



INSTITUTE
OF ECONOMIC STUDIES
Faculty of Social Sciences
Charles University

Public Finance

Spring Term

Professor: [PhDr. Natálie Švarcová Ph.D.](#)
[PhDr. Jan Soudek](#)

Office hours: TBA

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Course Code: JEB025

Course Description:

The course deals with standard public finance topics: we start with an introduction to the economic rationale for government; we define public goods and basic principles of public expenditures. The major part of the course is then devoted to the theory of taxation, i.e. how taxes influence behavior, and analysis of public expenditure theories, namely public choice theory. We conclude with an overview of political economy and with some applications of the theories, we studied.

Structure:

There will only be lectures during this course. There will be no seminars.

Each home assignment will be posted on the course webpage in SIS UK and announced in the lecture. You will have exactly 1 week for preparing the homework. You are to submit it on paper (written legibly or printed out) in the lecture. You may expect 2 home assignments.

Instructions:

Please contact the IEF staff to learn more about the instructions for this course, including meeting times and how to register.

The course website at the SIS UK will be regularly updated. The professor will use the email client in SIS UK for brief announcements. Please let the professor know in advance if, for some reason, your email is not in SIS.

Requirements:

Students are expected to do home assignments, essay, and to pass the final test.

Academic Honesty:

Although the students are encouraged to exchange ideas in and outside class, everybody is required to

submit their own work. That means that copying the work of other students or published materials is strictly prohibited.

Grading System:

Home assignments	20 points
Essay	20 points
Final test	60 points

Grades:

87 – 100	A
73 – 86	B
60 – 72	C

Course Content:

1) Introduction

- Four questions of public finance
- Facts on governments around the world
- Why study public finance now?

2) Economic Rationale for the Government

- Efficiency of the markets
- Market failures
- Distributive justice
- Paternalism
- Efficiency equity trade-off

3) Public goods

- Types of public goods
- Efficient provision of public goods

4) Public choice

- Voting
- Majority rule

5) Government Bureaucracy

- Principal agent problem
- Rent-seeking

6) Externalities

- Private solutions to externalities
- Public solution to externalities

7) Expenditure programs

- Education
- Pension systems
- Health care and health insurance

8) Financing public programs

- Taxation and economic efficiency
- Tax incidence
- Government borrowing

9) Choice of taxation

- Optimal taxation - Ramsey rule, equal sacrifice
- Capital and other tax bases

Reading Materials:

Required:

Stiglitz, J.E. (2000) *Economics of the Public Sector*, 3. Edition

Textbooks:

Hillman, A.L. (2009) *Public Finance and Public Policy, Responsibilities and Limitations of Government*, Cambridge University Press

Gruber, J. (2010) *Public Finance and Public Policy*, Worth Publishers

Hindriks, J., Myles, G.D. (2006) *Intermediate Public Economics*, The MIT Press

Barr, N. (2004) *The Economics of the Welfare State*, Stanford University Press

Cullis, J., Jones, P. (1998) *Public Finance and Public Choice*, McGraw Hill