

# *GOVERNMENT EXPENDITURES AND TAXES*

Fall 2022

Course Outline Government Expenditures and Taxes fall 2022

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## **Recommended Textbook:**

Richard Musgrave and Peggy Musgrave: *MM, Public Finance in Theory and Practice*, McGraw-Hill, 1989  
Available in Google Books online

Rosen S., Wen, Snodon, R& al. *Public Finance in Canada*, Fifth Canadian Edition, McGraw-Hill,

## **Introduction**

Welcome to this course on government expenditures and taxes. It is a course of Public Finance

The course deals with government decision-making processes about government expenditures, taxes, and government finances, including government debt and government physical capital accumulation, to help a modern economy achieve the following objectives:

- An economy wide allocation of resources across space and time that is as close as possible to an efficient allocation.
- An income distribution among society's members that is as equitable as possible at the lowest cost in terms of loss in economic efficiency
- The provision of certain products in the right amount at the least cost that no private entity, whether a single person or an enterprise, can provide or is willing to provide at all with or without government assistance.

In a democracy, the modern government is not a single rational physical person to whom we can assign the usual objectives of profit maximization or own utility that we attribute to a private person or a private enterprise. To get around this difficulty, economists introduced the concepts of Pareto Optimality, social products, excess burden, and optimal taxation. We use these concepts of Pareto optimality to guide us through the maze of government decision-making process and to understand and justify the role government in a modern economy.

For various irrational or self-serving reasons, many representatives of special interest groups argue that government economic activity is a nuisance in a markets based democratic economy, As Musgrave and Musgrave put it in the preface of their textbook:

“Though powerful as an instrument of social organization, the market cannot perform all the functions that need to be met to achieve the economic and social goals of a democratic society. To accomplish that task, a partnership with the public sector is needed, and this is precisely why an efficient conduct of the public sector is of such importance.”

## Topics Schedule

Week	Topic	Chapters	
		MM	R. & AI
Week 1: Sept 7- Sept 9	Review of basic economic concepts related to economic efficiency		1, 2
Week 2: Sept 12- Sept 16	Review of basic economic concepts: Cost Benefit Analysis	6. 9	2, 3
Week 3: Sept 19- Sept 23	Social Products and External Economies	4	4,5
Week 4: Sept 26- Sept 30	Efficiency, Distribution and Equity Private and Public Products Mix	5	5,6
Week 5: Oct 3 - Oct 7	Government Expenditures Decisions through Voting	7	7
Week 6: Oct 10 - Oct 14	Public Expenditures: Structure and Growth	8	
Week 7: Oct 17 - Oct 21	Principles of Government Expenditures Evaluation	9	3
Week 8: Oct 24 – Oct 28	Case studies in government expenditures, health care	12	9, 13
<b>Week 9: Oct 31- Nov 4</b>	<b>Fall study break - no classes</b>		
Week 10: Nov 7- Nov 9	Employment Insurance, Pension, and Income Maintenance	12	10, 11, 12
Week 11: Nov 14- Nov 18	Principles of Taxation	13	14
Week 12: Nov 21- Nov 25	Tax incidence	14	14
Week 13: Nov 28 - Dec 2	Excess Burden and Efficient Tax Design	16	15
Week 13: Dec 5 - Dec 7	Excess Burden and Efficient Tax Design	16	15

## Marking system

	Date	Grading System
Test 1	October 13, 2022	7.5
Test 2	December 6, 2022	7.5
Midterm Exam	November 8, 2022	30
Assignments	See Schedule Below	15
Final Exam	See registrar's schedule	30
Paper	Final version: December 7, 2022	10

## Assignment Schedule

Assignment	Date of Distribution	Due date
1	September 27, 2022	October 6, 2022
2	October 6, 2022	October 18, 2022
3	November 17, 2022	November 29, 2022