

ECON 320 —Public Economics

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Office: Zoom

Office Hours: TBD

Class Time

- **Section A:** Monday from 16:40 to 18:30 in FASS 1098.
 - **Section B:** Tuesday from 13:40 to 14:30 on Zoom.
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Logistics for Fall 2021

The course will be delivered in a hybrid fashion. Monday courses will be delivered physically in classroom with live broadcasting. Tuesday's class, on the other hand, will be delivered over Zoom. In doing so, I will try to replicate as much as possible the classroom experience. The online portion will be delivered synchronously: I will be on Zoom during the same time as the original class schedule. Classes will be recorded and will be available on the course website. If you encounter any issue just let me know.

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.

Learning objectives

Upon the successful completion of the course, you will be able to...

1. ...compare explanations for governments involvement in the economy;
2. ...explain the sources of market failure and potential policy responses;
3. ...understand the role of government in promoting efficiency and equality in the economy;
4. ...describe the key trade-offs present in designing public policy;
5. ...explain how different government programs work
6. ...understand how societies agree on a policy
7. ...employ economic analysis to evaluate policy proposals

Feedback, Email, and Office Hours

Together with the usual evaluation forms, I set up an online, live, instant, and anonymous feedback system. You can access it here:

<https://tinyurl.com/econ-320-comments>

I will try to respond to emails within 12 hours. Given high volumes, expect delays just before homework are due. Office hours will be scheduled. I will be happy to schedule additional office hours by appointment.

Grading

The final grade will be computed according to the following components:

- Two midterms (each 30% of total grade)
- One comprehensive final exam (40% of total grade)

Students Needing Learning Accommodations

If you have special needs and have an accommodations letter from the Student with the Special Needs Support Unit, I encourage you to discuss your accommodations and needs with me as early as possible. I will work with you to ensure that accommodations are provided as appropriate. If you suspect that you may have a disability and would benefit from accommodations but are not yet registered with the Special Needs Support Unit, I encourage you to contact them at: specialneeds@sabanciuniv.edu.

Course materials

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 six homeworks which will not be graded. I will either provide answer key for these homeworks or go over them in class.

SUCourse: I will make slides available on the class website on SUCourse. I will make any additional material available there as well. Check it regularly.

The Active Classroom

Class Discussion: In-class discussion will be an essential element of each of our meetings. Discussions will occur mostly at the beginning of class; the goal will be to introduce the key topics and trade-offs that will be covered that day. It will be crucial for you to read and think about the material ahead of time. Doing so will ensure that the class discussion will be rich and meaningful to everyone.

Live Polls: During classes, we will conduct instant polls. These non-graded quizzes will be anonymous and will be used to test your knowledge and spark class discussions. We will use an online form. The online form can be accessed here (make sure to bookmark it!):

<https://tinyurl.com/econ-320-polls>

The Rules of Conduct

Attendance: Class attendance is expected. Students are responsible for all the material covered during the lectures.

Make-up Exams: 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.

Academic Integrity: In fairness to students who put in an honest effort, cheaters will be harshly treated. Cheating on a midterm or the final exam results in an F for the course. Cheating includes, but is not limited to, bringing written or electronic materials into an exam, using written or electronic materials during an exam, copying off another person's exam or assignment, allowing someone to copy off of your exam or assignment, having someone take an exam or assignment for you, changing an exam answer after an exam is graded. All incidents of scholastic dishonesty will be reported to the Dean's Office. See also

<https://www.sabanciuniv.edu/en/academic-integrity-statement>

Finally,

Finalake care of yourself: We are undergoing unprecedented times as the entire globe is weathering COVID-19. Do your best to maintain a healthy lifestyle. This will help you achieve your goals and cope with stress. All of us benefit from support during times of struggle. You are not alone. There are many helpful resources available on campus and an important part of the college experience is learning how to ask for help. Asking for support sooner rather than later is often helpful.

If you or anyone you know experiences any academic stress, difficult life events, or feelings like anxiety or depression, we strongly encourage you to seek support. Center for Individual and Academic Development (CIAD/BAGEM) is here to help: call 0216-483-94-81 and visit their website at:

<https://ciad.sabanciuniv.edu/>

Consider reaching out to a friend, faculty or family member you trust for help getting connected to the support that can help.

Topics Outline

In this section, I provide some additional details on the topics covered in each module.

1. Foundations

- The building blocks to study Public Economics. The scope of government. Rationales for government intervention. Pareto Efficiency. Fundamental Welfare Theorems.

2. Redistribution

- Types, measurement, and empirics of inequality. Income Taxation, Laffer Curve.

3. Social Insurance

- Government Programs: Health insurance, unemployment insurance, retirement pensions, disability insurance. Risk aversion and need for insurance. Asymmetric information, adverse selection, and moral hazard.

4. Behavioral Public Economics

- Bounded Rationality: Limited processing power, self-control problems. Paternalistic policies. The Nudge Theory.

5. Externalities and Public Goods

- Externalities and the First Welfare Theorem Revisited. Restoring efficiency in the presence of externalities: The Coase Theorem and Corrective (Pigouvian) taxes.

6. Political Economy

- How do societies agree on a policy? Arrow's Impossibility Theorem. Median Voter Theorem and its implications for representative democracy.

Important Dates + Calendar

Week(s)	Subject
1-2	Foundations
3-4-5	Inequality and Redistribution
6	Midterm-I (In-Class)
7-8-9	Social Insurance
10	Behavioral Public Economics
11	Midterm-II (In-Class)
12	Externalities
13	Public Goods
14	Political Economy