

## **COURSE SPECIFICATION DOCUMENT**

**NOTE:** ANY CHANGES TO A CSD MUST GO THROUGH ALL OF THE RELEVANT APPROVAL PROCESSES, INCLUDING LTPC.

<b>Academic School/Department:</b>	Business and Economics
<b>Programme:</b>	BA (Hons) Economics with Combined Studies BA (Hons) International and Development Economics - pending BA (Hons) Financial Economics - pending
<b>FHEQ Level:</b>	5
<b>Course Title:</b>	Public Economics
<b>Course Code:</b>	ECN5200
<b>Course Leader:</b>	Sabine Spangenberg
<b>Student Engagement Hours:</b>	<b>120</b>
Lectures:	45
Independent / Guided Learning:	75
<b>Semester:</b>	Fall/Spring/Summer
<b>Credits:</b>	12 UK CATS credits 6 ECTS credits 3 US credits

### **Course Description:**

This is a course in theoretical and applied public economics using microeconomic theory. The course addresses the theoretical analysis of market failure, public finance, taxation and expenditure systems in modern economies and discusses philosophical issues of economic welfare.

**Prerequisites:** MTH 3110, ECN 4105

### **Aims and Objectives:**

This is a Course in theoretical and applied public economics using microeconomic theory. The Course aims to familiarise students with the scope and concepts of public sector economics. The nature of market failure is investigated and welfare economic postulates are derived. The concepts of efficiency and equity are analysed and issues of public finance, taxation and expenditure systems as well as issues of welfare provision are reflected upon.

### **Programme Outcomes:**

A1, A4, A5  
B1, B2, B4

C1 - C8

A detailed list of the programme outcomes are found in the Programme Specification. This is located at the Departmental/Schools page of the portal.

### **Learning Outcomes:**

Upon completion of this course, a successful student should be able to

### **Knowledge and Understanding**

1. Demonstrate an in-depth understanding of the key issues in public economics.
2. Formalise welfare axioms.
3. Identify the nature of market failure and contrasts different philosophical strands regarding the role of the public sector.
4. Analyse the comparative advantages and disadvantages of public revenue and spending systems.
5. Critically assess economic policy options that aim at the correction of market failures such as market concentration or negative externalities.
6. Apply public economic models to relevant topics.

### **Subject-Specific Skills:**

1. Make use of abstract, graphical and mathematical methods of analysis.
2. Assess the appropriateness of a theoretical approach to a given situation, and apply appropriate microeconomic models to given scenarios.
3. Communicate the assessment and the limitations of the given models.

### **Other Skills:**

1. Show critical awareness of cost implications of public sector policies.
2. Make use of marginal taxation, revenue and welfare analysis.
3. Interpret incentive structures within the economic framework, linking public economic strategy with desired economic outcomes and expectations.
4. Appraise the limitations of the private sector approach and can use a rigorous analysis to appraise model and system shortcomings.

### **Indicative Content:**

1. Microeconomic Principles Revisited (Stiglitz Ch. 3; Tresch, Ch. 1, 3)
2. Market Failure and the Role of the Government (Stiglitz Ch. 4; Cassidy; Barr Ch 4; Tresch, Ch. 2, 6, 7, 8, 9)
3. Social Choice: Efficiency and Equity (Barr, Ch. 3, 4; Stiglitz Ch.5; Besley; Besley, Preston)
4. State Intervention and Public Policy (useful primer in moral philosophy: Rachels; Cahn pp 472-491 on Rawls, pp 492-807 on Nozick; Sandel Lecture on Justice)

5. Public Goods: Fundamentals and Efficiency Considerations (Stiglitz Ch. 6, 7)
6. The Problem of Externalities (Stern Review)
7. Expenditure Policy and Cost-Benefit Analysis (Stiglitz Ch. 10, 11)
8. Welfare Programs: Rationale and Reform (Stiglitz Ch. 15, 16; Barr; Jacobs & van der Ploeg)
9. Health Care Systems: Comparative Analysis (Taylor & Hawley Ch. 2, 3)
10. Taxation: Introduction and Efficiency (Meade Report, Mirrlees Report, Stiglitz Ch. 17, 18, 19)
11. Types of Taxation and Optimal Taxation (Stiglitz, Ch. 20, 21, 22, 24; Ivanova, et al; Slemrod)
12. Fiscal Budget Considerations (Barr, Ch. 7; Stiglitz, Ch. 27, 28)
13. Case Studies: Education, Health, Finance, Public Goods etc

### **Assessment:**

This course conforms to the Richmond University Standard Assessment Norms approved at Academic Council on June 28, 2012.

### **Teaching Methodology:**

The course is lectured twice weekly. Student participation is essential and group discussions are a vital part of learning. Students are expected to undertake independent study and research to compose a written assignment the findings of which have to be presented in class.

### **Bibliography:**

#### **Core Text:**

Barr, N. A. (2012) *Economics of the Welfare State*, 5th ed., Oxford: OUP.

Stiglitz, J. (2000), *Public Sector Economics*, 3<sup>rd</sup> edition, New York: W.W. Norton & Company.

#### **Supplementary Reading**

Barr, N. A. (2010) *Comment on the Browne Review*, 16.October 2010, accessible via:  
[http://econ.lse.ac.uk/staff/nb/Barr\\_Browne\\_Review\\_101016.pdf](http://econ.lse.ac.uk/staff/nb/Barr_Browne_Review_101016.pdf).

Barr, N. (2004) Higher Education Funding, in: *Oxford Review of Economic Policy*, 20(2): 264-283.

Besley, T. (2003) Welfare Economics and Public Choice, in: Rowley, C. (2003) *Encyclopaedia of Public Choice*, Amsterdam: Kluwer Academic Publishers.

Besley, T., (2006) *Principled Agents? The Political Economy of Good Government*, Oxford: OUP.

Besley, T., Persson, T. (2006) Economic Approaches to Political Institutions, *Working Paper London School of Economics*, September 2006.

Besley, T., Preston I. (2006) Electoral Bias and Public Choice: theory and evidence, *IFS Working paper W06/03*.

Cahn, S.M. (2005) *Political Philosophy. The Essential Texts*, abridged version, New York: OUP USA.

Cancutt, E. M., Imrohroh, S., Kumar, K.B., (2006) Does the Progressivity of Income Taxes Matter for Human Capital and Growth?, in: *The Journal of Public Economic Theory*, 2006( 8) Issue 1: 95-120.

Cassidy, John (2009), *How Markets Fail. The Logic of Economic Calamity*, London: Allen Lane.

Congdon W. J., Kling, J.R., Mullainathan, S. (2011) *Policy and Choice. Public Finance through the Lens of Behavioural Economics*, Washington DC: Brookings Institution Press. Freely available to download at: <http://www.brookings.edu/press/Books/2011/policyandchoice.aspx>

Institute for Fiscal Studies (1978) *The Structure and Reform of Direct Taxation*, Report of a Committee chaired by Professor J.E. Meade, London: Allen and Unwin.

Institute for Fiscal Studies (2009), Adam S., Browne, A., Heady C., *The Mirrlees Review*, Vol.1 Tax by Design, London: Allen and Unwin.

Ivanova, A., Keen, M., Klemm, A. (2005) The Russian Flat Tax Reform, in: *Economic Policy*, 20 (43): 397-444.

Jacobs, B., van der Ploeg, F. (2006) Guide to reform of higher education: a European perspective, in *Economic Policy*, 21: 535-592.

Keenan, D. C., Kim, I., Warren Jr., R.S., (2006) The Private Provision of Public Goods under Uncertainty: A Symmetric Equilibrium Approach, in: *The Journal of Public Economic Theory*, 2006 (8), Issue 5: 863-902.

Le Grand, J., Propper C., Smith S. (2008) *The Economics of Social Problems*, 4<sup>th</sup> edition, Basingstoke: Palgrave Macmillan.

Leach, J. (2004) *A Course in Public Economics*, Oxford: OUP.

Nozick, R. (1974) *Anarchy State and Utopia*, Oxford: Blackwell.

Rawls, J., (1972) *A Theory of Justice*, Cambridge, Mass: Belknap Press.

Rachels, J. (2007), *The Elements of Moral Philosophy*, 6<sup>th</sup> edition, London: MacGraw Hill.

Slemrod, J (1990) *Optimal Taxation and Optimal Tax Systems*, in: *Journal of Economic Perspectives*, Winter: 157-78.

Stern Review (2006) accessible via: [http://www.equalities.gov.uk/stern\\_review.aspx](http://www.equalities.gov.uk/stern_review.aspx).

Sunstein, C. R., Thaler, R.H., (2008) *Nudge*, London: Penguin.

Stiglitz, J, Sen, A., Fitoussi, J.-P., (2009) *The Measurement of Economic Performance and Social Progress Revisited*, accessible via <http://www.stiglitz-sen-fitoussi.fr/documents/overview-eng.pdf> or as Pdf on the course homepage.

Taylor, G., Hawley, H., (2010) *Key Debates in Health Care*, Maidenhead: McGraw Hill.

