy.
- II. To examine the methodological tools used in the study of public finance. These include the methods of empirical analysis and the fundamentals of theoretical welfare economics. The student will understand the Pareto optimizing conditions of a competitive economy and why a competitive economy is Pareto optimal.
- III. To examine the expenditure side of the Federal budget. The student will be able to describe and evaluate various government programs using cost/benefit analysis.

Course Outline: Econ 304

One of the most radical changes which has occurred in the Western economies during the past century has been the rapid growth of the public sector. The most radical centralization of economic power did not come about by either statutory measures or public ownership, but by the relative increase in public sector receipts and outlays. This course will emphasize the expenditure or outlay part of the government budgeting process.

The course is divided into two major parts with a number of subsections to each part. Material will be drawn from the text and from ancillary sources.

PART ONE

THE BASIS FOR GOVERNMENT ACTIVITY IN THE ECONOMY

Chapter One: Individuals and Government

Introduction to Public Finance: Expenditures

The view from the United States and the international perspective - Market Failure and the role of government.

Appendix to Chapter One

The tools of microeconomic analysis - Indifference curves

Chapter Two: Efficiency, Markets and Governments

The model of economic efficiency

The achievement of Pareto Optimality

Inefficient systems - Market failure again

Efficiency vs. equity (first time around)

Appendix to Chapter Two

Welfare Economics - The Bator model of welfare maximization

Chapter Three: Externalities and Public Policy

What is an externality

What to do about externalities - Public Policy

Chapter Four: Public Goods

A lighthouse maybe a public good but I don't have a boat.

Demand for public goods

Efficient supply of public goods. I hate free riders unless I am one.

Chapter Five: Public Choice, Social Welfare, and the Political Process

Social welfare functions

How to make a social decision - decision rules.

Bureaucracy and the demand and supply of public goods.

PART TWO - GOVERNMENT EXPENDITURES AND POLICY

SELECTED ISSUES

Chapter Six: Cost-Benefit Analysis

Planned Program Budgeting System - biggest bang for the buck

How to evaluate expenditure systems?

Chapter Seven: Government Programs for the Poor

Income redistribution is the name of the game

Entitlement vs. means tested. Who needs help?

The Welfare Reform Act of 1996 and its performance

Chapter Eight: Social Insurance Programs

What do you mean social security is not welfare?

SYLLABUS

Impact on incentives?
Unemployment insurance - Medicare
Possible reforms of social insurance programs.

Chapter Nine: Government and Health Care
Why has Clinton quit talking about health care?
Markets and health care
Possible systems of national health care.

Part One will take about the first half of the class and will cover chapters 1 through 5 in the text. Part Two will cover chapters 6 through 9 in the text and will take up the rest of the term. Supplementary materials will be passed out in class.

There will be two mid-term examinations and a final. The final is scheduled for 8:00 am Tuesday, 18 December 2001. The midterm examinations will be announced in class at least one week in advance. Examination one will be scheduled after the completion of chapter four and examination two will be scheduled after chapter seven. In addition, a short paper on Social Security reform will be required. The particulars of the paper will be discussed in class.

Examinations will be handed back in class and, unless otherwise requested, final grades will be posted by student number.