

17P028

Public Economics I: Market Failures, Taxation, and Social Insurance

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 if we want to 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 some of 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 show recent answers to some of the above, and other, questions.

Course Outline

1. Social Welfare
2. Externalities and how to correct them
3. Non-private goods
4. Markets, segregation, and economic outcomes
5. Natural monopolies and the public provision of private goods
6. Taxation
7. Social Insurance. Other Welfare programs.

Required Activities

There will be several Problem Sets as well as some other assignments (readings, short summaries of papers,...).

Evaluation

30% problem sets/assignments, 70% final exam.

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3 ECTS

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Materials