

Public Finance - Syllabus

Summer Semester 2020, IES CUNI

This version: March 31, 2020

Coronavirus outbreak update

This course is affected by the coronavirus outbreak. We are hoping everybody is safe. Starting in Week 5 (see Table 3), the lectures are recorded and published on [this YouTube playlist](#). All our assignments (i.e. two Problem Sets and Wiki edits) are announced and submitted online, so there is no change there. Regarding exams, as of March 31, we are not sure what the exact form will be, but one thing we know for sure is that we will provide a way for everyone (including students who won't be able to physically be in Prague due to the pandemic) to pass the exam—so don't worry.

1 Basic information

Codes: JEB025 ([SIS](#)), JEM164 ([SIS](#)), NMF306 ([SIS](#))

Course teachers: Petr Janský, Miroslav Palanský, Ondřej Schneider, Tereza Palanská, Marek Šedivý, Natalia Li

Schedule: Feb-May 2020, Tuesdays, 14:00-15:20 (see detailed schedule in Section 4)

Place: room O314, Institute of Economic Studies, Charles University, Opletalova 26, Prague 1

This course introduces the basic concepts in the field of public finance. It focuses on the role of the government and the rationale for governments' actions, market failures, inequality, theory of public spending and budgets, the welfare state, public choice theory, taxation, and the impact of taxes on economic activities.

There are three groups of students that attend this course. First, [JEB025](#) is attended by IES students for whom this is an elective course. Second, [JEM164](#) is attended by students of the IEPS programme for whom this is a mandatory course. Third, [NMF306](#) is attended by students from the Faculty of Mathematics and Physics for whom this is a mandatory course. All relevant documents will be posted on the webpages of the courses in the SIS. Students will also be asked to use the SIS to turn in problem sets and all their results will be posted there.

2 Course requirements

Students can obtain up to 100 points by fulfilling three types of requirements: Problem Sets (20 points), Wiki Edits (20 points), and Final Exam (60 points). The requirements and their deadlines are summarized in Table 1. The sum of points obtained from these requirements will then be translated into a grade according to the grading schedule shown in Section 3.

Table 1: Course requirements (exam dates preliminary)

Requirement	Maximum points	Announced	Deadline
Problem Set 1	10	Mar 24, 14:00	Mar 31, 23:59
Problem Set 2	10	Apr 14, 14:00	Apr 21, 23:59
Wiki Edits	20	Feb 18, 14:00	Apr 28, 23:59
		Exam 1 on May 19, 14:00	
Final Exam	60	Exams 2, 3 in June	
		Exam 4 in September	
Total	100		

2.1 Problem Sets (max. 2×10 points)

There will be 2 Problem Sets (PS) with a maximum of 10 points for each, announced in the beginning of the lectures on March 24, 2020 (PS1) and April 14, 2020 (PS2) and posted on the course webpage in the SIS. Problem Sets are individual work. You will have 1 week to submit your solution. Submit it in the section ‘Study group roster’ in the SIS (in .pdf format; may be *legibly* hand-written and scanned) until March 31, 2020, 23:59 (PS1) and April 21, 2020, 23:59 (PS2). If you have any questions or problems with turning in your PS, please contact [Tereza Palanská](#).

2.2 Wiki Edits (max. 20 points)

There will be a list of Wikipedia pages on topics from public finance that need improvement. You are asked to create an account on Wikipedia and then [register](#) in an online system (Wikiproject) that tracks Wikipedia edits, sign up for topics and contribute to Wikipedia. Wikipedia edits are individual work. You are expected to contribute around 8000 characters (or around 1000 words) to Wikipedia. All your edits are registered in the Wikiproject automatically as long as you are logged into your Wikipedia account. You should finish your edits by April 28, 2020, 23:59. After that, your edits will be checked by us and you will obtain a grade for your assignment based on the quality of your edits. You can obtain up to 20 points for Wiki edits. See Appendix A for more information on Wiki edits. If you have any questions or problems with Wiki edits, please contact [Marek Šedivý](#).

2.3 Final Exam (max. 60 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, Economics of the Public Sector, third edition; only chapters that are covered in lectures). There will be at least three exam dates announced in the SIS. See Appendix B for more information on exams.

3 Grading

Your final grade will consist of three parts: home assignments (max. 20 points), Wiki edits (max. 20 points) and the final exam (max. 60 points). The final grade will be determined based on the intervals in Table 2.

Table 2: Course grading

Interval	Grade
[100 – 90)	A
[90 – 80)	B
[80 – 70)	C
[70 – 60)	D
[60 – 50)	E
[50 – 0]	F (fail)

4 Schedule

Table 3 shows a preliminary schedule of the course. Please note that changes to this plan may be announced during the semester.

Table 3: Course schedule

Week	Date	Topic	Chapters	Lecturer
1	Feb 18	Economic rationale for the government	1, 2, 3, 4, 5	Miroslav Palanský
2	Feb 25	Public budgets	10, 26, 27	Natalia Li
3	Mar 3	Inequality		Marek Šedivý
4	Mar 10	Old-age pensions		Ondřej Schneider
5	Mar 17	Health economics	12	Ondřej Schneider
6	Mar 24	Public choice theory	7, 8	Miroslav Palanský
7	Mar 31	Cost-benefit analysis	6, 10, 11	Petr Janský
8	Apr 7	Externalities	9	Miroslav Palanský
9	Apr 14	Public procurement		Miroslav Palanský
10	Apr 21	Taxation, tax incidence	17, 18	Miroslav Palanský
11	Apr 28	Optimal taxation, personal income taxation	19, 20, 22	Miroslav Palanský
12	May 5	Tax evasion	23, 24	Petr Janský
13	May 12	Corporate taxation	21, 25	Petr Janský

¹ These chapter numbers refer to the course textbook (Stiglitz, Economics of the Public Sector, third edition).

5 Literature

The main resource for students are lecture slides which will be posted in the SIS before each lecture. For the exam, students are expected to understand all concepts mentioned in the slides. The lectures loosely follow (but also cover additional topics) the main textbook of the course, which is Stiglitz, J.E. (2000) Economics of the Public Sector, third edition. There are a number of copies of this textbook in the IES library. Also, there is a more recent, fourth edition of this textbook, published in 2015, which is very much recommended, but it is not the official course textbook because there are not enough

copies in the IES library. 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

6 Communication

The course website in the SIS will be regularly updated. We will use the email client in the SIS for brief announcements.

If you have any questions, do not hesitate to contact us. Regarding lectures, please contact the relevant lecturer (the email address of which you can find in Section 1). With more general questions about the course, contact [Miroslav Palanský](#). Regarding Problem Sets, please contact [Tereza Palanská](#). Regarding Wiki Edits, please contact [Marek Šedivý](#).

Appendix A: Wiki Edits

To edit Wiki pages, you need two registrations. First, you must be a registered Wikipedia user. To register, go to Wikipedia.org and sign up. Second, we will use an online tracking system to track your edits. For us to be able to track your edits, you must [register here](#) and thereby enroll to the ‘IES FSV UK - Public Finance 2020’ Wikiproject. Please register with a username that is descriptive of your real name (i.e. use something like “johnsmith” rather than something like “coolguy561”) so that we can identify you.

Once you are enrolled in the Wikiproject, go to the item ‘Articles’ in the top menu and select a Wikipedia page that you wish to contribute to. Then, anytime you edit your assigned Wiki pages and are signed in to Wikipedia, the system will record your edits and we will then be able to see them. Sometimes, it takes a day or two for the system to register your edits. Even though the system is fairly intuitive, in case of any problems or questions, please contact [Marek Šedivý](#).

Below are some rules to follow when contributing to Wikipedia. Please follow these rules as closely as possible to obtain the best possible grade.

1. Wikipedia page editing is, for the purposes of this course, an individual task.
2. You may choose any Wikipedia page related to public economics that you think needs improvement and contribute to it. There is also a list of some Wiki pages to choose from in the Wikiproject on the tab ‘Articles’. In case you choose a page that is not yet in the system, write an e-mail to [Marek Šedivý](#) and he will add it to the system. You may assign yourself to one

or more Wiki pages. The edits you make to different pages will automatically add up in the tracking system.

3. The final deadline for finishing your contributions is April 28, 2020, 23:59. You are encouraged to finish your edits earlier as you might receive feedback from your fellow Wikipedia editors.
4. You are expected to contribute around 8000 characters (or around 1000 words). This is not a strict requirement, however, any significant deviations from this range need to be adequately justifiable. This number refers to the total number of characters you add in all pages that you are assigned to. On the Wikiproject's page you can see the number of characters you contributed (please do allow some time for your changes to be reflected in the tracking system as they do not appear immediately).
5. Writing Wikipedia articles has its own rules. Try to follow these as closely as possible in order to contribute quality material. Read about editing Wikipedia [here](#) or [here](#). The goal is to create quality encyclopedic content that will pass through the peer approval process (i.e. it will not be discarded by other Wikipedia users). Importantly, do not express opinions unless they are cited.
6. There will be some pages to choose from that are in Czech. Obviously, this is for Czech-speaking students only. The aim is to help fill content to Czech Wikipedia as well, since many Czech pages on public economics topics are not very well written or are very incomplete. All conditions are the same for editing Czech and English Wiki pages. Simply translating English Wiki pages is not admissible, you always have to use external sources. However, you may, of course, use the original sources cited on English Wikipedia to contribute to Czech pages.
7. Add as many references to reliable sources (academic articles, books) as possible. This will help the credibility of your contribution and will make the peer approval process safer.
8. Ideally, save your contributions also offline on your computer, because sometimes, the edits might get discarded by other Wikipedia users and you might lose these edits.

Appendix B: Final Exam

The final exam (max. 60 points) will cover material from all the lectures, home assignments and your textbook (Stiglitz, Economics of the Public Sector, third edition; only chapters covered in lectures).

The exam is closed-book, so you cannot use your computers, books or notes during the exam. You can use calculators (cell phones are not allowed to be used as calculators). You will have 80 minutes to finish the test.

The exam will consist of three parts. Part 1 consists of multiple choice questions and only one answer is correct. In Part 2, you are asked to indicate whether a statement is true or false, and if is false, to explain why it is false. Part 3 consists of 5 open questions. Answer the open questions briefly, but precisely – a long answer does not imply a high score, a precise one does.

More information on exams and a sample exam will be provided during the semester.