

**UNIVERSIDAD CARLOS III**  
**TOPICS IN PUBLIC INTERVENTION, 2012**

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Office hours: Tuesday 10:00-12:00 or by e-mail

**COURSE ORGANIZATION**

Grading: 40% of the grade will depend on work, class participation, quizzes and exercises. The remaining 60% is determined by a final exam common to all groups of the subject.

Attendance: Punctuality and silence are expected except from clarifying doubts, requests for repeating an argument, sharing an opinion, etc..

Exam Revision: In the day of the revision we will discuss the test solutions one by one. Later on individual revisions will take place.

**COURSE MATERIAL**

- During the course there will be distributed articles and notes - published in Aula Global 2.
- The summary of most of the classes will be also published in the Aula Global 2.

**BASIC BIBLIOGRAPHY**

- Gruber, Jonathan. Public Finance and Public Policy. Worth Publishers, 2007.
- Stiglitz, Joseph. Economics of the Public Sector. Norton and Company (Third edition 2000).
  - Versión española: *La economía del sector público*. Antoni Bosch (tercera edición, 2002)
- Albi, E. , J.M. Gonzalez-Paramo, I. Zubiri. Public Economics. Ariel 2004.

**REQUIREMENTS**

Knowledge of Intermediate Microeconomics and basic Public Economics.

**GENERAL OBJECTIVE**

Students must learn to apply their knowledge in subjects such as Public Economics and Microeconomics in the specific analysis of issues concerning public intervention. In particular, students gain knowledge about:

- The reasons for advocating state intervention in the provision of a basic set of public and private property and the judgments that justify different types of interventions that are observed in different countries.
- The economic evaluation systems for public projects, especially the information

needed to permit this activity.

- The state's role as a provider of insurance and the impact of its redistribution policies.

## **AGENDA**

1. Introduction. State intervention in externalities and public goods problems.
2. Public goods
  - 2.1 Particular examples of inefficient private provision: The scientific knowledge. The distribution of income. The peacekeeping forces of the United Nations.
  - 2.2 The "crowd-out" problem in public provision.
  - 2.3 How to determine the preferences for public goods?
3. Cost-Benefit Analysis.
  - 3.1 How to measure the benefits and costs of public projects.
  - 3.2 Applications: The value of life, the value of time.
4. State intervention in education.
  - 4.1 Failure of the public sector in providing education.
  - 4.2 Redistributing, equal opportunities and education.
  - 4.3 Different types of government intervention.
  - 4.4 Academic and basic education.
  - 4.5 Ways to evaluate education institutions.
5. Problems of asymmetric information and adverse selection and social insurance policies.
6. Pension systems.
  - 6.1 Justifications for the social security system.
  - 6.2 Public Pensions and savings.
  - 6.3 Age of retirement.
7. Unemployment insurance.
8. Public health.
9. The political economy of public intervention.
  - 9.1 The representative democracy.
  - 9.2 Theory of public choice and government failure.