

Introduction to public sector economics

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Goal

- The main aim of the course is to gain knowledge about principles of the public sector's functioning, to understand its essence, current trends and problems and to acquire basic analytical skills for the creation and evaluation of state interventions.
- Furthermore, the aim is to learn to apply the acquired knowledge in a concrete environment and subsystem of the public sector.

Contents

- Block 1: The first basic theorem: market failure Pareto efficiency, market equilibrium Market failure (public goods, externalities, economies of scale, asymmetry of information).
- Block 2: The second basic theorem: redistribution Market and social justice Redistribution and optimality.
- Block 3: Macroeconomic regulation and the rule of law.
- Block 4: Government failure. Public choice. Theory of bureaucracy.
- Block 5: Scope and structure of the public sector.
- Block 6: Public finance.
- Block 7: Fiscal federalism. Advantages and disadvantages of decentralization Organization and financing of the subnational public sector in Europe Democracy as the basis of local public choice.
- Block 8: Determinants of budget decision-making of local units.

Assessment methods

- Test (French language)
- Professional essay on a selected topic (Czech, Slovak, English)
 - The student selects the topic (case study related to any kind of „government action“) and consults its with the guarantor.
 - The draft essay is presented during the second Brno seminar.
 - The number of words is not prescribed, quality is the only focus.
 - The essay can be repeatedly submitted.

First seminar Brno

- Block 4: Government failure. Public choice. Theory of bureaucracy.

Government failure: general issues

- The existence of „wicked problems“
 - Examples, related problems
- Limited „policy making“ capacity
 - Regulatory impact analysis
- Opportunistic behavior of stakeholders

Bureaucracy

- Do we need bureaucracy?
- Beaucroatic maximisation.
- Parkinson law on bureaucracy

Public Choice

- Maximisation function - politicians
- The role of voters
 - Rational ignorance
 - New problems – social media, etc.
- Collective voting
 - Arrow theorem, problems of majority voting