

Public Economics

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Main course goals

- A: To understand the role of the state (with the respect to the normative background of the student)
- B: To know in detailed way and to understand „own – thesis based - specialisation“

Course requirements

- Written essay

Neoclassical view on the economic role of the state

- Allocative function (market failure):
- Distribution (welfare state, solidarity)
- Stabilisation (macro)
- Regulation (rule of law)

„Market failure“

- Competitive markets are expected to „produce“ first best, if:
 - A: Individuals and firms behave rationally
 - B: Full information exists
 - C: Full competition exists
 - D: Collective goods do not exist
 - E: Externalities do not exist

„Government failure“: Public Choice

- General issues
- Voting rules
- Bureaucracy