Lingnan University
Department of Economics

Course Title	:	Public Economics, Finance and Policymaking
Course Code	:	ECO3003
Recommended Study Year	:	3 and 4
No. of Credits/Term	:	3
Mode of Tuition	:	Lecture-Tutorial
Class Contact Hours	:	2-hour lecture per week 1-hour tutorial per week
Category in Major Prog.	:	Elective under Major in Economics and Major in Social and Public Policy Studies for BSocSc students
Discipline	:	Economics / Social Sciences
Prerequisite(s)	:	(a) ECO2101 Introduction to Economics, or (b) ECO2104 Introduction to Microeconomics and ECO2105 Introduction to Macroeconomics, or (c) BUS2105 Microeconomics for Business
Co-requisite(s)	:	N/A
Exclusion(s)	:	ECO3205 *Economics of Taxation and Transfer* and SSC3204 *Public Expenditure and Cost Benefit Analysis*
Exemption Requirement(s)	:	N/A

Brief Course Description

This course focuses on public economics and finance which consists of two major components. Firstly, it explores how government derives its income through taxations and secondly, it examines various approaches by which government expenditures are disbursed efficiently.

On the revenue side, students will explore the meaning and the limitation of economic efficiency as a criterion for public policy. Several forms of taxes used in modern economies will be examined as to how they work, how they often affect efficiency and how to minimize that, and how they impact income distribution. Various sources of market failure will be explored as well as the problems and limitations in running a tax system. Students will thus study how governments raise revenues, how taxes affect the economy, and the revenue-raising function of taxes can be made as consistent as possible while maximizing the welfare of society.

On the expenditure side, this course provides students with an understanding of (a) the foundation of cost benefit analysis (CBA), (b) the conceptualisation and measurement of project/policy/programme costs and benefits; (c) the techniques of conducting CBA, and (d) how CBA can be used to maximize the effciency and equity effects of government spending.

Aims

This course aims to equip the students with knowledge of (a) how taxes affect efficiency and individual welfare and the tools that governments may use to account for and minimize such effects, (b) collective decision making and its limitations, and (c) the efficient tools used by governments to derive tax revenues.

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The course is also designed to (a) help students understand and equip them with the theories and practices of CBA, (b) familiarize students with different analytical tools for CBA, (c) train students in research and academic writing, and (d) quip them as better decision makers.

Learning Outcomes (LOs)

Upon completion of this course, students will be able to:

1. Demonstrate an understanding of tax analysis
2. Analyze different types of market failure and formulate policies to achieve economic efficiency and equity
3. Apply the various types of methodologies used in cost benefit analysis
4. Conduct practical cost benefit analysis for different projects and policies.
5. Apply the course concepts to improve efficiency and equity of the markets and society as a whole.

Indicative Contents

A. Government Income

Types of Market failure
Efficiency and equity in taxation
Optimal commodity and income taxations
Externality and how it can be internalized
Income taxes, labour supply and tax revenues
Income tax, savings behaviour and risk-taking
Income redistribution and transfers to the poor
Corporate taxation and taxation of multinationals

B. Government Expenditure

Justification and rationale for CBA
Economic surplus Approach to CBA
Welfare effects of taxes, subsidies, quotas in the presence of externality
Applications of CBA to highway congestion
Application of input-output model for social impact analysis
Application of CBA for financial analysis and decision-making
Case study on measuring private and social returns to higher education investment in HK
Accounting for distribution in CBA
Accounting for risks and uncertainty in CBA
Evaluation of non-market goods: Hedonic pricing, contingent valuation and shadow pricing

Measurement of Learning Outcomes

1. Students will work on two term papers, one relating to government revenue and the other to government expenditure, as well as other issues taught in class (LO1-5).
2. Students' participation in tutorials will also be assessed (LO1-4).
3. A mid-semester exam covering the content of the first half of the course will be

administered to assess students' practical knowledge and their analytical skills in the topics they have learnt (LOs 1-4).

4. A final exam covering all the topics taught in the course will be provided at the end of the course to assess students' overall understanding and synthesis of knowledge and its applications in public finance (LOs 1-5).

Teaching Method

Teaching is based on lectures combined with tutorials (LO1-5). Current affairs and contemporary government policies will be discussed in tutorials to help students relate the theory to real life situations (LO2,4-5). Hands-on applications and case studies that emphasise the practitioners' approach to taxation and CBA (as they relate to government income and expenditure) will also be discussed in both lectures and tutorial classes (LO2-4),

Assessment

Continuous assessment	:	50% (tutorial participation 10%; mid-term test 20%; research paper 20%)
Final examination	:	50%

Good Practices

1. Newspaper cuttings relating to real-life situations will be discussed in the tutorials.
2. Hands-on applications and interesting case studies that emphasize the practitioners' approach to public finance will be discussed.
3. International perspectives and practices in public finance will be provided.
4. Research projects are assigned to equip the students to write and to present their research findings professionally.
5. There will be a service-learning component as students will have the option to conduct project evaluation for NGOs which are non-profit oriented.

Required/Essential Reading

Gruber, Jonathan, *Public Finance and Public Policy*, 6th Edition, MacMillan, 2019.

Rosen, Harvey S. and Ted Gayer, *Public Finance*, 10th Global Edition, McGraw-Hill, 2014.

Boardman, A.E., Greenberg, D.H., Vining, A.R. and Weimer, D.L., *Cost-Benefit Analysis: Concept and Practice,* Third Edition. Pearson/Prentice Hall, New Jersey, 2006.

Recommended/Supplementary Readings

Devereux, M. P. (ed.), *The Economics of Taxation,* O.U.P. 1996, Stiglitz, Joseph, E. *Economics of the Public Sector*, Third edition, New York, W. W. Norton, 2000.

Voon, J. P., *Measuring Social Returns to Higher Education Investment in Hong Kong", The Economics of Education Review,* 20, 503-510, 2001.

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Voon, J. P. and Lok-Sang Ho, *Economic Impacts of Logistics Industry Development: Case of Hong Kong*, Nova Science, New York, October 2001.

A range of literature and journal papers will be provided throughout the course.

Important Notes:

(1) Students are expected to spend a total of 9 hours (i.e. 3 hours of class contact and 6 hours of personal study) per week to achieve the course learning outcomes.
(2) Students shall be aware of the University regulations about dishonest practice in course work, tests and examinations, and the possible consequences as stipulated in the Regulations Governing University Examinations. In particular, plagiarism, being a kind of dishonest practice, is "the presentation of another person's work without proper acknowledgement of the source, including exact phrases, or summarised ideas, or even footnotes/citations, whether protected by copyright or not, as the student's own work". Students are required to strictly follow university regulations governing academic integrity and honesty.
(3) Students are required to submit writing assignment(s) using Turnitin.
(4) To enhance students' understanding of plagiarism, a mini-course "Online Tutorial on Plagiarism Awareness" is available on http://pla.ln.edu.hk/.
(5) Students must adhere to the University's guidelines and practices when using Generative Artificial Intelligence (AI) tools. The official documents "Guidelines for Using GAI Tools at Lingnan University" and "Best Practices for Ethical and Responsible Use of GAI Tools in Course Assessments" can be found here: https://www.ln.edu.hk/tlc/generative-artificial-intelligence/gai-guidelines-best-practices.

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Rubric for Term paper and examination

	4 marks	3 marks	2 marks	1 mark	0 marks
Analysis	The response has a clear thesis that is analytically interesting and creative, plausible; the analysis has impressive depth	The response meets most of the criteria listed in the column to the left, but is lacking in one or more of them-or accomplishes all of them at a slightly lower level than excellence	The response has an identifiable thesis, but it may be a bit mundane or uninteresting, and not particularly creative; the analysis is superficial	The response has an identifiable thesis, but it is not analytically interesting, plausible; there is little analysis	The response lacks any clear thesis and little to no analysis.
Documentation	The response provides ample evidence in support of its thesis, with no extraneous detail; evidence is well-connected to the thesis; documentation is clear.	The response provides significant amounts of supporting evidence, well-connected to the thesis; some detail is extraneous; documentation is mostly clear.	The response provides supporting evidence, but less than is needed to make the argument; there is a significant amount of extraneous detail; documentation is incomplete or unclear.	The details of the response relate very thinly to a main argument; the evidence is poorly documented.	The response provides little to no evidence in support of a main argument; most evidence provided is undocumented.
Organization	All writing relates to the thesis in a clear manner; individual paragraphs have a clear focus; there are clear transitions between paragraphs or ideas when appropriate; the order in which the ideas are presented makes sense.	Nearly all writing relates to the thesis in a clear manner; all or most individual paragraphs have a clear focus; there are generally clear transitions between paragraphs or ideas; the order in which the ideas are presented makes sense.	Most writing relates to the thesis in a clear manner, most individual paragraphs have a clear focus, and the order in which the ideas are presented generally makes sense; but there are often unclear transitions between ideas.	Most writing relates to the thesis in a clear manner, most individual paragraphs have a clear focus; it is often unclear why ideas are presented in their particular order, and there are often unclear transitions between ideas.	The response is extremely disorganized to the point that the order in which ideas are presented appears virtually random.
Language skills	The writing displays excellent English language skills, with few mistakes, and is easily understandable	The writing contains several fairly minor errors, but the writing is clear and understandable	The writing contains several minor errors and/ or a few major ones; the writing is mostly clear but may be difficult to understand in places.	The writing contains numerous writing errors that are serious enough that the paper is very difficult to understand	The writing contains an unacceptably large number of writing errors, major or minor, to the point of making it difficult or impossible to understand.

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Tutorial Participation Rubric

CLASS PARTICPATION Guide and Rubric	**Excellent Participation**	**Good Participation**	**Average Participation**	**Below Average Participation**	**Unacceptable Participation**
Class discussion/Peer Interaction/ Pair work	Consistently, actively supports, engages, listens and responds to peers. Takes a leading role. Participates in a meaningful way in class discussions. Stays on task. **10-9 pts**	Makes an effort to interact with peers daily but does not take a leading role. Some active participation in class discussions. Sometimes deviates from task. **8-7 pts**	Some effort to interact with peers but does not take a leading role. Minimal participation in class discussions. Sometimes deviates from task **6-4 pts**	Limited interaction with peers and rarely participates in class discussions and/or does not stay on task. **3-1 pts**	Virtually no interaction with peers and does not participate in class discussions **0 pts**
Contributes in a Meaningful Way	Comments often advance the level and depth of classroom dialogue; elicits the contributions of others. **10-9 pts**	Relevant comments are based on assigned material; eliciting the contributions of others. **8-7 pts**	When prepared, (which is most of the time) relevant comments are based on assigned materials, without eliciting contributions of others **6-4 pts**	When prepared, some relevant comments are based on assignments, some comments not relevant and deviate from assignments **3-1 pts**	Class contributions lack relevance or without any comment. **0 pts**