

**Public Economy**

Code: 106194  
ECTS Credits: 6

Degree	Type	Year	Semester
2504216 Contemporary History, Politics and Economics	OB	2	1

## Contact

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## Teaching groups languages

You can check it through this [link](#). To consult the language you will need to enter the CODE of the subject. Please note that this information is provisional until 30 November 2023.

## Prerequisites

A basic microeconomic theory course, e.g, Introduction to Economics I, is a prerequisite to register for this Public Sector Economics course.

## Objectives and Contextualisation

This course is a standard introduction to Public Sector Economics. Public Finance, or equivalently Public Economics, is the study of the effects of government actions on economic activity. The course thus aims at predicting the effects of such actions in order to provide guidance on the choice between different alternatives. 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

- Innovate in the methods and processes of this area of knowledge in response to the needs and wishes of society.
- Manage and apply data to solve problems.
- Recognise institutional and regulatory design and the main economic policies implemented in current economies on different scales to manage economic growth and its cyclical oscillations.
- Students must be capable of applying their knowledge to their work or vocation in a professional way and they should have building arguments and problem resolution skills within their area of study.
- Students must be capable of collecting and interpreting relevant data (usually within their area of study) in order to make statements that reflect social, scientific or ethical relevant issues.
- Students must develop the necessary learning skills to undertake further training with a high degree of autonomy.

- Work cooperatively in multidisciplinary and multicultural teams implementing new projects.

## Learning Outcomes

1. Assessing the role of the public sector as an economic agent.
2. Collect and process data to critically analyse the process of formulating the public agenda.
3. Collectively analyse public policies from a multidisciplinary perspective both in the process of production and implementation.
4. Critically arguing the operations of the institutions and economic actors.
5. Describe forms of public intervention in the economic system.
6. Diagnosing specific situations and economic problems.
7. Explaining the main characteristics of the economic policies of western governments.
8. Identify situations in which a change or improvement is needed.
9. Specifying the roles, dimensions and structure of the public sector in the economy.
10. Students must be capable of applying their knowledge to their work or vocation in a professional way and they should have building arguments and problem resolution skills within their area of study.
11. Students must be capable of collecting and interpreting relevant data (usually within their area of study) in order to make statements that reflect social, scientific or ethical relevant issues.
12. Students must develop the necessary learning skills to undertake further training with a high degree of autonomy.

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

### 3. WELFARE ECONOMICS AND THE ROLE OF PUBLIC SECTOR

The Fundamental Theorems of Welfare Economics. Market failure as a rationale for public intervention: public goods, externalities, increasing returns to scale, incomplete information, non-existence of markets, unemployment and inflation. Normative theories of the State and redistribution.

### 4. INCOME REDISTRIBUTION

Separating allocation and redistribution issues. Rationales for income redistribution: the utilitarian approach, the maximin criterion, Pareto-optimal redistribution, non-individualistic views, fair processes, social mobility. Conceptual problems with measuring equity. The incidence of public spending. Cash and in-kind transfers. The limits to redistribution: efficiency, equity and incentive-compatibility.

### 5. EXTERNALITIES

The nature of externalities. Positive and negative externalities. Technological and pecuniary externalities. Mechanisms for internalizing externalities: Pigouvian taxes and subsidies, pollution permits, establishing property rights, regulation. The Coase theorem. Externalities and non-convexities. Marginal and inframarginal externalities. Implications for income distribution.

### 6. PUBLIC GOODS

Public or collective goods and private goods: non-rivalry and non-excludability. Efficient provision of public goods. The "free-rider" problem. Wicksell's unanimity rule and Lindahl prices. Efficiency in collective consumption of private goods.

### 7. NATURAL MONOPOLY AND IMPERFECT COMPETITION

Imperfect competition and monopoly. Efficiency effects and potential welfare gains. Decreasing average costs,

public utilities and natural monopoly. Efficiency, equity and profitability as objectives for public sector pricing. Asymmetric information and regulation.

#### 8. COLLECTIVE CHOICE AND PUBLIC SECTOR BEHAVIOUR

The problem of collective choice. Arrow's (im)possibility theorem. Consequences and alternatives. Majority rule and public goods provision. The median voter theorem. Unidimensional and multidimensional issues. Logrolling. Preference revelation mechanisms for public goods. Direct democracy and representative democracy. The "cast of characters" in the public sector. The role of political representatives. Organization and Incentives in the public sector: from the models of bureaucracy of Niskanen and Migué-Bélanger to the modern theories about the structure and behaviour of agencies. Pressure groups. The theory of government failure.

#### 9. EFFICIENCY IN THE PUBLIC SECTOR

An approach to productive efficiency: technical and allocative efficiency. The analysis of public efficiency. Evaluating efficiency in the public production of goods and services: Cost-Benefit Analysis and Cost-Effectiveness Analysis. Input- and output-oriented measures of technical efficiency. Frontier analysis and Data Envelopment Analysis. The design of institutions for efficiency control in the public sector.

#### 10. COST-BENEFIT ANALYSIS

Cost-Benefit Analysis as applied Welfare Economics. Criteria for project appraisal. Identifying and quantifying the effects of public projects. Valuing social costs and benefits. Market prices, shadow prices and intangibles. The choice of the social discount rate. The role of distributional considerations. Risk and uncertainty.

#### 11. SOCIAL SECURITY

The social security pension system. The case for the existence of a pension system. Two different approaches: intertemporal allocation versus intratemporal redistribution. Consequences for institutional design. The operation of a pay-as-you-go and a fully-funded system. Effects on saving and labour-supply. The "bankruptcy" of social security. The reform of social security.

#### 12. OTHER EXPENDITURE PROGRAMMES

Unemployment insurance. Health programs. Education policy. Objectives and instruments. Public versus private provision. Failures of private markets for insurance. Moral hazard and adverse selection. Unemployment and social exclusion. Minimum income programmes and redistribution. Poverty traps. Family support programmes

## Methodology

Teaching will be offered on campus.

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.

The proposed teaching methodology may undergo some modifications according to the restrictions imposed by the health authorities on on-campus courses.

Annotation: Within the schedule set by the centre or degree programme, 15 minutes of one class will be reserved for students to evaluate their lecturers and their courses or modules through questionnaires.

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## Activities



Title	Hours	ECTS	Learning Outcomes
Type: Directed			
Lectures	33	1.32	3, 4, 1, 5, 6, 9, 7, 8
Practice sessions	16.5	0.66	3, 1, 12, 10, 11, 2
Type: Supervised			
Tutorials and essays' supervision	12	0.48	12, 10, 11
Type: Autonomous			
Study and information collection	88.5	3.54	8, 12, 10, 11

## 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 retake 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).**

### 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).**

### Exam rescheduling request

To request a change in the officially scheduled exam, you must submit the following form along with adequate supporting documentation. Remember that the application is subject to approval by the coordinator. Approval depends on the reason for the application, the submission of supporting documents, and the history of the student with respect to previous rescheduling requests. In case of overdue situations the request for reprogramming of tests must be made within 5 calendar days immediately after the date of the test. The bachelors' degree coordinator will have 48 hours to assess the request and respond.

Exam rescheduling is restricted to a serious medical or psychological condition (surgeries, accidents and other serious situations), legal affairs (with official subpoena or court order), official affairs (examinations to become a civil servant) and the decease of a close family member. In all cases, supporting documents will be attached. In the case of a medical justification, if reporting minor problems that may have different intensities, the certificate should specify that the student is not in a position to take an exam.

The official exam calendar is published before the beginning of the course. Therefore, work-related circumstances and those derived from participation in mobility programs will not be considered a valid reason. Personal reasons (driving tests, travelling and other) are not valid reasons either for an exam to be rescheduled.

You will receive an email notifying you of whether your request has been approved. If approved you should contact your professor for rescheduling the exam.

## SINGLE ASSESSMENT

The single assessment will be exclusively presenital.

In the case of choosing the single evaluation, the student must deliver to the subject teacher all the documents of the course evaluation activities on the test day of the final exam as scheduled in the calendar academic of the Faculty. Additionally, on the same day, the student will have to take part in the final exam which will include the entire syllabus of the subject in addition to the oral presentation of a report or research paper as established within the other assessment activities of the subject (modality: continuous assessment).

The total duration of the single assessment will be around four hours.

In the case of the single assessment, the final mark of the course will be the result of the assessment of all the material presented by the student with the same weighting established by the continuous assessment activities.

The student who takes the single assessment has the right to recovery under the same conditions as those established for the continuous assessment.

## Assessment Activities

Title	Weighting	Hours	ECTS	Learning Outcomes
Exercises	20%	0	0	3, 4, 5, 6, 12, 11, 2
Final Exam	40%	0	0	4, 1, 5, 6, 9, 7, 10, 11
Parcial exam	40%	0	0	4, 1, 5, 6, 9, 7, 8, 10, 11

## Bibliography

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

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

ROSEN, H.S. and GAYER, T. (2014), *Public Finance*, 10th 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.

## **Software**

No specific program