

PUBLIC ECONOMICS

Course Brief Description

Number of credits: 3 ECTS

Course period: 1 semester / 2 classes (1 lecture + 1 seminar) per week in the first half of the semester, 1 class (1 seminar) in the second half of the semester

Language of Instruction: English

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Course description:

The objective of the course is to give knowledge the specificities of public economics to provide background for more effective managerial decisions. After learning the course, students will understand the nature and scope of activity in public sector of economy, know the role government in the economy; know the methodology and terminology of public economics; understand the conceptual, theoretical, and institutional bases of the economic analysis in public economics area; be able to analyze current situation in public economics.

Lectures and reading materials. At the lectures students are given main ideas in the field of public economics as a significant part of present economy. To enlarge their knowledge in this area students are provided with the list of additional readings.

Seminars. The seminars are conducted in the forms of role-play, discussions, team work. The training “Election” is included in the seminars programme of the course as well. During this game students have opportunity to see the Public Choice theory in practice.

Assignments. There are several assignments within the course:

- 1) 3 tasks with open questions in the field of justice practice in the different countries. These questions are to be answered in the beginning of the classes and count as 15% of the final grade (each counts 5%).
- 2) The midterm exam (test) counts as 40% of the final grade
- 3) The final exam (test) counts as 45% of the final grade.

Grading:

ECTS Grade	Points	Russian grade
A	100-91 points	“excellent”: 100–80 points
B	90-81	
C	80-71	“good”: 79– 60 points
D	70-61	
F: failed	less than 60 points: failed	“satisfactory”: 59–40 points

Structure of the course

Topic 1. Government and Economic system

Topic 2. Public expenditure

Topic 3. Public Choice

Topic 4. Public Revenues

Core learning materials

- Atkinson and J. Stiglitz, Lectures in Public Economics (New York: McGraw Hill, 1980).
- Auerbach and M. Feldstein, eds., Handbook of Public Economics: Volumes 1 & 2 (Amsterdam: North Holland, 1985 and 1987).
- H. Rosen, Public Finance, 6th edition (New York: McGraw-Hill/Irwin, 2002).
- J. Stiglitz, Economics of the Public Sector, 2nd edition (New York: Norton, 1988).
- Nicholson W. Intermediate Microeconomics. Dryden Press. 7th ed. – 1997. Published in USA.

Additional readings

- A. Alesina and D. Rodrik, "Distributive Politics and Economic Growth," *QJE* 109 (May 1994), 465-490.
- A. B. Atkinson, "Income Maintenance and Social Insurance," in A. Auerbach and M. Feldstein, eds., Handbook of Public Economics Volume 2 (Amsterdam: North-Holland, 1987), 779-908.
- A. Gibbard, "Manipulation of Voting Schemes: A General Result," *EMA* 41 (1973), 587-600.
- A. Preston and C. Ichniowski, "A National Perspective on the Effects of the Local Property Tax Revolt, 1976-1986," *NTJ* 44(2) (June 1991), 123-45.
- Buchanan J.M. An Economic Theory of Clubs. // *Economica* (February, 1965). p.1-14.
- C. Holsay and T. Borchering, "Why Does Government's Share of National Income Grow?: An Assessment of the Recent Literature on the U.S. Experience," in D. Mueller, Perspectives on Public Choice (Cambridge: Cambridge University Press, 1997).
- C. Randall, "Price Specification and the Demand for Public Goods," *JPubE* 43 (1990), 93-106.
- D. Epple, T. Romer, and H. Sieg, "The Tiebout Hypothesis and Majority Rule: An Empirical Analysis," NBER Working Paper 6977 (1999).
- D. Feenberg and H. Rosen, "Tax Structure and Public Sector Growth," *JPubE* 32 (1987), 185-201.
- D. Rubinfeld, "Economics of the Local Public Sector," in A. Auerbach and M. Feldstein, eds., Handbook of Public Economics: Volume II (Amsterdam: North Holland, 1988), 571-645.
- E. Clarke, "Multipart Pricing of Public Goods," *Public Choice* 8 (1971), 19-33.
- E. Gramlich and D. Rubinfeld, "Micro Estimates of Public Spending Demand Functions and Tests of the Tiebout and Median Voter Hypotheses," *JPE* 90 (June 1982), 536-560.
- E. Lindahl, "Just Taxation – A Positive Solution," in R. Musgrave and A. Peacock, eds., *Classics in the Theory of Public Finance* (New York: St. Martin's Press, 1994).
- G. Miller, "The Impact of Economics on Contemporary Political Science," *JEL* 35 (1997): 1173-1204.
- H. Bowen, "The Interpretation of Voting in the Allocation of Resources," *QJE* 58 (1943), 27-48.

- H. Varian, "A Solution to the Problem of Externalities When Agents are Well-Informed," *AER* 84 (December 1994), 1278-1293.
- J. Brueckner, "A Tiebout Tax-Competition Model," *JPubE* 77(2) (2000), 285-306.
- J. Matsusaka, "Fiscal Effects of the Voter Initiative: Evidence from the Last 30 Years," *JPE* 103 (June 1995), 587-622.
- J. von Hagen and I. Harden, "Budget Processes and Commitment to Fiscal Discipline," *European Economic Review* (1995), 771-9.
- K. Arrow, *Social Choice and Individual Values* (Yale University Press, 1963).
- K. Shepsle and B. Weingast, "Political Solutions to Market Problems," *American Political Science Review* 78 (1984), 417-434.
- M. Marlow, "Fiscal Decentralization and Government Size," *Public Choice* 56(3) (March 1988), 259-69.
- M. Rothschild and J. Stiglitz, "Equilibrium in Competitive Insurance Markets," *QJE* (1976), 629-649.
- N. Tideman and G. Tullock, "A New and Superior Process for Making Social Choices," *JPE* 84 (1976), 1145-1159.
- P. Diamond, "Issues in Social Insurance," in Jacobs, Kalai, and Kamein, eds., *Frontiers of Research in Economic Theory: The Nancy L. Schwartz Memorial Lectures, 1983-1997* (Cambridge University Press, 1998).
- R. Dye and T. McGuire, "The Effect of Property Tax Limitation Measures on Local Government Fiscal Behavior," *JPubE* 66(3) (December 1997), 469-87.
- R. Fisher, "Income and Grant Effects on Local Expenditure: The Flypaper Effect and Other Difficulties," *Journal of Urban Economics* 12 (1982), 324-345.
- Rubinfeld D. *The Economic of The Local Public Sector // Handbook of Public Economics, 1987.*
– Ch.11.
- S. Peltzman, "The Growth of Government," *Journal of Law and Economics* 23 (1980), 209-287.
- S. Peltzman, "Voters as Fiscal Conservatives," *QJE* 107 (1992), 327-362.
- T. Bergstrom, "When Does Majority Rule Supply Public Goods Efficiently?" *Scandinavian Journal of Economics* (1979), 216-226.
- T. Borchering, "The Causes of Government Expenditure Growth: A Survey of the U.S. Evidence," *JPubE* 28 (1985), 359-382.
- T. Feddersen and W. Pesendorfer, "Voting Behavior and Information Aggregation in Elections with Private Information," *EMA* 65 (1997), 1029-58.
- T. Groves and J. Ledyard, "Optimal Allocation of Public Goods: A Solution to the 'Free-Rider' Problem," *EMA* 45(4) (1977), 783-809.
- T. Persson and G. Tabellini, "Political Economics and Public Finance," NBER Working Paper 7097 (1999).
- T. Persson, G. Roland, and G. Tabellini, "Comparative Politics and Public Finance," *JPE* 108 (2000), 1121-61.
- T. Romer and H. Rosenthal, "Bureaucrats versus Voters: On the Political Economy of Resource Allocation by Direct Democracy," *QJE* 93 (1979), 563-588.
- T. Romer and H. Rosenthal, "Median Voters or Budget Maximizers: Evidence from School Expenditure Referenda," *Economic Inquiry* (1982), 556-578.
- T. Romer, H. Rosenthal, and V. Munley. 1992. Economic incentives and political institutions: spending and voting in school budget referenda. *Journal of Public Economics* 49: 1-34.
- Tiebout Ch. M. *A Pure Theory of Local Expenditures // Journal of Political Economy, №64, 1956, pp.416*
- W. Niskanen, "Bureaucrats and Politicians," *Journal of Law and Economics* 18 (1975), 617-643.

M. Feldstein, "Social Insurance," *Public Policy* 25 (1997), 81-115