

**Economics for the Public Sector**

Code: 41256  
ECTS Credits: 10

Degree	Type	Year	Semester
4313500 Public Management	OB	0	1

**Contact**

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**External teachers**

Guillem López Casasnovas

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**Use of Languages**

Principal working language: catalan (cat)

**Prerequisites**

Students taking this module should be familiar with general concepts of economics at Grade level.

**Objectives and Contextualisation**

- Understand the fundamentals of public sector intervention in the economy and provide technical training in the instruments of this intervention. Based on these general bases, the student will be able to more specifically analyse specific spending in fields like health, education, pensions, etc., with knowledge of the Spanish case and that of the OECD countries.
- Know how to differentiate between objectives and instruments of public intervention. Not to confuse normative issues with positive ones, nor policies strictu sensu and professionals of public management. From here it will be a question of the participants themselves analysing instrumental strategies of financing and public expenditure. Knowing how to identify basic aspects of the economy of taxation and social spending, their economic effects -and on which they depend- and their alternatives and all this in the field of multi-jurisdictional finances.
- To know the basic characteristics of the Public Treasury - unitary or federal (budgetary and fiscal system). Analyse Catalan and Spanish regional and local financing. Concretely analysing its most characteristic instruments for the technical heads of sub-central administrations, such as public prices and subsidies.

**Competences**

- Address complex public intervention situations, possibly involving ethical dilemmas, on the basis of proposals founded both on explicit values and on conceptual and methodological rigour.
- Apply concepts, theories and models from various disciplines in the exercise of public administration duties.
- Continue the learning process, to a large extent autonomously

- Design and evaluate processes of public intervention in specific social, political and sectorial situations and problem areas.
- Identify, understand and analyse complex social and political phenomena that are important to the exercise of public administration duties.
- Propose innovative solutions to solve social and political problems.
- Use acquired knowledge as a basis for originality in the application of ideas, often in a research context.

## Learning Outcomes

1. Address complex public intervention situations, possibly involving ethical dilemmas, on the basis of proposals founded both on explicit values and on conceptual and methodological rigour.
2. Analyze financing strategies and public sector spending.
3. Analyze flows of public finances, with special attention to regional financing system.
4. Analyze the balance between costs and benefits of public evaluations.
5. Analyze the effects of the different instruments of taxation and spending.
6. Analyze the latest incidence of budgetary policies: who benefits from what at whose expense?
7. Apply models taxation and spending analysis of reality.
8. Construct design suitable for the analysis of empirical cases economic models.
9. Continue the learning process, to a large extent autonomously.
10. Designing basic instruments of taxation and spending.
11. Interrelate the micro, meso and macro.
12. Propose innovative solutions to solve social and political problems.
13. Use acquired knowledge as a basis for originality in the application of ideas, often in a research context.

## Content

October 4th

Time: 9:00-14:00

Session 1. Economic effects of public intervention:

- Macroeconomic aspects of government: general debate on macroeconomic policy... Xavier Cuadras

What are the economic fluctuations ("business cycles") and why are they produced? What can we learn from the different historical episodes (the "Great Depression", stop and go policies, the "Oil Crisis", the "Great Moderation", the long crisis of the Japanese economy and the "Great Recession")?

What do the different schools of macroeconomic thought have to say about the stabilisation policy?

Obligatory readings: chapter 8 of Blanchard's book, Amighini i Giavazzi and the papers: "Why wages do not fall in recessions", "The crude art of policymaking", "A thinkers' guide", "Lessons from a "lost decade"" and "Caveat creditor" in The Economist.

- Microeconomics aspects of governments: Market failure. Guillem Lopez Casasnovas

Practical aspects of market failure: How to assess that costs of public intervention are not higher than the benefits of correcting market failure?

Reading:

Class based on Stiglitz Ed Ariel I pdf NouStiglitz.pdf. Obligatory reading before entering the class, which will be assessed every day at the beginning of the year.

Developments of the session and potential topics for the presentations on the basis of the tutoring sessions:

a- Strong points and weak points of public intervention in practice: mitigable and non-mitigable conditions for economic policy

The Economic Role of The State J Stiglitz i altres Ed Basil Blackwell, 1989 pps9-88 and same author, Journal of Economic Perspectives: vol 12, 2 Spring 1998 pps 3-22: Per què costa tant canviar el status quo a les AA.PP? pdf: LectStiglitz.pdf

b- A divertimento: why Public Administrations provide "bicing"?

Searchfor press articles.

c- Other areas that generate curiosity (regulation or provision of social security pensions; public provision with or without direct production to health, education, nursery schools, etc.) with details and material to be agreed upon by the guardians.

October 10th

Time: 9:00-14:00

Session 2. Economic effects of public intervention

- Microeconomic aspects of government: Budgetary instruments: income and expenditure. Theoretical and applied aspects. Guillem Lopez Casasnovas

Criteria for assessing a good a taxing system

Goal: understanding the implications of an excessive taxation on economy; articulate normative criteria of social justice and their functioning in practice

Reading:

Class based on the paper corresponding to Stiglitz's Obligatory Reading, Ed Ariel I pdf NouStiglitz.pdf. to do before the class

Developments for tutorials:

a- Fiscal reforms. An insight to international fiscal policy pdf: fiscaldominguez.pdf and OECD documents for updating

b- What do you do to eliminate the inheritance tax? Pdf: SucesIEF.pdf and ReformalSD.pdf

c- Tax on sugary drinks

d - Health copayments and in higher education: GL a Campalans.doc

e- Other topics to be agreed in the tutoring sessions

- Macroeconomic aspects of government: Aggregate demand policies. Xavier Cuadras

Who are the pros and cons of fiscal policy and monetary policy with the aim of macroeconomic stabilisation?

Macroeconomic policy: what we thought we know, what we have learned during the crisis and how we have designed the macroeconomic policy for the coming years.

Obligatory readings: chapter 5 of Blanchard's book, Amighini i Giavazzi, articles "The next front is fiscal", "Put the air back in", "Sharing the pain", "Austerity alarm" and "Running out of options" in The Economist magazine, article by Koo "US Economy in Balance Sheet Recession: What the US Can Learn from Japan's Experience in 1990-2005?" and article by Blanchard, Dell'Aricia i Mauro "Rethinking Macroeconomic Policy".

October 17th

Time: 9:00-14:00

Session 3. Economic effects of public intervention:

- Macroeconomic aspects of government: Practical application of macroeconomic theory. Xavier Cuadras

Should monetary policy triumph between the objectives of price stability and economic growth? What is the role of economic agents' expectations in the formulation of monetary policy? Why is the monetary policy of the central banks independent of the political authority?

Obligatory readings:

Article by R. Repullo a Papeles de Economía Espanyola and articles "Stable prices and fast growth: just say no" by P. Krugman, "Heroes of the zeroes", "How low can you go" and "Grim expectations", "Monetary Illusions", "Changing targets", "The death of inflation" and "A new toolkit" in The Economist magazine.

What is the economic rationale for the existence of the Stability and Growth Pact? And its consequences? How does the existence of the single currency condition strategies against economic recession in different countries?

Obligatory readings: chapter 10 of the book by P. De Grauwe and articles by Jay Shambaugh "The Euro's Three Crises" and Paul De Grauwe "A Fragile Eurozone in Search of a Better Governance".

- Microeconomic aspects of governments: global incidence of budgets. Guillem Lopez Casasnovas

Modalities of expense and specific objectives. From welfare to workfare.com a dual fiscal system can make for a redistributive public policy? Modalities of fiscal incidence. Economic evaluation

Reading: recommended before the class

Text JL Pinto in the FBBVA book textavalpinto.pdf

Development of complementary tutorials:

(i) Economic evaluation. El cas del TAV Gines de Rus i V Inglada pdf: Spainhighspeed.pdf

(i) The debate 'Growing Public P.H. Lindert i controvèrsia a partir de la seva aportació: pdfs: Debate2A.pdf; debate2B.pdf i Lindert.doc

(ii) Dels programes de welfare al workfare, pdf: workfare.pdf

(iii) Models of welfare pdf: artmodels.pdf

(iv) - Other areas that we generate curiosity with detail and material to agree to the tutorials (for example, the proposal for Modernisation of the Catalan Public Administrations in 2012 or the rescue of Catalan motorways among others).

TUTORING SESSIONS:

Guillem López:

November 14th. Timetable: 9:00-14:00

November 21st. Schedule: 9:00-14:00

Xavier Cuadras:

October 11: 9:00-14:00

31st October: 9:00-14:00 October 18th

October 18th

Time: 9:00-14:00

Session 4. Rationality of public intervention:

- The State as an organisation. Ivan Planas

The doctrine of public interest. The failures of the public sector: can the organization of the public sector be inefficient?

Government and agencies, economic theory of bureaucracy, political economy of public pressure. Where are the main inefficiencies of the public sector and how to cope with them?

Required reading:

"Public Management: Concepts and Institutions", Chapter 1, Sections 3, 4 and 5 of Albi et al (1997).

"Gestión pública y eficiencia", chapter 2, paragraphs 1, 2, 3 and 4 d'Albri et al (1997).

Managing senior management: senior civil service reform in oecd member countries. OECD GOV/PUMA(2003)17

Capítols I i IV del llibre: Guillem López Casasnovas (director), Jaume Puig-Junoy, Juan José Ganuza and Ivan Planas Miret (2003) Els nous instruments de la gestió pública. Volum 31, de la Estudis Econòmics (available online)

"OECD Multilingual summaris. (PRP.pdf)

October 24th

Time: 9:00-14:0

Session 5. Rationality of public intervention:

- Performance of the Public Sector in the economy. Assignment and regulation. Ivan Planas

Which are the main assignment mechanisms, agents, and organizations? Within the assignment mechanisms, how much should the public sector prioritize, which mechanism is best - queuing or pricing?

Public action through regulation. Modalities and economic effects. Is it better to use market regulation than productive intervention by the public sector? What? How

Required reading:

"Public management: Concepts and institutions", chapter 1, sections 1 and 2 of Albi et al (1997).

"De la Administración a la gestión", chapter 4 d'Albi et al (1997); and Annex III of chapter 2 d'Albi et al (1997).

November 7th

Time: 9:00-14:00

Session 6. Rationality of public intervention:

- Organisational systems and efficiency. Ivan Planas

Is it possible to introduce institutional and organizational reforms in the public sector that improve its efficiency?

Buy or produce? Public action through concertation and external service contracting. Rationality and problems.

Is it possible to have a governance model for public institutions similar to that of private ones?

Required reading:

"Public management and efficiency", chapter 2, section 5 of Albi et al (1997);

"Innovaciones en gestión pública", chapter 6 d'Albi et al (1997).

Capítol VI, i VI del llibre: Guillem López Casasnovas (director), Jaume Puig-Junoy, Juan José Ganuza and Ivan Planas Miret (2003) Els nous instruments de la gestió pública. Volum 31, de la Estudis Econòmics (available online)

(Chapters 5, i 6) Plans I (dir) Evolution of the governance model and management of the entities participating in the Catalan Health Service. PDF and photo

"Técnicas complementarias de gestión pública", chapter 5 d'Albi et al (1997).

"La gestión pública a través de casos", chapter 7 d'Albi et al (1997).

JL Pinto, V. Ortún and J. Puig-Junoy, El análisis coste-efectividad en sanidad, Atención Primaria, 2001.

J. Puig-Junoy, JL Pinto and V. Ortún, El análisis coste-beneficio en sanidad, Atención Primaria, 2001.

JL Pinto, J. Puig-Junoy and V. Ortún, El análisis coste-utilidad, Atención Primaria, 2001.

Planas I. (2005). Main mechanisms for the evaluation of public policies. *Ekonomiaz* 60.

TUTORING SESSIONS:

Ivan Planas

November 9th: Time: 9:00-14:00

November 29th. Time: 9:00-14:00

November 15th and November 29th. Time: 9:00-14:00

Sessions 7 and 8. Public finances and intergovernmental relations: Joaquim Solé i Vilanova i Maite Vilalta.

- Fiscal federalism: fair taxation, subcentral taxes, and allocation of taxes; subcentral public sector functions, mobility, intergovernmental subsidies and tax capacity and needs analysis.

- Fiscal systems of the Autonomous Communities.

- Local taxation.

TUTORING SESSIONS:

Joaquim Solé-Vilanova

Maite Vilalta

22nd November: Time: 9:00-14:00

December 13th. Time: 9:00-14:00

December 12th

Seminar session from 8:00-15:00

Public policies reviewed in the light of economic theory. Guillem Lopez Casasnovas, Xavier Cuadras and Ivan Planas.

## Methodology

Learning is based on the revision, questioning and constant construction of theoretical and practical knowledge. The objective of learning is to acquire the ability to generate questions and give answers - always provisional. To achieve this, it is essential that the student adopts an active role in the autonomous approach to information, reading and reflecting in order to establish an informed and enriching dialogue with the teacher. In this module, this previous autonomous work will be required, via reading and elaboration of brief works, for each topic. This work will be complemented with discussions in seminars and with the preparation and presentation of oral presentations, which will help to a better sedimentation of the knowledge and of the capacity to rethink them.

Face-to-face learning directed by the teacher will be based on a combination of master classes and discussion seminars both on theoretical aspects and for the application of these case studies. Non-attendance learning directed by the teacher will be based on punctual tutoring of short papers and preparation of oral presentations.

## Activities

Title	Hours	ECTS	Learning Outcomes
Type: Directed			
Lectures	50	2	1, 12
Type: Supervised			
Seminars and tutoring sessions	75	3	1, 12
Type: Autonomous			
Essays and case resolution	125	5	1, 12

## Assessment

The evaluation will be continuous and will be based on the demonstration of the competences reached by the student in the course of the following activities and corresponding products:

Elaboration of short papers throughout the development of the syllabus (30% of the grade).

Participation in seminar and case discussion sessions (10% of the grade).

Oral presentations (10% of the note).

Individual examination (50% of the note).

## Assessment Activities

Title	Weighting	Hours	ECTS	Learning Outcomes
Delivery of essays	30%	0	0	1, 5, 4, 3, 6, 2, 7, 8, 10, 11, 12, 9, 13
Examinations	50%	0	0	1, 5, 4, 3, 6, 2, 7, 8, 10, 11, 12, 9, 13
Oral presentations	10%	0	0	1, 5, 4, 3, 6, 2, 7, 8, 10, 11, 12, 9, 13
Participation in class	10%	0	0	1, 5, 4, 3, 6, 2, 7, 8, 10, 11, 12, 9, 13

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## Bibliography

### General references:

Albi, E.; González-Páramo, J.; López Casasnovas, G. 1997. *Gestión pública*. Barcelona. Ariel.

Brugué, Q.; Subirats, J. 1996. *Lecturas de gestión pública. Selección de textos*. Madrid. Ministerio para las Administraciones Públicas.

Rosen, H.S., *Manual de Hacienda Pública*, Ariel, Barcelona, 1987.

Guillem López Casasnovas (director), Jaume Puig-Junoy, Juan José Ganuza i Ivan Planas Miret (2003) Els nous instruments de la gestió pública. Volum 31, de la *Estudis Econòmics* (disponible online i gratuït a les Oficines de "la Caixa")

Browning, E.K. y J.M. Browning, *Public Finance and the Price System*, (2nd ed.)

Macmillan, New York, 1983.

Mochón, F., *Principios de Economía*, McGraw-Hill, Madrid, 1995.

De Grauwe, p. (2005) *the economics of monetary union*, oxford university press

Ruiz-Huerta J. (ed.) *'Políticas Públicas y redistribución de la renta'* Fund BBVA, 2006.

Sachs, j. I f. Larraín (1994) *Macroeconomía en la economía global* Prentice Hall

Schiller, B.R., *Principios Esenciales de Economía*, McGraw-Hill, Madrid, 1994.

Subirats, J. 1989. *Análisis de políticas públicas y eficiencia de la administración*. Madrid. Ministerio para las Administraciones Públicas.