

# PUBLIC FINANCE II

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Department of Economics, National Chi Nan University  
Syllabus (Spring 2020)

Instructor: Yo-Long Lin

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Time and Location: Monday 1:10-3pm in College of Management Building 228R

Office Hours: Tuesday 1pm-3pm or by appointment

Class code: 110053

**Course Objective:** In the beginning of this semester, I will discuss how a government manages its finance and expenditure, including government budget accounting, fiscal decentralization, and intergovernmental grants. Later I will talk about fundamental theories and practice of public revenue, such as public debt, taxation theory and their relations to the economy. I will put much effort on the efficiency and equity implications of income, consumption, and property taxation. The course will primarily follow a lecture format.

## Required Textbook:

1. Tsui, Waicho *et al.*, 2016, *Public Finance*, 4<sup>th</sup> Edition, Hwa Tai Publishing.

## Supplementary Textbooks:

1. Rosen, H.S. and T. Gayer, 2010, *Public Finance*, 9<sup>th</sup> Edition, McGraw-Hill Publishing.
2. Hindriks, J. and G.D. Myles, 2006, *Intermediate Public Economics*, Cambridge University Press.

**Grading:** There will be one midterm (50%; scheduled on April 27, 2020), and a final (50%; scheduled on June 22, 2020). The final exam is not cumulative, that is, what has been covered in the midterm will not show up in the final.

## Course Outlines:

1. Government Financial Management
  - (a) Public Expenditure Theories
  - (b) Government Budget Accounting
  - (c) Fiscal Decentralization
    - i. Tiebout Model
    - ii. Intergovernmental Grants
2. Government Revenue
  - (a) Fees
  - (b) Public Enterprise Pricing
  - (c) Public Debt

- (d) Taxation Structure
- (e) Tax Equity and Alternative Minimum Tax
- (f) Tax Incidence and Transfer
- (g) Tax Efficiency and Excess Burden
  - i. Tax Neutrality
  - ii. Inverse Elasticity Rule
  - iii. Optimal Tax System
- (h) Taxation and Behavior
  - i. Effect of Income Taxes on Labor Supply
  - ii. Effect of Linear Progressive Income Taxes on Labor Supply
  - iii. Negative Income Tax
  - iv. Effect of Income Taxes on Consumption and Saving
  - v. Effect of Income Taxes on Investment and Risks
- (i) Optimal Commodity Taxation: Theory and System
- (j) Optimal Property Taxation: Theory and System
- (k) International Taxation and Digital Economics

**Reading List:**

1. Ballard, C.L. and D. Fullerton, 1992, Distortionary Taxes and the Provision of Public Goods, *Journal of Economic Perspectives*, 6:3, 117-131.
2. Brinca, P., H.A. Holter, P. Krusell, and L. Malafry, 2016, Fiscal Multipliers in the 21st Century, *Journal of Monetary Economics*, 77, 53-69.
3. Cooley, T.F. and G.D. Hansen, 1992, Tax Distortions in a Neoclassical Monetary Economy, *Journal of Economic Theory*, 58, 290-316.
4. Tiebout, C., 1956, A Pure Theory of Local Expenditures, *Journal of Political Economy*, 64:5, 416-424.
5. Wu, S.-Y., 2012, Taxation, Organizational Form and Efficiency Loss, *Taiwan Economic Review*, 40:1, 37-7.