

ATHENS UNIVERSITY OF ECONOMICS AND BUSINESS
DEPARTMENT OF ECONOMICS
ERASMUS PROGRAM
PUBLIC ECONOMICS
Spring Semester 2019-20

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Teaching hours : Wednesdays, 4-7 pm

Classroom : Δ4, 4th Floor, Derigny Wing, Main Building

Office hours : Tuesdays, 4-7 pm and by appointment

Course Description

This is the basic intermediate level course in public economics. Public economics or public finance studies the role of government in the economy. In particular, public economics seeks answers to the following four questions:

- (a) When should the government intervene in the economy?
- (b) How might the government intervene in the economy?
- (c) What are the effects of government interventions on economic outcomes?
- (d) Why governments choose to intervene in the way they do?

Too abstract? Not really, for another way economists highlight the usefulness of a course like this one, is by claiming that “it helps you understand the public economics issues discussed in the front page of newspapers everyday.” For, police protection, national security, immigration policy, health care, all levels of education, environment protection, social insurance, social security, unemployment insurance, disability insurance, welfare programs, mobile phone and tv licenses, internet regulation and all kinds of income, property and consumption taxes are all subject matters of public economics.

The analysis of public economics has two forms: positive analysis that examines what actually happens, as with the answers to questions (c) and (d), above; and normative analysis that examines what should have happened, as with the answers to questions (a) and (b), above. In so doing, both theory and empirical observation is used interactively in the study of the underlying problems and conclusions.

Teaching Method

A series of lectures, typically, once a week, is the basic teaching method. Some exercises will be handed out in class, but, they will not be graded.

Evaluation Method

There will be a one-hour midterm and a two-hour final examination, based on the exercises handed out in class. The midterm and the final contribute 1/3 and 2/3 of the course grade, respectively.

Curriculum

Week(s)	Subject	Readings
1&2	Introduction and Theoretical Tools	Gruber Chs 1 & 2 (Rosen Chs 1, 2 &4)
3	Empirical Tools and the Government Budget	Gruber Chs 3 & 4 and notes
4	Externalities	Gruber Chs 5 & 6 (Rosen Ch. 6)
5	Public Goods	Gruber Ch. 7 (Rosen Ch. 5)
6	Midterm Exam and Local Public Goods	Gruber, Ch. 10
7	Cost Benefit Analysis	Gruber Ch. 8 (Rosen Ch. 12)
8	Political Economy and Democracy	Gruber, Chs 9.1-9.3 (Rosen Ch. 7)
9	Public Choice and Government Failure Difficulties of Reform Implementation	Gruber, Ch. 9.4 and notes
10	Social Insurance	Gruber, Ch. 12
11	Social Security	Gruber, Ch. 13
12	Taxation and Efficiency	Gruber, Chs 18 & 20 (Rosen Ch. 14 and 15)
13	Taxation and Equity	Gruber, Ch. 19 (Rosen Ch. 13)
14	Final Exam	
Readings in parentheses (.) are optional.		

Books:

Gruber, J., Public Finance and Public Policy, Fifth Edition, Macmillan, 2016

Rosen, H.S., and Gayer, T., Public Finance, Ninth Edition, Irwin-McGraw Hill, 2016

Prerequisites:

This is an intermediate level, undergraduate course. A prerequisite for this course is knowledge of basic microeconomics, macroeconomics, and statistics.