



Kuwait University  
College of Business Administration  
Economics Department  
Master of Economics



Course Syllabus  
ECON 1030-514 – Public Economics II

Spring 2021-22  
Dr. Michail Skourtos

### Lecture Time and Location

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Thursday 5:00pm – 7:50pm Room CG 1006

### Contact Information

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Location: Economics Department – 3<sup>rd</sup> Floor – Zone A – Office A3 1020  
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Office Hours: Mon and Wed, 12:30pm – 13:30pm and by appointment

### Course Description

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This is an advanced course in public economics designed to discuss further both the theory and empirical evidence of the government interventions in a market economy. A strong emphasis is given to modern ideas on public policy assessment and evaluation using experimental data and tools. We will advance the economic modelling of externalities, public goods, and public policy further, apply the models in important areas for MENA, GCCs and Kuwait and test their adequacy in highlighting several questions. The theoretical part provides an in-depth review of modelling economic efficiency, market and government failure, public goods and externalities. It also introduces the students to several experimental tools for policy impact assessment. The empirical part reviews the goals and achievements of public policy in the state of Kuwait. We extend our analysis to topics on public expenditures and social programs. We discuss the theory of optimal income taxation before we extensively study taxation, education, and health economics in the Arab World. We also look at countries experiences in the design of income maintenance programs and the design of public policy in dynamic settings.

E-Learning System: Moodle and (occasionally) MS Teams  
Course Website: <http://moodle.ku.edu.kw>

### Prerequisites

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Econ1030-513 Public Economics I - though not a formal prerequisite – is an essential step before a student embarks in this course.

### Course Learning Objectives (CLOs)

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Upon successful completion of the course, students will be able to:

- CLO1.** Acquire a sufficient understanding of factors and processes contributing to state intervention in markets
- CLO2.** Model and analyze the economy/state interactions using microeconomic modeling
- CLO3.** Understand the equity issues involved in state interventions
- CLO4.** Understand how economics can contribute to the design and evaluation of public policies
- CLO5.** Understand the limitations of economic approaches to state interventions and the role of wider social science approaches

### CLO Mapping to CBA Skill Based Competency Goals<sup>1</sup>

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<sup>1</sup> CBA Competency Goals can be found at the end of this document

CLO	Competency Goal			
	Analytical	Communication	Information Technology	Business Ethics
1	I			
2	R			
3				I
4	A			
5	I			

#### Type of Emphases:

- (I)ntroduce: Students will be introduced to the skill and their grasp of it assessed in the course.
- (A)pply: The course will not cover the skill. Students should have a high-level grasp of the skill and are required to apply it in the course.
- (R)einforce: Students should have an introductory-level grasp of the skill and the course will improve their mastery to a higher level.

#### Required Material

Two (complimentary) books provide a concise overview to the theoretical underpinnings and empirical dimensions of the topic: Jonathan Gruber (2016), Public finance and public policy, 5th Edition. Worth Publishers, N. York and Joseph E. Stiglitz and Jay K. Rosengard (2015), Economics of the Public Sector, 4<sup>th</sup> Edition. W. W. Norton & Company, N. York. Lecture slides and supplementary reading material will be made available through Moodle. Readings are drawn from a variety of sources. There is a fair degree of duplication of material across these references. As such, you do not need to read all these references. However, you should read as many of them as necessary to thoroughly understand the topics discussed.

#### Course Requirements

Students will be assessed based on two individual assignments, a term paper, and an oral presentation.

- o **Individual Assignments:** I will assign through Moodle two assignments (problem sets). The assignments should be submitted in MS Word format (named: student's name\_# of assignment.docx) on the due days. They are designed to help you understand the material covered in the lectures and are valuable resources for test review. All details of your analytical thinking must be given with your answer (be sure to work logically through each problem and identify the basic steps associated with arriving at your answer). Please complete them carefully and turn them in on time. Collaboration with classmates is OK; copying is not. Ask for assistance at any time if you are having trouble with the assignment.
- o **Term Paper:** You will write a term paper on a public economic issue to be chosen from a list that I'll provide. The objective of this is for you to develop the writing skills needed to analyze and explain an applied, public economic issue. Upon completing the paper and presentation, you will have acquired the skills to identify a research question, construct an economic hypothesis, apply the theory to the question, identify and describe the data that you would use to answer your question, and present your ideas in a way that keeps your audience engaged. Papers should be well written, provide both a theoretical and an empirical part, be on average 20 pages, double-spaced with normal margins and type face, excluding the title page and references. Your paper should have the following sections:
  - o An introduction that presents your issue and why this issue is important. Your introduction should be explicit and be clear about the issue you are addressing/question you are answering.
  - o A brief analysis of previous literature on the topic and a discussion of how your paper summarizes, criticizes and/or extends this body of knowledge.
  - o A description of the theory/model that applies to your question.
  - o A discussion of the data that you use in an empirical analysis and an econometric specification, including a description of variables, why they belong in your model and the impact you expect the dependent variables to have on your independent variable. An original econometric analysis of data should be included.
  - o A brief conclusion that summarizes what you learned and areas for future research.

I encourage you to ask a classmate to read your paper for grammar, spelling, and clarity. Because this exercise is designed to develop your writing and oral communication skills, I will grade you on the quality of your writing, how effectively you incorporate comments from your reviewers, and on your presentation, including your PPT slides. Refer to MLA writing style ([https://owl.purdue.edu/owl/research\\_and\\_citation/mla\\_style/mla\\_formatting\\_and\\_style\\_guide/mla](https://owl.purdue.edu/owl/research_and_citation/mla_style/mla_formatting_and_style_guide/mla))

\_general\_format.html ) for your assignment and report writing style. Refer to the English Language Center for help.

- **Presentations:** Each student will present her/his term paper in the class. The presentation should clearly describe the research question and its importance/relevance for the course, discuss the existing literature, present the theoretical concepts and model(s) to be used, comment on the availability of empirical data, and any other issue. The presentation will help you get feedback from your peers and the instructor while improving your skill of oral communication.

## Course Policies

- **Attendance and Participation:** Every student in this course must abide by the Kuwait University Policy on Attendance (published in the Curriculum System Bylaws, Chapter 3, Section 13). A copy of the student guide can be accessed online on:  
[http://vpaa.ku.edu.kw/en/documents/KU%20ByLaws/Students/Curriculum\\_Regulations.pdf](http://vpaa.ku.edu.kw/en/documents/KU%20ByLaws/Students/Curriculum_Regulations.pdf)
- **Cheating and Plagiarism:** Every student in this course must abide by the Kuwait University Policy on Cheating and Plagiarism (published in the Curriculum System Bylaws, Chapter 3, Section 14). A copy of the student guide can be accessed online on:  
[http://vpaa.ku.edu.kw/en/documents/KU%20ByLaws/Students/Curriculum\\_Regulations.pdf](http://vpaa.ku.edu.kw/en/documents/KU%20ByLaws/Students/Curriculum_Regulations.pdf)
- Please carefully note all sources and assistance when you turn in your work. Under no circumstances should you take credit for work that is not yours. You should neither receive nor give any unauthorized assistance on any deliverable. If you have any questions about what constitutes “unauthorized assistance” please email me before the deliverable is submitted. Please note: copy/paste of foreign text into the assignments is not allowed. Always translate it into your own words!

## Grading

The scores in this course will be the weighted average of the following items:

Weight	Description
30%	Assignments
60%	Term paper
10%	Presentation
100%	TOTAL

## Grade Distribution

Grade	Range
A	≥ 95
A-	≥ 90 and < 95
B+	≥ 87 and < 90
B	≥ 83 and < 87
B-	≥ 80 and < 83
C+	≥ 77 and < 80
C	≥ 73 and < 77
C-	≥ 70 and < 73
D+	≥ 65 and < 70
D	≥ 60 and < 65
F	< 60

## Course Outline (tentative)

Title	Topics	Reading	Week
Introduction and basic concepts	Structure and organization of the course; Links with PE I; a focus on MENA, GCCs and Kuwait; understanding policy debates and evaluation; normative vs positive economics; basic economic models to be used; empirical facts on public sector	Gruber ch 1; Stiglitz/Rosengard part 1, ch 1;	1
Measuring the public sector	Delimitation of public sector; types of state economic activities; government production; state impact on private sector; government procurement; redistribution programs; a quantitative picture of Kuwait’s public sector	Stiglitz/Rosengard part 1, ch 2; KuwaitImpact (2020), Before its too late ( <a href="https://kuwaitimpakt.com/">https://kuwaitimpakt.com/</a> )	2

Welfare economics for public policy	Market and social efficiency; Pareto efficiency; exchange efficiency and production efficiency; the fundamental theorems of welfare economics; social welfare functions;	Gruber ch 2.1 and 2.3; Stiglitz/Rosengard part 2, ch 3;	3
Market failures	Property rights; market failures as reason for state intervention; public goods; private and public provision of public goods; externalities; internalizing externalities; moral hazard and adverse selection	Stiglitz/Rosengard ch 4, 5 and 6	4
Empirical Tools for policy evaluation	Types of data (revealed, stated); experiments in economics; types of experiments; analysis of experimental data; correlation versus causality	Gruber ch 3; Pomeranz 2015	5
Public production of goods and services	The role of government in production; natural monopoly; efficiency in the public and private sectors; sources of inefficiency in the public sector; bureaucracies	Stiglitz/Rosengard part 3, ch 8	6
Analysis of expenditure policy	What program? What externalities? Alternative forms of gov intervention; private sector response to gov intervention; efficiency and distributional consequences	Stiglitz/Rosengard part 4, ch 10	7
Tax incidence and optimal income taxation	Tax incidence; taxation and economic efficiency; optimal taxation	Stiglitz/Rosengard part 5, ch 18 – Gruber ch	8
Taxation of capital gains	Should capital gains be taxed? Effects on savings and investment; impact on risk taking; changes in asset values	Stiglitz/Rosengard part 5, ch 21	9
Health policies in the MENA countries	Health care systems in the Arab countries; health expenditure and efficiency; health reforms; empirical cases	Gruber ch 15; Stiglitz/Rosengard part 4, ch 13	10
Educational policies in the MENA countries	Educational systems in the Arab countries; educational expenditure and efficiency; educational reform; empirical cases	Gruber ch 11; Stiglitz/Rosengard part 4, ch 14	11
Tax systems in the MENA countries	Tax systems in the Arab countries; efficiency and redistribution effects; tax reforms; introducing VAT	TBA	12

## Important Dates

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Date	Event
10/03/2022	First day of classes
21/04/2022	Interim submission of term paper
12/05/2022	Final submission of term paper
26/05/2022	Oral presentations
26/05/2022	Last day of classes

## CBA Competency Goals

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**1. Analytical Competency:** A CBA graduate will be able to use analytical skills to solve business problems and make a well-supported business decision.

Student Learning Objectives:

- 1.2 Use appropriate analytical techniques to solve a given business problem.
- 1.2 Critically evaluate multiple solutions to a business problem.
- 1.3 Make well-supported business decisions.

**2. Communication Competency:** A CBA graduate will be able to communicate effectively in a wide variety of business settings.

Student Learning Objectives:

- 2.1 Deliver clear, concise, and audience-centered presentations.
- 2.2 Write clear, concise, and audience-centered business documents.

**3. Information Technology Competency:** A CBA graduate will be able to utilize Information Technology for the completion of business tasks.

Student Learning Objectives:

- 3.1 Use data-processing tools to analyze or solve business problems.

**4. Ethical Competency:** A CBA graduate will be able to recognize ethical issues present in business environment, analyze the tradeoffs between different ethical perspectives, and make a well-supported ethical decision.

Student Learning Objectives:

- 4.1 Identify the ethical dimensions of a business decision.
- 4.2 Recognize and analyze the tradeoffs created by application of competing ethical perspectives.

4.3 Formulate and defend a well-supported recommendation for the resolution of an ethical issue.

5. General Business Knowledge: A CBA graduate will be able to demonstrate a basic understanding of the main business disciplines' concepts and theories.

Student Learning Objectives:

5.1 Acquire a fundamental understanding of knowledge from the main business disciplines (e.g., finance, accounting, marketing, and management information systems, among others).