

# Public Economics

Lecturer: Dr. Miroslav Palanský

## Course Description:

This course provides an analytical introduction to public economics with a focus on the institutional and policy landscape of Europe. It examines why governments intervene in the economy and how these interventions differ across countries, with particular attention to taxation, public spending, inequality, market failures, and the structure of the modern welfare state.

Throughout the course, we use examples from the European Union and Central Europe—especially Czechia—to contrast European policy choices with those in the United States. Key topics include the design of social insurance systems, the role of value-added taxation, EU fiscal rules and coordination, the political economy of inequality and redistribution, and the behavioural responses to taxation. We also discuss contemporary issues such as digital taxation, climate policy, and the increasing use of administrative data in tax policy and enforcement.

The course combines conceptual foundations with evidence from recent empirical research and aims to give students a clear understanding of how European public-sector institutions function and how they shape economic outcomes. The course loosely follows the textbook by Stiglitz, J.E. and Rosengard, J.K. (2015) *Economics of the Public Sector*, fourth edition.

## Course Prerequisites:

Introductory level economics course

### Course Requirements:

Students can obtain up to 100 points by fulfilling four types of requirements: two Problem Sets (20 points, 10 points each), a Midterm Exam (30 points), a Final Exam (40 points), and active participation (10 points). There is no minimum number of points that students need to obtain from individual requirements. The requirements and their deadlines are summarized in Table 1.

Table 1

Requirement	Maximum points	Announced	Deadline
Problem Set 1	10	March 2, 2026	March 9, 2026, 3:00 pm
Problem Set 2	10	April 13, 2026	April 20, 2026, 3:00 pm
Midterm Exam	30	March 23, 2026	
Final Exam	40	May 11, 2026	
Active participation	10	Continuous assessment	
Total	100		

### Problem Sets (max. 2 x 10 points)

There will be two Problem Sets (PS) with a maximum of 10 points for each, announced at the beginning of the lectures on March 2, 2026 (PS1) and April 13, 2026 (PS2). Problem Sets are individual work. You will have one week (i.e., until the following Monday at 3:00 pm) to submit your solution. Submit it via Moodle (in .pdf format; may be legibly hand-written and scanned) until March 9, 2026, 3:00 pm.

(PS1) and April 20, 2026, 3:00 pm (PS2).

**Midterm Exam (max. 30 points)**

The Midterm Exam will be a written test taken during the lecture on March 23, 2026, and it will cover the material covered until then. You can obtain up to 30 points for the Midterm Exam.

**Final Exam (max. 40 points)**

The Final Exam will be a written test and will cover material from all the lectures, both problem sets and also the course textbook (Stiglitz, J.E. and Rosengard, J.K. (2015) Economics of the Public Sector, fourth edition; only chapters that are covered in lectures). The Final Exam will take place on May 11, 2026.

**Active participation (max. 10 points)**

Students are expected to attend lectures and actively participate in the classroom. Students who attend at least 70% of the lectures and engage regularly with the course material will obtain these 10 points.

## Grading Policy:

Letter Grade	Percentage	Description
A+	97-100	Excellent Work
A	93-97	Outstanding Work
A-	90-92	
B+	87-89	Good work
B	83-86	
B-	80-82	
C+	77-79	Acceptable Work
C	73-76	
C-	70-72	
D+	67-69	Work that is significantly below average
D	63-66	
D-	60-62	
F	0-59	Work that does not meet the minimum standards for passing the course

### Mandatory Completion Policy

Note that all mandatory assignments and exams must be completed to the best of your ability in order for your final grade to be issued. Failure to complete a mandatory assignment or exam may result in a failing grade.

### AEP Academic Integrity Policy

Plagiarism and other forms of academic dishonesty are not tolerated. The use of Artificial Intelligence (AI) for the development of knowledge and learning is encouraged at many stages of the learning process. While we value technology for educational purposes, we also value originality and the retainment of knowledge, and thus using AI for assignments and examinations, even if rephrased, is strictly prohibited and considered an academic integrity violation, unless the instructor explicitly allows for it in the context of evaluated work

### AEP Non-Discrimination/Harassment Policy

The AEP program in Prague promotes a diverse learning environment where the dignity, worth, and differences of each individual are valued and respected. Discrimination and harassment, whether based on a person's race, gender, sexual orientation, color, religion, national origin, age, disability, or other legally protected characteristics, are repugnant and completely inconsistent with our objectives. Retaliation against individuals for raising good faith claims of harassment and/or discrimination is prohibited.

### AEP Diversity Policy

AEP is committed to fostering an inclusive and welcoming community that values diversity in all its forms. We believe that one of the most meaningful lessons of studying abroad is learning to navigate and appreciate differences with curiosity and an open mind. While engaging across differences can sometimes be challenging or uncomfortable, these moments are essential for growth and learning. We recognize that every member of our community, even with the best intentions, may occasionally make missteps. Our commitment is to provide a supportive environment where respectful and honest dialogue helps us learn from these experiences, ensuring that every student has the opportunity to thrive and broaden their perspective.

## Weekly Schedule:

Table 2 shows a preliminary schedule of the course. Please note that changes to this plan may be announced during the semester.

Week	Date	Topic	Chapters*
1	Feb 16	Economic rationale for the government, markets, and market failures	1, 2, 3, 4
2	Feb 23	No lecture/guest	
3	Mar 2	Economic inequality	
4	Mar 9	Public goods, externalities, and environmental policy	5, 6
5	Mar 16	Social welfare programs, old-age pensions, and healthcare	8, 13, 14, 15, 16
6	Mar 23	Midterm exam	
7	Apr 1	Public choice theory, voting	9
<b>Semester Break</b>			
8	Apr 13	Taxation, tax incidence, value-added tax	17, 18, 19
9	Apr 20	Optimal taxation, taxing income and wealth	20, 21, 22
10	Apr 27	Corporate taxation, tax avoidance, tax havens	23
11	May 4	Tax administration, tax evasion, and financial secrecy	24, 25
12	May 11	Final exam	

\*These chapter numbers refer to the course textbook (Stiglitz, J.E. and Rosengard, J.K. (2015) Economics of the Public Sector, fourth edition). See Section 4 for more reading.

## Readings:

The main resource for students is lecture slides. For the exam, students are expected to understand all concepts mentioned in the slides. The lectures loosely follow (but also cover additional topics and often focus on Europe/Czechia rather than the US) the main textbook of the course, which is Stiglitz, J.E. and Rosengard, J.K. (2015) *Economics of the Public Sector*, fourth edition. Students can find many additional resources online. There are also a number of textbooks from other authors that cover similar topics:

- 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

For topics covered during the lecture titled “Inequality” you can refer to the following materials:

- Ravallion, M. (2015). *The economics of poverty: History, measurement, and policy*. Oxford University Press. (Chapters 5.2, 7.1)
- Milanovic, B. (2015). Repeat after me: Wealth is not income, and income is not consumption. Available here.

Those interested by the subject are encouraged to follow-up with the following materials:

- Atkinson, A. B. (2015). *Inequality: What can be done?* Harvard University Press.
- Bourguignon, F. (2015). *The globalization of inequality*. Princeton University Press.
- Milanovic, B. (2016). *Global inequality: A new approach for the age of globalization*. Harvard University Press.