



Ph.D. in ECONOMICS – Universities of Milan and Pavia

Public Economics – Theory and Empirics of Government

Academic year 2016-17 – Fall Term

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Office hours: After the lectures or usually Wednesday 16:30-19:30 (previous contact by mail required)

Course description

Public economics in this brief course is understood as an analysis, positive and normative, of the scope and role of government. Concepts and methods of inquiry which are more typical of economics, rather than of other social sciences, will be used, but the analysis goes beyond the focus on the market paradigm. Examples of such more general economic concepts include, for example, well-being and social welfare functions, shadow prices and planning, externalities, public goods, institutions. Some of these concepts apply to very different types of economies, and may tell us something about government as an economic response to social features or as a trait-maker. Empirical topics will include measurement of government, public expenditure trends, evaluation of policy reforms in regulated industries, cost-benefit analysis of R&D infrastructures.

Course objectives

This is the short course designed for first-year doctoral students, aimed at providing ideas for research. It will not cover all the topics in the broad field of public economics, but a selection of them, blending theory and empirics, with a focus on concepts more than on detailed models. The main objective is to develop an understanding of what government actually does and what it should do to improve well-being, with some examples on how to ask a research question and try to answer it by empirical approaches.

Course organization: There are 8 lectures, two hours and 30 minutes each to be held in Via Conservatorio 7, DEMM Seminar Room, second floor

Course Assessment: The assessment is based on active involvement of students who will be required to prepare an individual presentation on a topic assigned during the course.



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COURSE OUTLINE

Hindriks and Myles (2015), *Intermediate public economics*, MIT Press, is suggested as the reference text for the broader picture of public economics, including a very large number of topics not covered by this course. A detailed reading list will be provided for each lecture.

1. Measurement and growth of government: concepts and statistics

Di Matteo L (2013), *Measuring Government in the Twenty-first Century. An International Overview of the Size and Efficiency of Public Spending*, Fraser Institute
www.fraserinstitute.org

Hall D. (2010), *Why we need public spending?*, PSIRU, University of Greenwich

Tanzi V (2011) *Government versus markets. The changing economic role of the state*, Cambridge University Press

2. Social welfare functions and measurement of well-being

Stiglitz J, Sen A, Fitoussi JP et al (2015) *Report by the Commission on the Measurement of Economic Performance and Social Progress* (http://www.insee.fr/fr/publications-et-services/default.asp?page=dossiers_web/stiglitz/documents-commission.htm)

3. The two fundamental theorems of welfare economics, inequality, lump-sum taxation

Sen A., (1992) *Inequality re-examined*, Harvard University Press

Stiglitz J (1994), *Whither socialism?*, MIT Press

4. Shadow prices and the social planner in second best economies, cost-benefit analysis

Dreze JP and Stern N, *Theory of cost-benefit analysis*, in Auerbach A, Feldstein M (eds), (1990-2015), *Handbook of public economics*, North Holland (4 voll)

Florio M (2013), *Applied welfare economics. Cost-benefit analysis of projects and policies*, Routledge





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5. Public goods and public provision, concepts and issues

Atkinson A. and Stiglitz J. (1980 updated edition 2015), Lectures on public economics, Mc Graw Hill, Ch 16-17

Hindricks J, Myles G, (2006, new edition 2015), Intermediate public economics, MIT Press, Ch. 6- 7

6. Pervasive externalities: knowledge and norms

Hindricks J, Myles G, (2006, new edition 2015), Intermediate public economics, MIT Press, Ch 8 and 10

7. Empirics: policy reform evaluation and the quality of government in regulated industries

Florio M. (2013) Network industries and social welfare, Oxford University Press

8. Empirics: cost-benefit analysis of R&D infrastructures and scientific discovery

Del Bo C et al (eds) (2016), Special issue: “The social impact of research infrastructures at the frontiers of science and technology: the case of particle accelerators”, in *Technological Forecasting and Social Change* (in press available
<http://www.sciencedirect.com/science/article/pii/S0040162516302566>)

Frontier Economics (2014) Rates of return to investment in science and innovation, London.

Martin, B.R., Tang, P., 2007. The Benefits from publicly Funded Research, SPRU Electronic Working Paper Series, Paper No. 161. University of Sussex, Brighton.



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