

UC3M
PUBLIC ECONOMICS, 2023-24

Instructor: Ignacio Ortuño Ortín, 15.2.23; iortuno@eco.uc3m.es

Office Hours: XXXXX

Section (“Grupo Reducido”): XXXXXX

COURSE DESCRIPTION

This course focuses on: i) the justification for state interventions to deal with market failures and redistribution, ii) the problem of aggregating individual preferences, the normative criteria for efficiency and equality and their integration in the functions of wellbeing, and **mainly** iii) and introduction to the theory of taxes, providing analysis of the incidence of taxes and their effects on behavior. We study the excess burden in the choice of goods over or against other goods; the choice between leisure and consumption; and intertemporal choice in a consumption model. The last part reviews the basics of key tax figures, fiscal decentralization, and the basic ideas on the political economy of taxation.

PREREQUISITES: Intermediate Microeconomics. Students should be comfortable with basic multivariate calculus and the basic ideas of the Linear Regression Model.

COURSE MATERIALS

Lecture notes, problem sets, and supplementary reading material will be made available through *Aula Global*. Announcements will be posted at “*Notices*” in *Aula Global*. The lecture slides will be posted one or two days before the lecture day. **Many of the lecture slides are based on Saez (2021) and on Gruber (2013)**

BASIC REFERENCES

- Toshihiro Ihori, *Principles of Public Finance*, Springer, 2017
- Stiglitz, Joseph. E. and Kay Rosengard . (S) *Economics of the public sector*. Norton and Company. (Fourth edition, 2015). Versión española: “*La economía del sector público*”, Antoni Bosch (Cuarta edición, 2016).
- Gruber, J. (G) *Public Finance and Public Policy*, Worth Publishers, (Fourth edition) 2013.
- (In Spanish Albi, E., J.M. González-Páramo e I. Zubiri (AGZ). *Economía Pública, volumen II*. Ariel 2004 (también vale la edición 2000).
- Undergraduate Public Economics, by Emmanuel Saez
<http://eml.berkeley.edu/~saez/course131/course131.html>

GRADING: Final exam 60%; Midterm 25%; Homework and class participation 15%; (minimum grade in the final: 3.5). The final exam will be based on the full material covered in class, including material tested in the midterm.

Late homeworks will not be accepted. If you cannot submit your homework on time, send me an e-mail explaining your situation in advance.

The midterm will take place the week of October XXXX

OTHER POLICIES:

E-mail policy: E-mails are reserved for administrative matters only. Please do not ask material-related questions by e-mail

Attendance: it is highly recommended.

SYLLABUS

- I. Introduction and review of tools.** (S 1, 3; Saez,)
- II. Tax Incidence. Who Pays Taxes?** S 18; AGZ 3.1 + 255-257; Class Notes 3; G 19, Ichori II, 5.
- III. Taxation and Efficiency.** S 19; G 20; AGZ 2.1
- IV. Taxation and Labor Supply.** AGZ 6.1; S 19; G 21
- V. Taxes on Capital and Savings.** AGZ 6.2, S 19, G 22
- VI. Equity, Welfare and Redistribution.** Saez
- VII. Optimal Taxation.** AGZ 2.2, Saez
- VIII. Corporate Taxation.** S 21, G24
- IX. Indirect Taxation on Consumption.** AGZ
- X. Political Economy of Taxation.** G 9, 25
- XI. Fiscal Decentralization.** S26