
PUBLIC ECONOMICS in Spring 2021 (EC3076)

Course Code	EC3076	Professor(s)	Shahram Alijani
Prerequisites	None	Office Number	G-206
Class Schedule	F: 12:10-13:30 in G-009 T: 16:55-18:15 in G-009	Office Hours	Tuesdays 14:00-15:00 & by appointment
Credits	4	Email	salijani@aup.edu
Semester	Spring 2021	Office Tel. Ext.	567

Course Description

This course is an introduction to the topic of public economics and the rationale behind public intervention in the economy. We begin by discussing the difference between public and private goods and the need for economic agents to cope effectively with the negative externalities that result from economic activities. The course highlights the importance of reducing poverty and fighting exclusion through effective social security and insurance safety nets, income redistribution and efficient tax schemes. A special emphasis is placed on taxation government expenditure and debt and how the government should achieve its social and economic objectives. The course studies the foundations of welfare economics within different national and historical contexts (United States, France, Germany, UK and Nordic countries) and provides a forum for discussing a number of topics including the management of public and private goods and common pool resources and the policies in favor of social justice, equality, welfare and wellbeing.

Course Learning Outcomes

Understand the nature of public goods and how they should be provided to all citizens,
Study the concept of externalities when making economic, social and political choices,
Assess and understand the role of government in areas such as health care, social security, poverty alleviation, and income redistribution, social justice and inclusion,
Understand how the government raises revenues through taxation to finance public expenditures and how different forms of taxation affect individual decision-making.
Understand areas of research in public economics, political agency, public goods, the commons, fiscal federalism and fiscal responsibility
Understand how the government responds to externalities and welfare imperative through taxation and public policy,
Master mathematical and algebraic applications used to demonstrate utility maximization,

individual and government preferences, budget constraint, indifference curves and social efficiency and welfare

General Education

[PLEASE REMOVE THIS SECTION IF THE COURSE DOES NOT FULFILL ANY GLACC REQUIREMENT]

GLACC

The Global Liberal Arts Core Curriculum (GLACC) degree requirements include the following categories of courses:

- Integrative Inquiry (coded CCI)
- Experiential learning (coded CCX)
- Research, Interpretation, and Writing (coded CCE)
- Digital Literacy and Communication (coded CCD)
- Disciplinary Research Methods and Writing (coded CCR)
- Quantitative Reasoning (coded CCM)
- Experimental Reasoning Course with Lab (coded CCS)
- Expression Française (coded FR)
- AUP Capstone (coded CCC)

This course can be used to fulfill the [INDICATE THE REQUIREMENT(S) FULFILLED BY THE COURSE] requirement and as such has the following learning outcomes:

Upon successful completion of the course, students should be able to:

? Analyze and compare different forms of goods (public, private) and externalities (positive, negative),

? Assess the role of government in health care, social security, poverty alleviation, and income redistribution, social justice and inclusion,

? Compare and evaluate different sources and forms of taxation and their impact on social welfare,

? Study areas of research in public economics, political agency, public goods and fiscal responsibility

? Understand and use simple mathematical models to demonstrate utility maximization, social preferences welfare schemes.

Students will have the opportunity to broaden and deepen their understanding of public economics, public goods, and externalities by studying selected articles and cases studies assigned by the professor.

This course is an upper-level elective course and can be used to fulfill the requirement for obtaining the undergraduate degree in Economics.

Course Outline

Week 1 Starting January 18

Introduction to Public Economics

- The four questions of public finance
- Study of public finance and policy debates

? Readings: J. Gruber, chapter 1

Week 2 Starting January 25

Theoretical Tools of Public Finance

- Constrained utility maximization
- Preferences and indifference curves
- Social welfare and the effect of TANF on budget constraint (Temporary Assistance for Needy Families)

? Readings: J. Gruber, chapter 2, Class handout 1

Week 3 Starting February 1

Empirical Tools of Public Finance, Budget Analysis and Deficit Financing

- Correlation and causality, randomized trials and time series analysis
- Long-run government budgets and alternative approaches

? Readings: J. Gruber, chapters 3, 4.

Week 4 starting February 8

No class on Tuesday Feb 9. Classes start on site on Feb. 11

Externalities

- Externalities theory: negative externalities and remedies
- Externalities in action: global warming, acid rain, addiction and smoking

? Readings: J. Gruber, chapters 5, 6, Class handout 2

Workshop 1: Analyzing and measuring public policy empirical, analytical dimensions & public goods. Study of selected national policies. Individual projects presentation and discussion

Week 5 starting February 15

Public Goods

- Optimal provision of public goods
- Private versus public provision of public goods
- The mathematics of public goods provision: a game theoretic approach

? Readings: J. Gruber, chapter 7.

Week 6 Starting February 22

No class on Tuesday Feb 26.

Cost-Benefit Analysis and Political Economy

- Measuring cost and benefits of public projects
- Aggregating Individual Preferences

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- Public Choice Theory
- ? Readings: J. Gruber, chapters 8 and 9.

Week 7 Starting March 1

State and Local Government Expenditures

- Fiscal federalism
 - Redistribution dilemmas, mechanisms and tools
- ? Readings: J. Gruber, chapter 10, Class handout 3

Workshop 2: Social security, unemployment & retirement policy in the OECD countries
Group Project assignments

Week 8 starting March 8 (Mid-term Exam Week)

Public Expenditures: Examples of Social Insurance and Education

- Education: public school and crowding out and insurance markets
 - Social insurance: asymmetric information and externalities, moral hazard
- ? Readings: J. Gruber, chapters 11, 12.

Week 9 starting March 15

Social Security

- Rationale for social security, taxes and retirement
- ? Readings: J. Gruber, chapter 13.

Week 10 starting March 22

Workers' Compensation, Health Insurance

- Institutional features of insurance, unemployment, disability, workers' compensation
 - Private versus public insurance. Example of Medicare Medicaid examples
- ? Readings: Class handout 14, 15, 16, Class handout 4

Week 11 Starting March 29

Income Distribution and Welfare Programs

- Welfare policy and reform
 - Income inequality
- ? Readings: Chapter 17, Class handout 10

Workshop 3: Taxation in the US and Selected OECD Countries.

Week 12 Starting April 5

No class on Tuesday Feb 9. Classes start on site on Feb. 11

Taxation

- Taxes on earnings, tax rates and bases
 - Tax incidence in different market structures (ex. Imperfectly competitive markets)
 - Tax inefficiencies
- ? Readings: Chapters 18 & 19, 20 Class handout 11

Week 13 starting April 12

More on Taxation: Taxes on Labor Supply, Savings and Corporation Taxation

- Basic theory, EITC

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- Precautionary savings, retirement
 - ? Readings: Chapters 21, 22, 23 Class handout 12
 - ? Final presentations (I)

Week 14 starting April 19:

More on Taxation

- Tax reform, tax evasion and efficiency

? Readings: Chapters 24, 25

? Final presentations (II)

Week 15 starting April 26:

- Concluding remarks

Week 16 starting May 3

Final exam period: May 3-12

Textbooks

Title	Author	Publisher	ISBN	Required
WORTH PUBLISHERS	GRUBER, JONATHAN	PUBLIC FINANCE AND PUBLIC POLICY 6TH EDITION	9781319254742	Yes

Attendance Policy

WORKSHOPS:

Students are required to participate in three workshops designed around the topics, case studies and policy issues discussed in class. Workshops are exercise sessions and as such provide a forum for discussing individual and group projects and assignments.

Students studying at The American University of Paris are expected to attend ALL scheduled classes, and in case of absence, should contact their professors to explain the situation. It is the student's responsibility to be aware of any specific attendance policy that a faculty member

might have set in the course syllabus. The French Department, for example, has its own attendance policy, and students are responsible for compliance. Academic Affairs will excuse an absence for students' participation in study trips related to their courses.

Attendance at all exams is mandatory.

IN ALL CASES OF MISSED COURSE MEETINGS, THE RESPONSIBILITY FOR COMMUNICATION WITH THE PROFESSOR, AND FOR ARRANGING TO MAKE UP MISSED WORK, RESTS SOLELY WITH THE STUDENT.

Whether an absence is excused or not is ALWAYS up to the discretion of the professor or the department. Unexcused absences can result in a low or failing participation grade. In the case of excessive absences, it is up to the professor or the department to decide if the student will receive an "F" for the course. An instructor may recommend that a student withdraw, if absences have made it impossible to continue in the course at a satisfactory level.

Students must be mindful of this policy when making their travel arrangements, and especially during the Drop/Add and Exam Periods.

Grading Policy

GRADING:

Participation and workshops	25%
Group and individual assignment (research project / article review)	25%
Midterm examination	20%
Final examination	30%

Other
