**Course abstract, Б.Пр.Б.15, Public Economics-1**

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| **1. Course number, title, and ECTS** | **Б.Пр.Б.15, Public Economics-1, 5 ECTS**  Core Course  Lectures – 28  Seminars & Practical Classes – 42  Contact Hours – 70  Self-study Hours – 120 |
| **2. Course instructors during Self-Evaluation year and site visit year** | Mr. Lev Jakobson, Professor, Doctor of Science in economics;  Mrs. Natalia Rakuta, Senior lecturer, Master of Economics |
| **3. Prerequisites for the course** | Б.Пр.Б.7. Microeconomics  Б.Пр.Б.6. Mathematics  Б.Пр.Б.5. Economic and Social Statistics |
| **4. Course objectives in relation to total curriculum** | The main aim of the course is to develop analytical tools and their application to key policy issues relating to the spending, taxation and financial activities of the government. |
| **5. Learning outcomes** | By the end of the course, students should:  - know main theoretical concepts and models,  - be able to analyse the influence of taxation and public spending on the economy,  - be able to discuss different issues, connected with public sector economics, and solve problems. |
| **6. Course description** | This course provides a basis for the economic analysis of public policy issues. It analyses the role of public sector in the economic system, its functions, management techniques, taxation, and the efficiency estimation of resources usage.  The focus of the course is on the main parts of public finance – taxation and spending. It also examines issues related to the role of the state, public choice, management of public assets and liabilities, and fiscal federalism. It develops an analytical framework that facilitates the evaluation of public policy. |
| **7. Learning and teaching methods** | During the course the following techniques are used:   * Lectures * Seminars * Group work and group presentations * Self-study tasks |
| **8. Major topics covered** | The main topics of this course are the following:   1. Public Sector in the Economy 2. Equity and Efficiency 3. Public Choice Theory 4. Rent-seeking and Bureaucracy 5. Taxation and Tax Systems 6. Microeconomic Analysis of Taxation 7. Optimal Taxation 8. Tax Evasion and other issues in Taxation 9. Public Expenditures 10. Social Insurance and Welfare Programs 11. Cost-Benefit Analysis 12. Efficiency of Government Expenditures 13. Public-Private Partnership 14. Multiple Jurisdictions 15. Reforms in Public Sector |
| **9. Prescribed books and readings** | The key literature and readings of this course are the following:  ***Main textbooks***:   1. *Экономика общественного сектора*. Под ред. Л.И. Якобсона, М.Г. Колосницыной. 3-е изд. М.: Издательство Юрайт, 2016. 2. *Стиглиц* Дж. Экономика государственного сектора. Изд-во Московского университета: ИНФРА-М, 1997 3. Barr, N. *Economics of the Welfare State*. 4th ed. Oxford: Oxford University Press, 2004.   ***Additional reading***:   1. Alesina, A., Fassarelli F. ‘Regulation versus taxation’, *Journal of Public Economics* 110 2014, pp. 147-156. 2. Arrow, K.J. ‘A difficulty in the concept of social welfare’, *Journal of Political Economy* 58 1950, pp.328*–*46. 3. Atkinson, A.B. ‘On the measurement of inequality’, *Journal of Economic Theory* 2 1970, pp.244*–*63. 4. Atkinson, A.B. ‘On the measurement of poverty’, *Econometrica*, (55) 1987 pp. 749—764 5. Banzhaf, H. S., Chupp B. A. ‘Fiscal federalism and interjurisdictional externalities: New results and an application to US Air pollution’, *Journal of Public Economics* 96 (5-6) 2012, pp. 449-464. 6. Barth, E., Moene K. O., Willumsen F. ‘The Scandinavian model—An interpretation’, *Journal of Public Economics* 117 2014, pp. 60-72. 7. Bergstrom, T.C., L. Blume and H. Varian ‘On the private provision of public goods’, *Journal of Public Economics* 29 1986, pp.25*–*49. 8. Bird, R.M. ‘Wagner’s law of expanding state activity’, *Public Finance*, (26) 1971, pp. 1—26. 9. Blundell, R. ‘Labour supply and taxation: a survey’, *Fiscal Studies* 13 1992, pp.15–40. 10. Boadway, R., Tremblay J. F. ‘Reassessment of the Tiebout model’, *Journal of Public Economics* 96 (11-12) pp. 1063-1078. 11. Buchanan, J.M. and R.A. Musgrave *Public Finance and Public Choice: Two Contrasting Visions of the State*. (Cambridge: MIT Press, 1999). 12. Buchanan, J.M., R.D. Tollison and G. Tullock *Towards a Theory of the Rent-Seeking Society*. (College Station: Texas A and M Press, 1980). 13. Buchanan, J.V. and R.A. Musgrave (1999) *Public Finance and Public Choice: Two Contrasting Visions of the State*. Cambridge (Mass.): MIT Press. 14. Burgess, D. F. ‘Reconciling alternative views about the appropriate social discount rate’, *Journal of Public Economics* 97 pp. 9-17. 15. Coase, R.H. ‘The problem of social cost’, *Journal of Law and Economics* 3 1960, pp.1*–*44. 16. Cockburn, J., Duclos J.-Y., Zabsonré A. ‘Is global social welfare increasing? A critical-level enquiry’, *Journal of Public Economics* 118 2014, pp. 151-162. 17. Cremer, H., Roeder K. ‘Long-term care policy, myopia and redistribution’, *Journal of Public Economics* 108 2013, pp. 33-43. 18. Cullis, John G., and Philip R. Jones. (2009). *Public finance and public choice: analytical perspectives*. Oxford: Oxford University Press. 19. Diamond, P.A. and J.A. Mirrlees ‘Optimal taxation and public production 1: Production efficiency and 2: Tax rules’, *American Economic Review* 61 1971, pp.8*–*27 and pp.261*–*78. 20. Duffie, D. and H. Sonnenschein ‘Arrow and General Equilibrium Theory’, *Journal of Economic Literature* 27 1989, pp.565*–*98. 21. Esping-Andersen, G. (1990) *The Three Worlds of Welfare Capitalism*. Princeton: Princeton University Press. 22. Feddersen, T.J. ‘Rational choice theory and the paradox of not voting’, *Journal of Economic Perspectives*, (18) 2004, pp. 99—112. 23. Foremny, D., Riedel N. ‘Business taxes and the electoral cycle’, *Journal of Public Economics* 115 2014, pp. 48-61. 24. Großer, J., Reuben E. ‘Redistribution and market efficiency: An experimental study’, *Journal of Public Economics* 101 2013, pp. 39-52. 25. Harberger, A.C. ‘Monopoly and resource allocation’, *American Economic Review* 45 1954, pp.77*–*87. 26. Hindriks, J. ‘The consequences of labor mobility for redistribution: tax versus transfer competition’, *Journal of Public Economics* 74 1999, pp.215*–*34. 27. Hindriks, J. and G.D. Myles (2013) *Intermediate Public Economics*. Cambridge: MIT Press. 2nd edition 28. Janeba, E., Osterloh S. ‘Tax and the city — A theory of local tax competition’, *Journal of Public Economics* 106 2013, pp. 89-100. 29. Johannesen, N. ‘Tax avoidance with cross-border hybrid instruments’, *Journal of Public Economics* 112 2014, pp. 40-52. 30. Laffont, J.-J. *Incentives and Political Economy*. (Oxford: Oxford University Press, 2002). 31. Levy, N., Pauzner A. ‘Government's credit-rating concerns and the evaluation of public projects’, *Journal of Public Economics* 115 2014, pp. 117-130. 32. Mueller, D.C. *Public Choice III*. (Cambridge: Cambridge University Press, 2003). 33. Myles, G.D. ‘On the optimal marginal rate of income tax’, *Economics Letters*, (66) 2000, pp. 113—119. 34. Niskanen, W.A. ‘Non-market decision making: the peculiar economics of bureaucracy’, *American Economic Review* 58 1974, pp*.*293*–*305. 35. Oates, W.E. Fiscal Federalism. (New York: Harcourt Brace Jovanovich, Academic Press, 1972). 36. Rosen, H., Gayer T., Civan A. *Public Finance*, 10th ed., Mcgraw-Hill/Irwin, 2014. 37. Samuelson, P.A. ‘Reaffirming the existence of ‘reasonable’ Bergson-Samuelson social welfare functions’, *Economica* 44 1977, pp*.*81*–*88. 38. Sen, A.K. *On Economic Inequality*. (Oxford: Oxford University Press, 1997. 39. Tanzi, V. and L. Schuknecht (2000) *Public Spending in the 20th Century: a Global Perspective*. Cambridge: Cambridge University Press. 40. Tanzi, V. and L. Schuknecht *Public Spending in the 20th Century: A Global Perspective*. (Cambridge: Cambridge University Press, 2000). 41. Tiebout, C.M. ‘A pure theory of local expenditure’, *Journal of Political Economy* 64 1956, pp*.*416*–*24. 42. Traxler, C. ‘Majority voting and the welfare implications of tax avoidance’, *Journal of Public Economics* 96 (1-2) 2012, pp. 1-9. 43. Tullock, G. ‘The welfare costs of tariffs, monopolies and theft’, *Western Economic Journal*, (5) 1967, pp. 224—232. 44. Vickers, J. ‘Concepts of competition’, *Oxford Economic Papers* 47 1995, pp*.*1*–*23. 45. Wilson, J.D. ‘A theory of interregional tax competition’, *Journal of Urban Economics* 19 1986, pp.296*–*315. |
| **10. Way of examining** | The assessment criteria and grade system are the following:   * class participation; * 2 group presentations; * 2 written home assignments; * 2 midterm exam (60 min. each), * final exam (80 min).   Course grade consists of two parts – cumulative grade (CG) and final exam grade (FEG). Cumulative grade includes:   * class participation (15%); * home assignments (15%); * group presentations (10%); * midterm exams (30% each).   Total mark = 0.6\*CG + 0.4\*FEG |