

Macroeconomics and Public Economics

The field “Macroeconomics and Public Economics” is concerned with the role of the state in the economy. Being responsible for governance, taxation, government expenditures and stabilization in the economy, the state participates in virtually all aspects of people’s (economic) lives.

Typical questions discussed in the field are for example: How exactly does the state affect the economy? Which possibilities does it have to steer the economy in a desired direction? How should policies be designed in order to maximize welfare?

Module	CP	Obligatory/Elective	Target CP	
Seminar in Macroeconomics and Public Economics	6	O	6	18
Foundations in Macroeconomics and Public Economics A: Tax Policy	6	E	Min. 6	
Foundations in Macroeconomics and Public Economics B: Advanced Public Economics: Mechanism Design, Public Goods and Externalities	6	E		
Foundations in Macroeconomics and Public Economics C: Fiscal Federalism and Financial Compensation	6	E		
Topics in Macroeconomics and Public Economics	6	E	Max. 6	
Common Topics: Markets and Institutions/Public Economics	6	E		

Foundations in Macroeconomics and Public Economics A: Tax Policy (winter term) – Prof. Dr. Felix Bierbrauer?

This course features optimal income and consumption taxes, optimal taxation structure (direct versus indirect taxes), optimal tax policy, public goods and eco-taxes, New Dynamic Public Finance, political economy of tax policy and tax competition. Students will get to know the current research frontier in tax theory and the implications for pending issues concerning tax policy. Furthermore, they will apply the basics of modern tax theory and critically evaluate the current scientific literature.

Foundations in Macroeconomics and Public Economics B: Advanced Public Economics: Mechanism Design, Public Goods and Externalities (summer term) – Prof. Dr. Felix Bierbrauer?

The course covers games under incomplete information, the revelations principle, Clarke-Groves mechanisms, the expected externality mechanism, the Myerson-Satterthwaite impossibility theorem concerning efficiency in exchange and the Mailath-Postlewaite impossibility theorem concerning efficiency in the voluntary provision of public goods. Students will characterize possible results of economic policy and design optimal institutions under conditions of private information. Moreover, they will analyze market failures due to externalities as well as understand the conflict between the aims of freedom and efficiency.

Foundations in Macroeconomics and Public Economics C: Fiscal Federalism and Financial Compensation (every 4th semester) – Dr. Michael Thöne

This course covers the economic theory of fiscal federalism, the allocation of taxes and responsibilities in the multi-tier state, federal competition, horizontal and vertical cooperation, as well as federal and communal financial compensation. Examples are the connexity of local social policy and the pending reform of the tax revenue equalization scheme. Students will learn the basic techniques and paradigms of effective economic policy consultation directed at the actual political demand for political expertise. They will set into context and learn how to answer typical questions of political actors in a way that enables progress in the respective political areas while at the same time maintaining the independence of science. The course contains theoretical requirements, economic models and institutional as well as legal framework conditions. The practice of public financial policy consultation will be learned from the example of financial equalization.

Topics: Sustainability and Demography Dependence of Public Finances (every 4th semester) – Dr. Michael Thöne?

This course covers load shifts due to public debt, macroeconomic consequences of public debt in open economies, sustainability of financial policy and generational accounting, and the demography dependence of public expenditures, long-term yield of the tax system. Specific preventative instruments analyzed in the course are the debt brake and fiscal pact, while corrective instruments covered are debt rescheduling, refinancing and restructuring. Students in the course will learn about the NRW pension fund and read excerpts from the sustainability report of the German government. The course contains theoretical requirements, economic models and institutional as well as legal framework conditions. The practice of public financial policy consultation will be learned from the example of the OECD sustainability report.

Topics: Advanced Taxation Theory (every 4th semester) – Prof. Dr. Felix Bierbrauer?

This course covers the formal representation of optimal taxation. Examples are the methods of optimal non-linear taxation, justifications of optimal linear taxes from information economics, optimal tax structure (direct versus indirect taxes), as well as the optimal taxation of capital. Students will learn how to analytically present the classical results from optimal taxation theory, apply mathematical methods to solve these models, get to know the classical results of optimal taxation theory as well as bring into context, receive and evaluate current scientific findings.

Mechanism Design and Public Economics (term?) – Prof. Dr. Felix Bierbrauer?

In the course “Mechanism Design and Public Economics”, students learn about the design of optimal institutions under conditions of private information, analyze market failure due to externality, and understand the conflict between the aims of freedom and efficiency. An example is the provision of public goods: Since externalities and public goods cause market failure. Is this an argument for political intervention? Or is Coase right, arguing that people can bring about efficient outcomes themselves? The theory of mechanism design will be used to examine the truth in Coase’s Theorem.

Common Topics: Markets and Institutions/Public Economics (winter term) – Prof. Dr. Susanne Prantl

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Seminar in Macroeconomics and Public Economics (term?) – Prof. Dr. Felix Bierbrauer?

This seminar has a focus on current scientific research and application issues. Thus, it aims at the application of theoretical and empirical skills. Specifically, the course covers optimal taxation theory (particularly the design of an optimal income tax system and optimal mix of direct and indirect taxes), an expansion of these models including dynamic aspects to analyze questions regarding optimal public debt and the design of pension systems, the theory of public goods and externalities and the political economy of tax and transfer systems as well as the provision of public goods, an empirical consideration of the consequences of tax and transfer systems, fiscal federalism, soft budget constraints and tax competition.

In the course, students have to hand in a written paper, do a presentation and lead a discussion. An example of a topic for the seminar is “Behaviorial Public Economics” which treats issues such as optimal sin-taxes or salience of taxation.

Seminar in Public Expenditure Economics and Reform (term?) – Dr. Michael Thöne?

This seminar is focused on the federal budget. It covers budget rules and practice, the classical budgetary process and its deficits, top-down budgetary reforms and political control, accrual accounting and management reforms in the public sector, the integration of performance evaluation and monitoring in the budgetary process, as well as transparency and participative budget design. As specific examples, students in this course learn about the federal budget’s shift towards the top-down method and read excerpts from the OECD Budget Review of Germany. Students will identify the strengths and deficits of different budget regimes, reconstruct motivation and success of various international policy reforms with a focus on budgetary issues, differentiate transferable and non-transferable reform elements in transnational comparison, outline implementable policy design against a real institutional background, show that they can visualize analytical results for a non-technical audience and write appealing and convincing policy papers.