



The Hebrew University of Jerusalem

Syllabus

BASIC CONCEPTS IN WELFARE ECONOMICS - 3109

Last update 30-10-2016

HU Credits: 3

Degree/Cycle: 1st degree (Bachelor)

Responsible Department: social work

Academic year: 0

Semester: 2nd Semester

Teaching Languages: Hebrew

Campus: Mt. Scopus

Course/Module Coordinator: Prof. Daniel Gotliv

Coordinator Email: danielgt@nioi.gov.il

Coordinator Office Hours: By appointment

Teaching Staff:

Prof Daniel Gotliv
Ms. Bar-Sinai Ori

Course/Module description:

The purpose of the course in Welfare Economics and the Economics of the Public Sector is to clarify the basic concepts of the subject matter. We discuss the relevant topics of Micro- and Macro-economics with a special emphasis on questions of economic decision making that does not sufficiently take into account externalities, i.e. consequences of economic actions that cause costs or benefits to the society that are not sufficiently accounted for by consumers and enterprises. The course emphasizes issues concerning income distribution, poverty and inequality in opportunities and outcomes in order to give the students an improved understanding of the goals and tools for social policy. The discussion of examples is mainly based on the evidence from Israeli economic and social reality and policy making.

Course/Module aims:

In the first part of the course we will study the central basic concepts in Economics and Public Economics: the connection between the issue of shortage economic and the problem of allocation of resources, initial resources (endowments), the production function, factors of production, supply and demand, equilibrium and non-equilibrium, behavior, choice, opportunity cost, absolute advantage, comparative advantage, trade, market, market structure, perfect competition, monopoly (monopsony, oligopoly, aoligofson), economic stability and more.

In the second part we will discuss the topic of Public economics and Welfare economics. We will examine the economic arguments - social supply of goods and services by the government in a market where markets are functioning. We will discuss market failures (and failures of the government) which make it difficult of the market to function effectively, in the forms of tension between free market and nationalization, government intervention policy, a combination of private and public economics that take place side by side.

We will also deal with semi-public goods and discuss the phenomena of external influences and the solutions to the problems created by these effects. We will study deeply the issue of the characteristics of public goods and discuss public policy goals. In this context we will discuss the basic concepts of justice and their translation to social-economic policy making. We will discuss social welfare functions.

In the third part we will ask how "the cake" is divided. The issue of the distribution of income and property; issues of poverty, economic stability (the phenomenon of the "disappearing middle class" - the polarization). We will discuss key metrics in assessing the socio-economic situation. In this context we will discuss, inter alia, reports such as the report on poverty dimensions and social gaps in Israel, OECD reports, the Human Development Report of the United Nations and others. We will also discuss accepted evaluation metrics for the socio-economic situation.

Learning outcomes - On successful completion of this module, students should be able to:

Knowledge of basic concepts in economics, a thorough understanding of the issues of poverty, measurement and different definitions, critical thinking about social economic issues.

Attendance requirements(%):

100

Teaching arrangement and method of instruction: the content of the lesson and the practice mostly do not overlap, so there is importance to the presence in them and to learning activities.

Course/Module Content:

The following is an outline of the course :

I. Basic concepts in economics : [Lessons 1 to 4 and a main focus on this part of the course will be given exercises] ;

We will discuss the aim of economic models and assumptions upon which the theory and basic concepts are based. We will study the curve value (shortage phenomenon, initial resources, (endowments), the allocation of resources, efficiency Pareto, specialization, absolute advantage and comparative advantage, trade and transactions, supply and demand, equilibrium and non - equilibrium, market structure, market with perfect competition, non competitive market (monopoly, oligopoly, cartels, Monofoson, aoligofoson). Production function, production factors, behavior, choice, alternative cost, absolute advantage, economic stability, statistics and dynamics in the economy. Micro-economics, macro-economics (see also Chapter III).

Reading:

יניב (1982),

יחידה 1: עמ' 1-20, 21-26,

יחידה 2: עמ' 1-30,

יחידה 3: עמ' 1-36.

יחידות 4-6: כל הספר

II. Public Sector Economy [classes 5 to 6];

o Positive and negative external influences, market failures and the role of the government - the justification of the existence of the public sector,

o public goods,

o Government intervention (taxes, pensions, subsidies, regulation),

o Positive and normative economics - concepts of social justice: vertical justice,

horizontal justice, multi-generational justice, meritocratic justice. We will discuss the function of social welfare, the efficiency principle of Pareto and the desired size of the public sector,

- o taxation, progressiveness, tax exemptions and social justice
- o Government expenditure - security, health, education, social security and more.
- o Funding of public activity - taxation, spending and deficit / surplus, debt, assets.
- o Social Security, insurance concepts and theory of lack of certainty.

Reading:

יניב (1982),

יחידה 1: עמ' 27,

Externalities, מתוך The Economics of the Public Sector

III. Income distribution, macro-economic problems and the connection between them and the economic - social policy [classes 7-the end of the cours]

- o poverty, non- equality, polarization
- o Definig the minimum livelihood
- o Macro-economic problems: inflation, balance of payments , labor market (unemployment, foreign workers, discrimination in the labor market) economic growth, government budget, the Arrangements Law.

Reading:

דוח ממדי העוני והפערים החברתיים, ביטוח לאומי (2011),

סקירה שנתית, פרקים 1,2; 2007 עד 2011

Required Reading:

1. דוח ממדי העוני והפערים החברתיים, ביטוח לאומי, 2011.
 2. המוסד לביטוח לאומי, סקירה שנתית, פרקים 1,2;
 3. לשנים 2007, 2008, 2009, 2010, 2011.
 4. יניב גדעון, מבוא לכלכלה - מיקרו: יחידות 1, 2, 3 - כל הספר
 5. יניב גדעון, מבוא לכלכלה - מיקרו: יחידות 4, 5, 6; פרק 6 יועבר בצורה כללית ואינטואיטיבית
 6. רובינשטיין אריאל, אגדות בכלכלה - מומלץ
 7. נחמיאס אריה, גליה עופר, יעקב רוזנברג, מבוא למקרוכלכלה חלק א: עמ' 77 - 149 בלבד. מומלץ
 8. קובץ externalities (על השפעות חיצוניות, באנגלית) מתוך
- (*) Mankiw, N. Gregory and Mark P. Taylor, Economics, 2011, Cengage Learning, http://cws.cengage.co.uk/mankiw_taylor/students/stu_title.htm.

ספרות באנגלית:

1. Dasgupta Partha, 2010, Economics, A very short introduction, Oxford University press. מומלץ
2. http://www.stiglitz-sen-fitoussi.fr/documents/rapport_anglais.pdf, 1-292.
3. מומלץ
4. OECD, 2009, Divided we stand, <http://www.oecd.org/dataoecd/40/58/49170768.pdf>, 1-4. מומלץ
5. OECD, 2010, Reviews of Labor Market and Social Policies - Israel, January.

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6. OECD, 2011, *Economic Surveys, Israel*.
7. Smith Adam, "Wealth of Nations", *Electronic Classics Series*,
<http://www.hn.psu.edu/faculty/jmanis/jimspdf.htm> מומלץ

Additional Reading Material:

None

Course/Module evaluation:

End of year written/oral examination 60 %

Presentation 0 %

Participation in Tutorials 0 %

Project work 0 %

Assignments 40 %

Reports 0 %

Research project 0 %

Quizzes 0 %

Other 0 %

Additional information:

The exercises will be posted on the course website - <http://moodle.huji.ac.il/hu11>
Exercises should be submitted in hard copy in pairs at booth number 44 (Yael Fishman) on the 4th floor of the school of social work, at the times which will be provided.

The exercises are mandatory, they must be submitted during the specified time, non-submission will result in grades being marked down.