

Course Unit Title	Public Economics		
Course Unit Code	AFPE310		
Type of course unit	Business Elective		
Level of course unit	Bachelor (1 st Cycle)		
Year of Study	3-4		
Semester when the unit is delivered	6-7		
Number of ECTS credits allocated	6		
Name of lecturer(s)	Dr. Petia Tanova		
Learning Outcomes of the course unit	<p>By the end of the course, the students should be able to:</p> <ol style="list-style-type: none"> 1. Categorize and examine market failures. 2. Estimate the demand for public goods and asses various ways of their provision. 3. Analyze social choices and discuss the effectiveness of social preferences. 4. Examine advantages and shortcomings of the natural monopoly and discuss various methods of its regulation. 5. Identify private and social costs and benefits and apply formal and graphical analysis in their estimation. 6. Identify the goals and the nature of the taxation system 7. Discuss effects and drawbacks of different taxation systems 8. Identify and examine income inequalities 		
Mode of Delivery	Face-to-face		
Prerequisites	ABSE203	Co-requisites	NONE
Recommended optional program components	NONE		
Course Contents	<p>I. Introduction to Public Economics</p> <p>Subject matter of public economics. Market functions and outcomes. Market failures. Merit and demerit goods. The rational of government intervention. Different perspectives of the role of government. Normative and positive economics.</p> <p>II. Functional vs. Social Market Failures</p> <p>Functional market failures. Public goods vs. private goods. Attributes of public goods. The ‘tragedy of the commons’. Private vs. social</p>		

benefits and costs and externalities. Asymmetric information. Moral hazard and adverse selection. Social market failures. Different approaches to the assessment of social market failures.

III. *Objectives and Decision Modes. Types of Government Activity*

Economic objectives of the society. Efficiency, growth, liberty and equality. Types of efficiency. Measurement of efficiency and its constraints. Pareto efficiency and welfare economics. The trade-off of efficiency and equity. Sustainable development. Development as freedom. Decision modes and types of government activity. Free markets, price controls, subsidies, taxation, non-price regulations, public enterprise.

IV. *Public goods and Publicly Provided Private Goods*

The rational of the production of public goods. The demand for public goods - the demand schedule and the demand curve. Methods of the provision of public goods. Efficiency conditions for public goods. Efficient government and a public good. The rational of the public provision of private goods. Subsidies.

V. *Natural Monopoly and Antitrust*

Natural vs. institutional monopoly. Natural monopoly vs. the market structure of pure monopoly. The welfare loss of the monopoly. Methods of regulation of natural monopoly. Price controls. Goals and principles of antimonopoly legislation. Sources of inefficiency of regulations. Competitive policies of the government

VI. *Externalities and the Environment*

Positive and negative externalities. Private and social costs and benefits - formal and graphical analysis. Private solutions to externalities. Public sector solutions to the externalities. Protection of the environment. The water problem in Cyprus

VII. *Taxation and Government Redistribution of Income*

The rational for taxation. Principles of taxation. Types of taxes. Costs of taxation in terms of consumer and producer surplus. Tax incidence. Price controls vs. taxation. The benefits of taxation.

VIII. *Inequality in income distribution*

Identification of income inequality. Income vs wealth inequality. Measuring inequalities: Lorenz curve and Gini coefficient. Government policies of redistribution of income.

IX. *The Role of Government and Models of the Market Economy*

The three economic problems and the rational of classification of three models of the market economy. The social welfare function. The guided market economy and its current crisis. The modified market economy and its achievements in the 21st century. The social market economy and its potential in the context of the Lisbon Agenda and Europe 2020

Recommended and/or required reading:

Textbooks	<ul style="list-style-type: none"> • J. E. Stiglitz and J. Rosengard (2015). Economics of the Public Sector. W.W. Norton & Company 								
References	<ul style="list-style-type: none"> • Okun A. Equality and efficiency: the big trade-off. Brookings Institution Press: 1975 • Przeworski A. States and Markets. A primer in Political Economy. Cambridge University Press, 2003 • Stigler G. The Theory of Economic Regulation. Journal of Economics and Management Science 2 (1), 1971. • Barr N. Economic The Economics of the Welfare State. Oxford University Press: 2004 • Conklin D. Comparative Economic Systems: Objectives, decision modes, and the process of choice. Cambridge University Press 1991 • Sen A. Development as freedom. Oxford University Press: 1999. 								
Planned learning activities and teaching methods	<p><i>Ex cathedra</i> lectures and discussions in class, by means of traditional tools or using computer demonstrations. Some of the key issues are revealed on the basis of simulation games.</p> <p>Topic notes are compiled by students, during the lecture which serve to cover the main issues under consideration and can also be downloaded from the lecturer's webpage. Further literature search is encouraged by assigning students to identify a specific problem related to some issue, gather relevant scientific information about how others have addressed the problem and report this information in written or orally.</p> <p>Students' teams (of two or three individuals) are assigned to study a current economic problem, related to the course subject, and approved by the instructor. The case study should be presented in class.</p>								
Assessment methods and criteria	<table> <tr> <td>Mid-term test</td> <td>20%</td> </tr> <tr> <td>Case Study</td> <td>10%</td> </tr> <tr> <td>Participation in discussions</td> <td>10%</td> </tr> <tr> <td>Final Exam</td> <td>60%</td> </tr> </table>	Mid-term test	20%	Case Study	10%	Participation in discussions	10%	Final Exam	60%
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Language of instruction	English								
Work placement(s)	NO								