

**Public Finance**

Code: 101085  
ECTS Credits: 6

Degree	Type	Year	Semester
2500259 Political Science and Public Management.	OT	3	2
2500259 Political Science and Public Management.	OT	4	0

**Contact**

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**Use of Languages**

Principal working language: spanish (spa)  
Some groups entirely in English: No  
Some groups entirely in Catalan: No  
Some groups entirely in Spanish: Yes

**Prerequisites**

It is highly advisable to have passed the "Political Economy" 1st year course and the "Economic Policy and Public Sector Economics" 3rd year course.

**Objectives and Contextualisation**

This is a 4th year subject, and, as a consequence, of specific formation. It provides the instruments required for the economic analysis of a variety of government revenue sources, particularly taxes. Tax analysis can be undertaken from two perspectives. On the one hand, according to efficiency and equity criteria, the principles to be fulfilled by a tax system have to be specified. Both tax design and tax reform must be based on these principles. On the other, who bears the tax burden has to be ascertained.

The objectives of the course are the following:

1. Achieving a good knowledge of the instruments of government financing.
2. Analyzing the economic effects of different types of taxes.
3. Discussing rigorously the consequences of a variety of taxes in terms of efficiency and equity.

**Competences**

- Political Science and Public Management.
- Arguing from different theoretical perspectives.
- Distinguishing the discipline's main theories and different fields: conceptual developments, theoretical frameworks and theoretical approaches underlying the discipline's knowledge and different areas and sub-areas, as well as their value for the professional practice through concrete cases.
- Identifying sources of data and conducting bibliographic and documentary searches.
- Managing the available time in order to accomplish the established objectives and fulfil the intended task.
- Realising effective oral presentations that are suited to the audience.
- Working autonomously.

- Working in teams and networking, particularly in interdisciplinary conditions.

## Learning Outcomes

1. Analysing and explaining the economic dimensions behind public policies.
2. Arguing from different theoretical perspectives.
3. Assessing the role of the public sector as an economic agent.
4. Critically analysing the impacts of reinforcement policies and subsidies.
5. Describing the ecological taxation and its relationship with the principle of sustainability.
6. Diagnosing specific situations and economic problems.
7. Efficiently describing forms of public intervention concerning the economic system.
8. Explaining political principles and impact of (distributive and redistributive) tax policies on economic inequality and social equity.
9. Explaining the consequences of a fiscal reform and changes on the government's tax issues.
10. Identifying sources of data and conducting bibliographic and documentary searches.
11. Managing the available time in order to accomplish the established objectives and fulfil the intended task.
12. Realising effective oral presentations that are suited to the audience.
13. Reflecting on the proposals of current economic policies, in several fields (financial, fiscal, incomes policy, etc.) and several territories (World, Europe, Spain).
14. Specifying the roles, dimensions and structure of the public sector in the economy.
15. Working autonomously.
16. Working in teams and networking, particularly in interdisciplinary conditions.

## Content

### 1. INTRODUCTION

A comparative analysis of government revenues and expenditures in Spain and in Europe. The economic role of the public sector. Efficiency and equity: the fundamental theorems of Welfare Economics. The government budget constraint. Major public expenditure programs. Major components of the tax system. Tax principles.

### 2. TAXATION AND EFFICIENCY

Lump-sum taxes and distortionary taxes. Taxes and excess burden. Consumer surplus and producer surplus. Income effects, substitution effects and excess burden. Analysis of excess burden with demand and supply curves.

### 3. TAXATION AND EQUITY

Tax equity: the ability-to-pay principle and the benefit principle. Progressivity, proportionality and regressivity. The effects of taxes on income distribution. Tax incidence. Partial equilibrium models and the role of elasticities. The Harberger model of tax incidence in general equilibrium.

### 4. INCOME TAXATION

The taxation of personal income. Definition of income. Exclusions, deductions and credits. The choice of the tax unit. Economic effects of the personal income tax. The Negative Income Tax. The taxation of corporate income.

### 5. SALES AND CONSUMPTION TAXES

Sales and excise taxes. Monophasic and multiphasic taxes. Excise taxes as an externality-corrective device. The Value Added Tax. Types of Value Added Tax.

### 6. SOCIAL SECURITY AS A TAX

Objectives and institutional design of social security. Social Security in Spain. Benefits: retirement, unemployment, survivors and disability. The payroll tax for social security. Employer share and employee share. The role of the relationship between taxes paid and benefits received.

## 7. WEALTH TAXATION

The case for and against taxing wealth. A classification of wealth taxes. The property tax. Inheritance and gift taxes.

## 8. FISCAL FEDERALISM

The case for and against a decentralized system of government. Community formation and the optimal size of jurisdictions. The Tiebout model and "voting with the feet". The financing of decentralized levels of government. Subcentral financing through taxes, transfers and debt. Intergovernmental grants.

## Methodology

The course will have the following activities:

- Lectures, in which the instructor shares with students the basic issues of the topic. Attending lectures becomes essential to acquire the basic knowledge to be supplemented with personal effort.
- Practical classes, including activities undertaken jointly by students and the instructor, i.e., solving problem sets, case studies or discussing current economic issues, or presentations by students.
- Recommended activities, such as attending seminars or lectures.
- Autonomous activities by students, such as studying additional material or solving case studies.

## Activities

Title	Hours	ECTS	Learning Outcomes
Type: Directed			
Case studies	15	0.6	4, 3, 12, 11, 10
Lectures	30	1.2	4, 1, 3, 5, 6, 14, 8, 9, 13
Type: Supervised			
Tutorials and essays supervision	15	0.6	11, 10, 16
Type: Autonomous			
Study, preparation and other activities	80	3.2	1, 2, 8, 12, 11, 10, 16

## Assessment

Evaluation of the course will be on a continuous assessment basis with the following criteria:

1. Two written exams, to be carried out on established dates, with weights 30% each.
2. Two case studies, to be delivered on established dates, with weights 20% each.

The instructor will set the dates along the first week of the course. Students will strictly respect the above-mentioned dates. Otherwise they will not be evaluated.

To pass the subject, the average grade of the two written exams should not be less than 3.5.

In case plagiarism is detected, the grade assigned to the activity will be 0.

In accordance with article 117.2 of the UAB Academic Regulations, the evaluation of those students who have been enrolled before may consist of a single synthesis examination. The students who wish to be evaluated this way should contact the professor at the beginning of the semester.

## Assessment Activities

Title	Weighting	Hours	ECTS	Learning Outcomes
Case study	20%	3	0.12	4, 1, 2, 3, 7, 6, 9, 12, 11, 10, 13, 15, 16
Case study	20%	3	0.12	4, 1, 2, 3, 7, 14, 8, 9, 11, 15
Written exam	30%	2	0.08	2, 5, 14, 8, 12, 11, 10, 16
Written exam	30%	2	0.08	4, 1, 2, 3, 7, 5, 14, 8, 9, 11, 15

## Bibliography

Mankiw, G.N. *Principios de Economía*, Thomson-Paraninfo, 2008.

Rosen, H.S (2008), *Hacienda Pública*, 7<sup>a</sup> ed., Madrid: McGraw Hill,