

Advanced Public Economics
Winter term 2014-15
Syllabus

Content:

The course covers selected topics in the economics of the public sector. Public economics analyzes the impact of public policy on the allocation of resources and the distribution of income and wealth in the economy.

We study various market failures as a justification for public action, and analyze how government policies can improve market outcomes. Finally we address the financing side of government and consider key issues in tax policy.

Lecture:

Tuesday, 4 p.m. - 5.30 p.m. (weekly)
Room: PB-A 104

Instructor:

Prof. Dr. Sebastian G. Kessing
Office: H-D 6215
Office hours: Tuesday, 2.30 p.m. - 3.30 p.m. (please always make an appointment by email).
Homepage: <http://www.fwi.uni-siegen.de>

Tutorial:

Thursday, 8.30 a.m. - 10 a.m. (bi-weekly, every even week)
Room: H-C 3310
Teaching assistant: Benny Schneider

Downloads:

Lecture slides and other material for this course can be found at <http://www.wiwi.uni-siegen.de/fwi/lehre/ws1415/ape-ws1415> (password protected). The password will be provided in class only.

Course requirements:

Students will be graded upon the following:

- Final exam (100%).

Course overview:

1. Introduction

- Importance of government
- Positive versus normative analysis of government action
- Pareto-criterion
- Theory of the second best

- General vs. partial equilibrium theory
 - First and second theorem of welfare economics
2. Public goods
- Properties of public goods
 - Efficient provision
 - Private provision
 - Lindahl taxes
 - Clarke-Groves mechanism
3. External effects
- Pigou taxes
 - The Coase theorem
4. Commodity taxation
- Basic concepts
 - Excess burden
 - Optimal indirect taxation
 - Extensions
5. Income taxation
- Overview
 - Optimal taxation
 - Optimal taxation and unemployment
 - Income and commodity taxes
6. Further topics in tax policy

Readings:

- If you aren't familiar with the basic concepts of public economics, you can find instructive introductions in Rosen and Gayer (2010) or Stiglitz (2000). Tresch (2002) is somewhat more advanced.
- The main reference for the course is Hindriks and Myles (2006).
- References for technical questions are Simon and Blume (1994) (for mathematics and optimization), Varian (1992) and Varian (2006) (for basic microeconomics), Gravelle and Rees (2004) (for intermediate microeconomics) and Mas-Colell et al. (1995) (for advanced methods).
- Further references are given during the course.

References

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- Stiglitz, J. E. (2000). *Economics of the public sector*. W. W. Norton & Co., New York, 3 edition.
- Tresch, R. W. (2002). *Public finance: A normative theory*. Academic Press, Amsterdam, 2 edition.
- Varian, H. R. (1992). *Microeconomic analysis*. Norton, New York, 3 edition.
- Varian, H. R. (2006). *Intermediate microeconomics: A modern approach*. Norton, New York, 7 edition.