

ECON 320: Public Economics

Instructor. Emrehan Aktug

Office. FASS 1006B

E-mail. emrehan.aktug@sabanciuniv.edu (the best way to contact me)

Time and Place of Lectures. M 8:30-10:30 and W 10:30-11:30, FASS 1001-1011

Office Hours. M 10:30-11:00 or by appointment

Course Description. Public economics is the study of economic issues concerning the public sector (including government) and its interface with the private sector (including households, businesses, and markets). Public economics mainly studies government's role in promoting economic efficiency and equality in the distribution of income and wealth.

The course is organized around five main chapters. In the first chapter, we will learn about some basic concepts and tools of public economics that will enable us to study the chapters ahead. In the second chapter, we will study the redistributive role of government. The next three chapters deal with market failures and government's role in promoting efficiency.

Textbook. There is no textbook required for this class. I will let you know of required readings (if any) as we go along. We will follow lecture slides which I will hand out before each lecture. You will also receive about 5 homeworks which will not be graded. I will either provide answer key for these homeworks or go over them in class.

Recommended Book: Jonathan Gruber, Public Finance and Public Policy, 6th edition, Macmillan, 2019 is optional textbook (the lectures follow loosely the Gruber book).

Requirements and Grading. There will be two midterm exams and one comprehensive final exam, all being closed book and closed notes.

Midterm (40%) + Final (60%)= 100%

Rules of Conduct:

- Make-up exams are granted only in case of a valid and documented reason. Absence in exams without any valid documented reason will result in a grade of 0 from that exam. In case of an illness, you are required to bring a formal doctor's note from a hospital and have it verified by the university health service.
- If you miss a midterm exam, and have a valid documented reason (see the bullet above), you will be allowed to take a make-up exam during or after the finals week. This exam will cover all of the class

material that we will cover during the semester, regardless of which and how many midterms you miss.

- Class attendance is expected. Students are responsible for all of the material covered during the lectures. Lecture notes will be posted on the course website.
- The definition for scholastic dishonesty is given in the rules and regulations of the Sabancı University. Cheating during written work will result in a course grade of F. All incidents of scholastic dishonesty will be reported to the Dean's Office.

Calendar (Tentative)

- **Chapter 0. What is Public Economics?**

- **Chapter 1. Foundations of Public Economics:**

Pareto Efficiency, Market Equilibrium, First Welfare Theorem, Second Welfare Theorem. (In passing we will also learn (remember) LaGrange Method).

- **Chapter 2. Inequality and Redistribution:**

- Income Distribution, Labor and Capital Income Inequality
- Measures of Inequality, Empirics: Inequality across Countries and over Time
- Inequality of Opportunity
- Redistributive Income Taxation

- **Chapter 3. Asymmetric Information, Social Insurance, and Moral Hazard:**

- Choice under Uncertainty, Risk Aversion, Insurance
- Major Government Insurance Programs: Unemployment Insurance, Social Security (Old-age Pension) System, Health Insurance

- **Chapter 4. Education, Social Insurance, Social Security**

- **Chapter 5. Externalities and Public Goods**

Midterm Exam: TBA, in class

- **Chapter 6. Taxation**