



Objectives

Public Economics is a course centered on the economic analysis of government activities. We will mainly follow a microeconomic perspective to study the role of the State studying the effects on private behaviour and welfare resulting from government intervention.

In a first part we will explore basic concepts from Public Finance: public goods and externalities. We will subsequently introduce the basic tools of Cost-Benefit Analysis and study collective choice processes. The last part of the course is devoted to the study of the effect of taxes on households and firms in terms of economic theory and within the Portuguese tax system.

Detailed syllabus (provisional)

1. Introduction to Public Economics
 - 1.1. Introduction
 - 1.2. General Overview of the Public Sector
 - 1.3. Some Indicators of the Size of the Public Sector
 - 1.4. The Public Sector in the National Accounts
2. Externalities
 - 2.1. Basic concepts
 - 2.1.1 Technological and Pecuniary Externalities
 - 2.2. Externalities and Efficiency
 - 2.2.1 Negative Externalities
 - 2.2.2 Positive Externalities
 - 2.3. Examples of Externalities
 - 2.3.1 Pollution of a River
 - 2.3.2 Traffic Jams
 - 2.3.3 Rat Race/Race to the Bottom
 - 2.4. Externalities and Corrective Policies
 - 2.4.1 Pigouvian Taxes/Subsidies
 - 2.4.2 Quantity Regulation and Licencing
 - 2.4.3 Property Rights and Coase Theorem
 - 2.4.4 Application: A Market for Pollution
 - 2.4.5 Corrective Policies under Uncertainty

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- 3. Public Goods**
 - 3.1. Basic concepts**
 - 3.2. Efficient Provision of Public Goods**
 - 3.2.1 General Equilibrium Analysis**
 - 3.2.2 Partial Equilibrium Analysis – Bowen Diagram**
 - 3.3. Pseudo-Markets for Public Goods and Lindahl Equilibrium**
 - 3.3.1 Shares of the Total Provision Cost**
 - 3.3.2 Personalised Prices/Taxes**
 - 3.3.3 Implementation Problems**
 - 3.4. Preference Revelation**
 - 3.4.1 Free-Riding and the Revelation of Preferences**
 - 3.4.2 Preference Revelation Mechanisms**
 - 3.5. Impure Public Goods**
 - 3.5.1 Relevance of the No Free-Disposal Assumption**
 - 3.5.2 Nonrivalry and Excludability**
 - 3.5.3 Nonexcludability and Rivalry**
 - 3.6. Private Provision of Public Goods**
 - 3.7. Club Goods and Local Public Goods**
 - 3.7.1 Club Goods**
 - 3.7.2 Local Public Goods**
 - 4. Public Provision of Private Goods**
 - 5. Political Economy of Public Expenditures**
 - 5.1. Introduction to Public Choice Theory**
 - 5.1.1 Political Equilibrium**
 - 5.2. Introduction to Voting Models**
 - 5.2.1 Arrow’s Impossibility Theorem**
 - 5.2.2 The Decision to Participate**
 - 5.3. Voting Models: The Simple Majority Rule**
 - 5.3.1 Political Equilibrium**
 - 5.3.2 Voting More Than Two Alternatives**
 - 5.3.3 Political Externalities**
 - 5.3.4 Efficiency of the Political Equilibrium**
 - 5.3.5 Agenda Manipulation**
 - 5.3.6 Logrolling**
 - 5.3.7 The Existence of Equilibrium**
 - 5.4. Alternative Voting Models**
 - 5.4.1 Borda Voting**
 - 5.4.2 Plurality Voting**
 - 5.4.3 Approval Voting**
 - 5.4.4 Runoff Voting**
 - 5.5. Politicians, Political Parties, Bureaucracy and Lobbies**
 - 5.5.1 Politicians and Political Parties**
 - 5.5.2 Bureaucracy and the Supply of Public Services**
 - 5.5.3 Lobbies**

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6. Economic Analysis of Taxation
 - 6.1. Basic Concepts
 - 6.2. Normative Principles of Taxation
 - 6.2.1 Benefit Principle
 - 6.2.2 Ability to Pay Principle
 - 6.2.3 Social Objectives (Theories of the State)
 - 6.3. Taxation and Incentives
 - 6.4. Incidence and Efficiency
 - 6.4.1 Basic Concepts
 - 6.4.2 Tax Efficiency: Comparison with Lump-Sum Taxes
 - 6.4.3 Partial Equilibrium Analysis with Competitive Markets
 - 6.4.4 Partial Equilibrium Analysis with Monopolies
 - 6.4.5 General Equilibrium Analysis
 - 6.5. Optimality of Indirect Taxation (Ramsey Rules)
 - 6.6. Taxation and Labour Supply, Savings and Risk
 - 6.7. Taxation in Open Economies
 7. Cost-Benefit Analysis
 8. The Portuguese Tax System

Bibliography

- [HM*] Hindriks, J. and G.D. Myles, *Intermediate Public Economics*, second edition, The MIT Press, 2013.
- [Bar] Pinto Barbosa, A.S. *Economia Pública*, McGraw-Hill, 1997.
- [Hym] Hyman, D.N., *Public Finance: A Contemporary Application of Theory to Policy*, tenth edition, The Dryden Press, 2010.
- [Sti] Stiglitz, J.E., *Economics of the Public Sector*, third edition, W.W. Norton, 1999.

Grading

The course grade will be mainly based on two equally weighted compulsory midterm tests, several quizzes and a group assignment.

Midterms, quizzes and the final exam are closed-book and the use of mobile phones, tablets, laptops and similar electronic devices is not allowed.

Final grade (rounded to integers):

- average of the mid-term and final tests (75%)
- other information: quizzes (10%), assignments (15%)

Approval in the course (without taking the Final Exam) implies satisfying four conditions:

- final grade: at least 10/20
- mid-term tests: at least 7.0/20 in both
- mid-term tests: at least 9.5/20 in one
- average of the tests: at least 9.0/20

If the final grade is 8 or 9/20 and the average of the tests is not lower than 6.5/20, students must take the Final Exam.

Contacts and Office Hours

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Slides, General Information, Past Exams, etc.

- Course website: <http://www.clsbe.lisboa.ucp.pt/docentes/url/mlm/mlmecpub.htm>
- UCP Moodle

A bachelor's degree is a four-year undergraduate degree and is the standard for higher education throughout most of the world. Bachelor's degrees can be earned at state universities, at private universities, at community colleges and via online universities. Those who study economics first and foremost learn the differences between microeconomics and macroeconomics. Microeconomics involves the study of individual economic units and their interactions. The Bachelor of Science in Economics degree program is designed to prepare students for careers in business, government or public policy. The program also provides students with a strong foundation in mathematics and statistics. + Featured. The Bachelor of Science in Economics degree program is designed to prepare students for careers in business, government or public policy. An undergraduate degree in economics teaches you how to analyze data and clearly explain what you have learned. Because of this, your classes will require you to apply mathematical theories as well as write papers. This combination of analysis and exposition will allow you to apply your skills to many different types of jobs immediately after graduation. International students who are interested in getting an undergraduate degree in economics will need a broad range of skills, such as being able to think analytically, write clearly, and apply abstract theory to real world problems. The reward Undergraduate economics majors go on to graduate work and to distinguished careers in academia, global businesses, government, finance, consulting, and law. About 20 percent of MIT economics undergraduates enter a graduate program in economics or finance. This is among the highest yield of PhD candidates for an undergraduate economics program. Approximately half of the Department's graduates choose to gain experience in business, government, consulting, and non-profit organizations before seeking out business and public policy schools for post-graduate study. Are you passionate about studying Economics Degrees ? This QS guide outlines everything you need to know about Economics Degrees, including course structure, entry requirements and career options. It's also a highly diverse subject, to the extent that undergraduate economics degrees are available both as a Bachelor of Arts (BA) or a Bachelor of Science (BSc). Read More. Specializations.