

Faculty of Economic, Social and Political Sciences



ECON3510 Public Economics

[30h]

Teacher(s): Jean Hindriks
Language: French
Level: Third cycle

Aims

The course aims at supplementing the basic education of students in the field of Public Economics by studying at an advanced level selected topics that are relevant for theory and policy.

The emphasis will be put on the lessons to be drawn from theory in the field of public policy and on the modeling approaches used in advanced public economics.

At the end of this course students are expected to have acquired a good knowledge of some of the main topics that are currently discussed in the literature as well as the research methods that are used in the area.

Main themes

The topics in this course are studied from positive and normative viewpoints as well as from a political economy perspective. Positive analysis deals with the incentive effects of public policies (such as taxes on labour and capital markets) and with their incidence on households (e.g. income inequality) ; it relies on both theoretical modeling and empirical studies.

In its normative aspects, public economics considers the design of policies to achieve social objectives (typically captured in a social welfare function including value judgments).

The political economy perspective starts from the various institutional and political features of the real world, and it seeks to analyze how policy decisions are taken (rather than how they ought to) and how they might deviate from efficiency.

The aim of the course is to mix those various approaches in studying issues of public policy that are relevant in theory and practice.

Content and teaching methods

The topics covered in the course are selected in the following indicative list :

Commodity taxation : optimality and reform ; Labour income taxation : normative and political economy models (linear and non-linear income taxes); Income versus commodity taxation ; Incentive effects of labour income taxation on labour supply and human capital formation ; Provision of public goods and the marginal cost of public funds ; Non-tax instruments for redistributive purposes (in-kind transfers, workfare versus welfare, #) ; Fiscal competition and federalism ; Effects of corporate income taxation on the investment and financial decisions of firms ; Social insurance ; Public pensions (social security) and public debt in overlapping generations economies and effects of social security on retirement behaviour.

The content of the following books gives some good idea of the level at which these topics are covered :

Myles, G.D. *Public Economics*. Cambridge, Cambridge University Press, 1995.

Auerbach, A.J. and M.S. Feldstein (eds.). *Handbook of Public Economics*. Amsterdam, North Holland, Volume 1, 1985 and Volume II, 1987.

Atkinson, A.B. and J.E. Stiglitz. *Lectures on Public Economics*. New York, McGraw Hill, 1980.

Other information (prerequisite, evaluation (assessment methods), course materials recommended readings, ...)

Basic knowledge of public economics equivalent to that covered in the department's courses *Economies et Finances Publiques* and *Economie Publique* or in the textbook of Boadway, R.W. and D.E. Wildasin, *Public Sector Economics*, Second Edition, Boston, Little Brown, 1984 is required. *Advanced Microeconomics I* is also a prerequisite to this course.

The exam is organized in the form of a written exam during the regular exam session.

The lectures will be based on selected articles and book chapters. If needed, some additional material in the form of notes written by the teacher will be provided at appropriate time.

Programmes in which this activity is taught

ECGE3DA/EC Diplôme d'études approfondies en économie et gestion - Master
of Arts in Economics (sciences économiques)

MAP2 Ingénieur civil en mathématiques appliquées

Other credits in programs

ECGE3DA/EC Diplôme d'études approfondies en économie et gestion - Master(3.5 credits)
of Arts in Economics (sciences économiques)

MAP22 Deuxième année du programme conduisant au grade (3 credits)
d'ingénieur civil en mathématiques appliquées