

12P008

3 ECTS

Public Economics

Overview and Objectives

The field of public economics considers those aspects of economics that involve the welfare of many individuals at the same time. Therefore, it has multiple interests, and the field revolves around different intertwined questions. What is fair from a societal point of view? How to correct the effects of pernicious externalities? How to redistribute resources to make sure that we approach a more equitable society? How to induce public goods that would not be provided at the individual level? How to provide basic services (health, education) to improve life conditions and increase human capital? And how to achieve answers for all that trying to maintain economic efficiency?

There is no definitive answer to some of these questions, since part of the answers depends on the interests and social norms of each country (there are natural connections with other fields in economics, like political economics). But there are concepts and tools that are essential to understand the different answers that can be provided. This course will be an introduction to these concepts and the tools to formalize them. The course will be mostly theoretical but without an excessive emphasis on the mathematical modelization. It will also include the presentation of applied results that shed light on recent answers to some of the above questions.

Course Outline

1. Introduction: Basic Concepts
 - 1.1. Fairness and Redistribution
 - 1.2. Efficiency
 - 1.3. General Equilibrium: Local vs Global Effects; Welfare Theorems
2. Collective Action
 - 2.1. Public Good Provision
 - 2.2. The Commons Problem
3. Taxation
 - 3.1. Externalities: Pigouvian Taxation and the Coase Theorem
 - 3.2. Optimal Taxation
4. Inequality
5. Social Economics
6. Behavioral Aspects

Required Activities

There will be several Problem Sets.

Evaluation

25% problem sets; 75% final exam.

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Materials

Some useful books:

J. Angrist and J-F. Pischke, Mostly Harmless
Econometrics, MIT Press.

J. Gruber, Public Finance and Public Policy, Worth
Publishers.

K. Lang, Poverty and Discrimination, Princeton
University Press.

B. Salanie, The Economics of Taxation, MIT Press.

J. Stiglitz, Economics of the Public Sector, 3rd Ed. W.
W. Norton & Company

A more detailed bibliography will be provided during
the course.