

**Advanced Public Economics**

Code: 102453  
ECTS Credits: 6

Degree	Type	Year	Semester
2501573 Economics	OT	4	0

### Contact

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### Use of Languages

Principal working language: catalan (cat)  
Some groups entirely in English: No  
Some groups entirely in Catalan: Yes  
Some groups entirely in Spanish: No

### Prerequisites

A basic microeconomic theory course, e.g, Microeconomics I, is a prerequisite to register for this course.

### Objectives and Contextualisation

The course provides an introduction to the economic analysis of the financing side of the government budget. The objective is to provide a toolbox with which to approach in a rigorous way a variety of issues related to the design and evaluation of public policy.

### Competences

- Capacity for adapting to changing environments.
- Demonstrate initiative and work individually when the situation requires it.
- Demonstrate understanding of the concepts related to welfare economics and the role of the public sector.
- Lead multidisciplinary and multicultural teams, implementing new projects and coordinating, negotiating and managing conflicts.
- Organise the work in terms of good time management, organisation and planning.
- Select and generate the information necessary for each problem, analyse it and take decisions based on that information.
- Understand the motivation for and the sense of public policies.
- Use of the available information technology and adaptation to new technological environments.

### Learning Outcomes

1. A capacity of oral and written communication in Catalan, Spanish and English, which allows them to summarise and present the work conducted both orally and in writing.
2. Analyse economic facts and decisions about efficiency and equity.
3. Analyse public policies.
4. Analyse the incidence of taxation.
5. Assess the main social expenditure programmes and their effects on economic growth.
6. Capacity to adapt to changing environments.
7. Demonstrate initiative and work independently when required.

8. Identify the institutions and organisms through which public intervention and regulation of the economy take place.
9. Interpret the functions of public funds.
10. Lead multidisciplinary and multicultural teams, implement new projects, coordinate, negotiate and manage conflicts.
11. Organise work, in terms of good time management and organisation and planning.
12. Select and generate the information needed for each problem, analyse it and make decisions based on this information.
13. Use available information technology and be able to adapt to new technological settings.

## **Content**

### **1. INTRODUCTION**

The public sector as an economic agent. The nature of the economic effects of public policy: allocation, distribution and stabilization. Positive versus normative analysis. Criteria for evaluating public policy: economic efficiency, equity, paternalism and individual freedom. Trade-offs among objectives.

### **2. THE PUBLIC SECTOR IN SPAIN**

Agents and activities of the public sector. Indices of the dimension of the public sector. The budget of the public sector in Spain: Presupuestos Generales del Estado. Budget concepts and budgetary processes. Indices of budget policy.

### **3. INTRODUCTION TO TAX ANALYSIS**

The budget constraint of the public sector. A classification of government sources of revenue. Elements of a tax. Types of taxes. Desirable characteristics of a tax system: economic efficiency, fiscal justice, administrative simplicity, flexibility, accountability. Proportionality, progressivity and regressivity. Measures of progression.

### **4. TAX INCIDENCE**

Tax incidence as the effects of taxes on income distribution. Balanced-budget incidence and differential incidence. Tax incidence in partial equilibrium. Unit taxes and ad-valorem taxes. The role of elasticities. Tax incidence in general equilibrium models. Tax capitalization. Public financing and public debt. Differential incidence of public debt and taxes: the Ricardian equivalence theorem. Public debt, burden on future generations and neutrality.

### **5. TAXATION AND EFFICIENCY**

Excess burden of taxes as an efficiency loss. Lump-sum taxes, distortionary taxes and excess burden. Income effects, substitution effects and excess burden. Consumer surplus and producer surplus. Analysis of excess burden with demand and supply curves. The excess burden of differential taxation of inputs.

### **6. OPTIMAL TAXATION**

Efficiency, equity and optimal taxation. Optimal commodity taxation. Public pricing as a problem of optimal commodity taxation. Optimal income taxation. The optimal mix of commodity and income taxation. Politics and optimal taxation. Administration and compliance costs. Tax design and tax reform.

### **7. THE PERSONAL INCOME TAX**

Definition of income. Conceptual issues. Exclusions, deductions and credits. Taxes and inflation. Progressivity. Taxation and marriage. The Negative Income Tax and other welfare programs. Effects on the supply of labour. Effects on savings. Effects on housing decisions. Effects on risk taking and portfolio composition. Tax evasion and tax avoidance. The personal income tax in Spain.

### **8. THE CORPORATION INCOME TAX**

The case for and against taxing corporate income. Structure of the corporation tax. Different views of the incidence and excess burden of the corporation income tax: a tax on corporate capital or a tax on economic profits? Corporate taxes and financial decisions. The reform of the corporate income tax. The corporation income tax in Spain.

## 9. TAXES ON CONSUMPTION

Sales and excise taxes. Monophasic and multiphasic taxes. Excise taxes as an externality-corrective device. General sales taxation. The regressivity of sales taxation. The Value Added Tax. Personal Consumption Taxes. The taxation of consumer expenditure in Spain.

## 10. TAXES ON WEALTH

The case for and against taxing wealth. A classification of wealth taxes. The property tax. Different views of the incidence of the property tax: a profits tax or an excise tax? Inheritance and gift taxes. The taxation of wealth in Spain.

## 11. FINANCING SOCIAL SECURITY

The payroll tax for social security. Employer share and employee share. The role of the relationship between taxes paid and benefits received. Incidence in partial equilibrium and in general equilibrium. General funds and value added taxation as sources of revenue. Goals, instruments and institutional design of a social security system.

## 12. ENVIRONMENTAL TAXATION

Types of environmental externalities. Considerations on the intergenerational allocation of property rights on natural resources. The management of natural resources. Technological options. Limits to the tax solution.

## 13. PUBLIC FINANCE IN A FEDERAL SYSTEM

The case for and against a decentralized system of government. Decentralization, efficiency, equity and stabilization. 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. Fiscal decentralization in Spain.

## 14. INTERNATIONAL PUBLIC FINANCE

Public financing in an international setting. Tax-induced international economic distortions. Mobility of tax bases and "fiscal externalities". Direct taxes and the principles of source and residence. Indirect taxes and the principles of destination and origin. National taxes and international competitiveness. Tax coordination and tax competition. Direct and indirect tax harmonization in the European Union.

## Methodology

The purpose of the distribution and combination of the formative activities between the headings Autonomous, Directed and Supervised is to optimize the result of each one.

## Activities

Title	Hours	ECTS	Learning Outcomes
Type: Directed			
Lectures	33	1.32	2, 4, 5, 3, 8, 9
Practice sessions	11.5	0.46	2, 4, 5, 3, 8, 9

Type: Supervised

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Tutorials and essays supervision	12	0.48	2, 4, 5, 3, 6, 1, 8, 7, 9, 10, 11, 12, 13
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Type: Autonomous

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Study and information collection	88.5	3.54	2, 4, 5, 3, 1, 8, 7, 9, 12
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## Assessment

### Calendar of evaluation activities

The dates of the evaluation activities (midterm exams, exercises in the classroom, assignments, ...) will be announced well in advance during the semester.

The date of the final exam is scheduled in the assessment calendar of the Faculty.

*"The dates of evaluation activities cannot be modified, unless there is an exceptional and duly justified reason why an evaluation activity cannot be carried out. In this case, the degree coordinator will contact both the teaching staff and the affected student, and a new date will be scheduled within the same academic period to make up for the missed evaluation activity."* **Section 1 of Article 115. Calendar of evaluation activities (Academic Regulations UAB).** Students of the Faculty of Economics and Business, who in accordance with the previous paragraph need to change an evaluation activity date must process the request by filling out an Application for exams' reschedule

[https://eformularis.uab.cat/group/deganat\\_feie/application-for-exams-reschedule](https://eformularis.uab.cat/group/deganat_feie/application-for-exams-reschedule)

### Grade revision process

After all grading activities have ended, students will be informed of the date and way in which the course grades will be published. Students will be also be informed of the procedure, place, date and time of grade revision following University regulations.

### Retake Process

*"To be eligible to participate in the retake process, it is required for students to have been previously been evaluated for at least two thirds of the total evaluation activities of the subject."* Section 3 of Article 112 ter. The recovery (UAB Academic Regulations). Additionally, it is required that the student to have achieved an average grade of the subject between 3.5 and 4.9.

The date of the retake exam will be posted in the calendar of evaluation activities of the Faculty. Students who take this exam and pass, will get a grade of 5 for the subject. If the student does not pass the retake, the grade will remain unchanged, and hence, student will fail the course.

### Irregularities in evaluation activities

In spite of other disciplinary measures deemed appropriate, and in accordance with current academic regulations, *"in the case that the student makes any irregularity that could lead to a significant variation in the grade of an evaluation activity, it will be graded with a 0, regardless of the disciplinary process that can be instructed. In case of various irregularities occur in the evaluation of the same subject, the final grade of this subject will be 0"*. **Section 10 of Article 116. Results of the evaluation. (UAB Academic Regulations).**

## Assessment Activities

Title	Weighting	Hours	ECTS	Learning Outcomes
Written exams and case studies	40%, 40%, 20%	5	0.2	2, 4, 5, 3, 6, 1, 8, 7, 9, 10, 11, 12, 13

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## **Bibliography**

BOADWAY, R.W. and WILDASIN, D.E. (1984), *Public Sector Economics*, 2nd ed., Boston and Toronto: Little, Brown and Company.

GRUBER, J. (2016), *Public Finance and Public Policy*, 5th ed., New York: Worth Publishers.

ROSEN, H.S. and GAYER, T. (2014), *Public Finance*, 10th ed., New York: McGraw Hill.

HINDRIKS, J. and MYLES, G.D. (2013), *Intermediate Public Economics*, 2nd ed., Cambridge and London: The MIT Press.

MUSGRAVE, R.A. and MUSGRAVE, P.B. (2004), *Public Finance in Theory and Practice*, 7th ed, New York: McGraw-Hill.

STIGLITZ, J.E. and ROSENGARD, J.K. (2015), *Economics of the Public Sector*, 4th, New York and London: Norton & Company.