

Public Economics

Course title – Intitulé du cours	Public Economics
Level / Semester – Niveau /semestre	Master 2 ETE/ Semester 2
School – Composante	Ecole d'Economie de Toulouse
Teacher – Enseignant responsable	Jean-Marie Lozachmeur
Other teacher(s) – Autre(s) enseignant(s)	Philippe De Donder
Other teacher(s) – Autre(s) enseignant(s)	Catarina Goulão
Other teacher(s) – Autre(s) enseignant(s)	
Other teacher(s) – Autre(s) enseignant(s)	
Other teacher(s) – Autre(s) enseignant(s)	
Lecture Hours – Volume Horaire CM	
TA Hours – Volume horaire TD	30 hours
TP Hours – Volume horaire TP	
Course Language – Langue du cours	English
TA and/or TP Language – Langue des TD et/ou TP	English

Teaching staff contacts – Coordonnées de l'équipe pédagogique :

Philippe De Donder [PDD]: Office T.329. email: Philippe.Dedonder@tse-fr.eu

Catarina Goulão [CG]: Office T.378. email : catarina.goulao@tse-fr.eu

Jean-Marie Lozachmeur [JML]: Office T.380. email :jean-marie.lozachmeur@tse-fr.eu.

Course Objectives – Objectifs du cours :

Public Economics studies the role of the government in a market economy and the implications of its actions for the citizenry. The underlying structure is one of a decentralized economy wherein economic decisions are coordinated through prices or/and voting, which in turn are determined by free, but sometimes regulated, markets. Public economics examines why and how the government may have to supplement the market mechanism. It evaluates the efficiency and equity justifications for an intervention and their ramifications for individuals' incentives and welfare. It also studies what form the interventions should take and how policies ought to be designed.

This course aims at analyzing first positive aspects of public economics related to the aggregation of individual preferences like the theory of vote. The second part will study normative issues related to income taxation and redistribution. The third part provides an overview of some topics in public economics with an emphasis on good taxation and other redistributive policies (such as social insurance).

It is designed for first- and second-year graduate students (with a good background in microeconomic theory). We shall cover a good deal of "classical" material (you need to know the foundations) but also some more recent developments (to see some of the contemporary research in public economics). Similarly, we shall combine methodological with more applied issues.

Prerequisites – Pré requis :

Practical information about the sessions – Modalités pratiques de gestion du cours :

Grading system – Modalités d'évaluation :

The grade of the course will consist of a choice of:

- (1) Literature review on a topic that we discussed in class.
- (2) Proposal of a research topic in a topic that we discussed in class.
- (3) Referee report of a working paper related to the topics that we discussed in class.

Students will write a short paper (5-10 pages) and do an oral presentation of the task that they chose (literature review, proposal, referee report).

Bibliography/references – Bibliographie/références :

Part 1 : Political Economics [Philippe De Donder]

Persson, T., Tabellini, G. (2002) "Political Economics", MIT Press

Roemer J. (2009) "Political Competition. Theory and Applications", Harvard University Press

Part 2 Optimal Income Taxation [Jean-Marie Lozachmeur]

Salanié, B. The Economics of Taxation (2nd edition), Cambridge: MIT Press, 2011, Chapter 4.

Emmanuel Saez, "Optimal Income Transfer Programs: Intensive Versus Extensive Labor Supply Responses" *Quarterly Journal of Economics*, 117, 2002, 1039-1073,

Part 3 [Jean-Marie Lozachmeur]

Salanié, B. The Economics of Taxation (2nd edition), Cambridge: MIT Press, 2001, Part II, Chapter 5 and 6.

Part 3 [Catarina Goulão]

Salanié, B. The Economics of Taxation (2nd edition), Cambridge: MIT Press, 2011, Part I Chapter 1 and 2 and Part II chapter 2.

Chetty, R. (2015) "Behavioral Economics and Public Policy: A Pragmatic Perspective," *American Economic Review*, 105(5): 1-33, 2015.

Allcott, H., Lockwood, B.B. and Taubinsky, D. (2019). "Should We Tax Sugar-Sweetened Beverages? An Overview of Theory and Evidence." *Journal of Economic Perspectives*.

Allcott, H., Lockwood, B.B. and Taubinsky, D. (2019), "Regressive Sin Taxes, with an Application to the Optimal Soda Tax," Quarterly Journal of Economics, 134(3): 1557-1626, 2019.

Session planning – Planification des séances

Part 1 : Political Economics (7,5 h Philippe De Donder)

- 1 Voting theory – foundations
- 2 Unidimensional majority voting
- 3 Non-ideological political parties
- 4 Parties with political preferences

Part 2 : Optimal income taxation and redistribution (7,5 h Jean-Marie Lozachmeur)

- 1 Optimal linear labor income taxation.
- 2 Optimal non-linear labor income taxation with intensive labor supply.
- 3 Optimal labor income taxation with extensive labor supply.

Part 3 (4,5 h Jean-Marie Lozachmeur)

- 1 Mixed taxation: the Corlett-Hague and the Atkinson Stiglitz theorems.
- 2 The taxation of capital income and social insurance.

Part 3: (10,5 h Catarina Goulão)

- 1 Tax Incidence and the Efficiency Cost of Taxation
- 2 Optimal Commodity Taxation
- 3 Behavioral Economics and Public Policy
- 4 Application to Sin Taxes

Distance learning – Enseignement à distance :

Distance learning can be provided when necessary by implementing:

- *Interactive virtual classrooms*
- *Recorded lectures (videos)*
- *MCQ tests and other online exercises / assignments*
- *Remote (online) tutorials (classes)*
- *Chatrooms*

En cas de nécessité, un enseignement à distance sera assuré en mobilisant:

- *Classe en ligne interactive*

- *Vidéo enregistrée de la présentation du matériel pédagogique*
- *QCM et exercices en ligne*
- *TP/TD à distance*
- *Forum...*