

# Public Economics I: Market Failures, Taxation, and Social Insurance

3 ECTS

TERM 1

MANDATORY COURSE

## Professor

Prof. Pau Milán

## Prerequisites to enroll

None.

## Overview and objectives

The field of public economics considers those aspects of economics that involve the welfare of many individuals at the same time. Therefore, it has multiple interests, and the field revolves around different intertwined questions.

What is fair from a societal point of view? How to correct the effects of pernicious externalities? How to redistribute resources if we want to approach a more equitable society? How to induce public goods that would not be provided at the individual level? How to provide basic services (health, education) to improve life conditions and increase human capital? And how to achieve answers for all that trying to maintain economic efficiency?

There is no definitive answer to some of these questions, since part of the answers depends on the interests and social norms of each country (there are natural connections with other fields in economics, like political economics). But there are concepts and tools that are essential to understand the different answers that can be provided. This course will be an introduction to some of these concepts and the tools to formalize them.

The course will be mostly theoretical but without an excessive emphasis on the mathematical modelization. It will also include the presentation of applied results that show recent answers to some of the above, and other, questions.

## **Course outline**

1. Efficiency and Welfare
2. Externalities
3. Club Goods and Local Public Goods
4. Segregation and the Geography of Opportunity
5. Natural monopolies
6. Taxation
7. Social and Informal Insurance

## Required activities

There will be several Problem Sets as well as some other assignments (readings, short summaries of papers,...).

## Evaluation

30% problem sets/assignments, 70% final exam.

## Competencies

- To (be able to) communicate with determination and in the English Language, the results and implications of the required analytical study using a language that the receiver can relate to.
- To work within a heterogeneous team of researchers as economic analyst using specific group techniques.
- To fit in diverse professional environments and varied types of collaborations in different professional projects.
- To possess and understand the knowledge that provides a basis or opportunity to be original in the development and / or application of ideas, often in a research context.
- That students know how to apply the acquired knowledge and their ability to solve problems in new or unfamiliar environments within broader (or multidisciplinary) contexts related to their field of study.
- That the students be able to integrate knowledge and face the complexity of making judgments based on information that, being incomplete or limited,

include reflections on the social and ethical responsibilities linked to the application of their knowledge and judgments.

- That the students be able to communicate their conclusions and the knowledge and the ultimate reasons that sustain them to both, specialized and non-specialized publics in a clear and unambiguous way.
- That students possess the learning skills that allow them to continue studying in a way that will be largely self-directed or autonomous.
- To identify and apply the insights of the theory, the models, and the analytical tools of modern economy to its global dimension.
- Understand and apply the Economic Theory and statistical models of the design of the evaluation of public policies.
- Understand and apply the quantitative methods used to solve complex problems of the economy.
- Evaluate, with theoretical and quantitative instruments, complex realities of the economy to understand its functioning.

### **Learning outcomes**

- Knows rigorously the economic theory of design and evaluation of public policies.
- Applies the empirical tools of economic analysis to evaluate public policies.
- Knows the institutional frameworks in which public policies are designed and implemented.

## Materials

The following books may be useful for some sections of the course:

- Gruber, J. Public Finance and Public Policy, Worth Publishers.
- Hindriks, J., & Myles G. Intermediate public economics. MIT press, 2013.
- B. Salanie, The Economics of Taxation, MIT Press.
- J. Stiglitz, Economics of the Public Sector, W. W. Norton & Company