

Maryland in Europe Graduate Programs
Bowie State University

Public Finance
ECON 522

Term 3 (Jan 20th – March 14th, 2003)
Mondays and Wednesdays
Kaiserslautern/Kap-Grad
18:45 – 21:30

Instructor: Dr. Mehdi Mohaghegh
Mailing Address: UMUC, UNIT 29216, APO AE 09102
Email Address: mmohaghe@norwich.edu
Consultation: 1/2 Hour before the beginning of each class

Course Description: An analysis of the elements, structure, functions, and processes of public finance. This course covers theory and practice of the allocation, distribution, and stabilization roles of the government at national, state, and local levels.

Prerequisites: ECON 201 Principles of Economics-Macro and ECON 203 Principles of Economics-Micro, or ECON 505, or equivalent, and undergraduate American political science or American government, or permission of the program director.

Course Goals/Objectives:

Goals: Upon completion of the course, participants should have an understanding of:

1. The rationale for the economic activity of the government in a free-market economy
2. The use of economic analysis
3. The relative size and the role of the government in the United States, both historically and currently
4. The structure, functions, and trends of U.S. public funds
5. The effect that government policies have on the allocation of resources and distribution of income
6. The concept of political equilibrium and its determinants

Objectives: At the conclusion of this course the student will be able to:

1. Analyze economic policy options in a mixed-capitalistic economy
2. Evaluate the opportunity cost of government activity
3. Critique the government transfer programs for their effects on the work incentives of the recipients and on resource allocation in the country
4. Apply cost-benefit analysis to determine the relative merits of government capital expenditure projects

5. Assess the effects externalities have on the ability of markets to achieve economic efficiency and the methods government uses to internalize the negative and positive externalities
6. Develop a better idea of how representative democracy works to achieve political equilibrium

Required Texts: Please note that some texts are used in multiple classes.

Hyman, D. (2002). *Public Finance---A contemporary application of theory to policy*, 7th Edition, Harcourt College Publishers.

American Psychological Association. (2001). *Publication Manual of the American Psychological Association*, 5th Edition. Washington DC: Author

Supplementary Readings:

Students are urged to keep abreast of current events in the economy. Periodicals such as The Wall Street Journal, Business Week, and the Business Section of New York Times are recommended. To obtain data on all the economic and financial activities of the government go to www.whitehouse.gov and click on Gateway to Government, then click on the President’s Cabinet and the home pages of the Treasury Department and the U.S. Department of Commerce

Grading Information: Grades for this course will be assigned as follows:

A	92% +	C	70 – 79%
B	80 – 91%	F	Below 70% F(a) or regular non-attendance F(n)

Grades of Incomplete or Withdrawal are governed by Maryland in Europe policies. Please refer to UMUC Maryland in Europe Graduate Catalog, available in your local Education Center or online at http://www.ed.umuc.edu/visit/pubs/catalog/grad_02-03.pdf, for further details.

Course Requirements:

Midterm Examination:	30%
Presentation	10%
Final Examination:	35%
Project:	25%

Project Description:

Each student is expected to write a paper on the following topic. The paper should be 15 pages long and should include a cover page, a table of contents and a page at the end for the references cited. Use double spacing and 12 fonts in typing your paper and turn it in no later than March 6th.

Almost all the economists agree that ensuring social security’s financial soundness and stability is important. What can be the best approach to alleviate the problem faced by Social Security Administration in the U.S.?

In your paper you need to identify the nature of the problem with social security, discuss the remedies proposed for saving it whether through changes in the structure of the current system or through complete or partial privatization of it, and finally explain the impact of the suggested remedies on the national saving, investment, and economic growth in the United States. The following books that will be on reserve at the library can be helpful in writing your paper:

Aaron, H.J. & Shoven, J.B. (1999). *Should the United States Privatize Social Security?* Cambridge, Mass: MIT Press.

Diamond, P.A. ed. (1999). *Issues in privatizing social security: Report of an expert panel of the National Academy of Social Insurance.* Cambridge, Mass: MIT Press.

Course Schedule:

Module	Topics	Assigned readings/assignments due
1	Efficiency, Markets, and the Economic Basis for Government Activity	Chapters 1 and 2
2	Externalities and Government Policy	Chapter 3
3	Public Goods	Chapter 4
4	Public choice and the Political Process	Chapter 5
5	Fiscal Federalism and State and Local Government Finance	Chapter 18
6	Mid-term Exam and Student Presentations	Mid-term Exam From Chapters 1-5 and 18
7	Cost – Benefit Analysis and Government Investments	Chapter 6
8	Government Subsidies and Income Support for the Poor	Chapter7
9	Social Security and Health Care	Chapters 8,9
10	Introduction to Government Finance	Chapter10
11	Taxes, Prices, Efficiency, and the Distribution of Income	Chapter 11
12	Taxation: Theory and Structure	Chapter 13
13	Taxation of Personal Income in the U.S.	Chapter14
14	Taxation of Corporate Income	Chapter 15

15	Taxes on Consumption, Sales, Property, and Estates	Chapters 16,17
16	Presentations and Final Exam	Final Exam Will be from Chapters 6-17

Academic Policies: Please refer to the UMUC Maryland in Europe Graduate Catalog, available online at http://www.ed.umuc.edu/visit/pubs/catalog/grad_02-03.pdf or from your local Education Center, for information on the following:

Academic Integrity
 Course Load
 Exception to Policy
 Grade Appeal Process
 Make-up Examinations
 Nondiscrimination
 Students with Disabilities

Code of Civility

To promote a positive, collegial atmosphere among students, faculty, and staff, Maryland in Europe has developed the following Code of Civility:

Respect

Treat all students, faculty, and staff with respect and in a professional and courteous manner at all times and in all communications, whether in person or in written communication (including e-mail).

Kindness

Refrain from using profanities, insults, or other disparaging remarks.

Truth

Endeavor to cite only the truth and not knowingly misrepresent, mischaracterize, or misquote information received from others.

Responsibility

Take responsibility for our own actions instead of blaming others.

Cooperation

Work together with other students, faculty, and staff in a spirit of cooperation toward our common goals of seeking and providing quality education.

Privacy

Strive to uphold the right to privacy and not talk about others.

Nondiscrimination

Respect the differences in people and their ideas and opinions and reject bigotry.

About Your Instructor:

The instructor, Professor Mehdi, as his students at Norwich University where he works as a tenured full professor call him, received his Ph.D. in Economics from Clark University in 1986. He has taught different economics and financial management courses in the MBA and Military graduate programs of Norwich University and in the Maryland in Europe Graduate Programs. Professor Mehdi's research interests include: Applications of public finance and managerial finance theories to economies of developing countries; Empirical studies in financial and portfolio management; Consequences of trade policies in developed and developing economies; and Economic policy analysis.