

**Economics for the Public Sector**

Code: 41256  
ECTS Credits: 10

Degree	Type	Year	Semester
4313500 Public Administration	OB	0	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.

## External teachers

Ivan Planas

Maite Vilalta

Natàlia Pascual

Xavier Cuadras

## 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.
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## Content

Session 1. Economic effects of public intervention:

- The general debate on macroeconomic policy in times of crisis (the aggregate supply and demand model). Classical economists, Keynesian economists and the debate on the stabilization policy of the economic cycle. Xavier Cuadras

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

What do different schools of macroeconomic thought say about stabilization policy?

Required reading: chapter 17 of the book *The Economy (Economics for a Changing World)* and chapter 33 of the book *Principles of Economics* (see references section).

And also the articles "Why wages do not fall in recessions", "The crude art of policymaking", "Lessons from a lost decade", "Caveat creditor" and "Minsky's moment" in *The Economist* magazine.

- Microeconomic aspects of governments: Market failures. Natalia Pascual..

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

reading:

Class based on Stiglitz Ed Ariel Y pdf *NouStiglitz.pdf*. Mandatory reading to do before entering class, and that will be evaluated every day at the beginning

Developments derived from the session and potential purpose of the presentations from the tutorials:

a- Strengths and weaknesses of public intervention in practice: determinants that can be mitigated and cannot be mitigated by economic policy

The Economic Role of The State J Stiglitz and others Ed Basil Blackwell, 1989 pp9-88 (there is a Spanish edition published by the Institute for Fiscal Studies). And from the same author, in *Journal of Economic Perspectives*: flight 12, 2 Spring 1998 pp. 3-22: Why is it so difficult to change the status quo in the AA.PP? pdf: *LectStiglitz.pdf*

b- A diversion: what the AA.PP. providing 'bicing' or 'dentists' in Barcelona?

You have to look for different complementary articles to the press.

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

Session 2. Economic effects of public intervention:

- Microeconomic aspects of governments: Budgetary instruments: income and expenses. Theoretical and applied aspects. Natalia Pascual

Criteria for assessing a good tax system and a good spending program

Objective: to understand what an excess of taxation means for the economy; articulate normative criteria of social justice and how these operate in practice

reading:

Class based on the art corresponding to the compulsory reading of Stiglitz, Ed Ariel And pdf NouStiglitz.pdf. to do before entering class, being evaluated at the beginning

Tutorships development:

a- Tax reforms A look at international taxation pdf: fiscaldominguez.pdf and various OECD documents for updates

b- What are the effects of eliminating inheritance tax? Pdf: SucesIEF.pdf and ReformalSD.pdf

c- The tax on sugary drinks

d- Copays in health and higher education: text from GL to Campalans.doc

e- Other areas that generate curiosity in detail and material to agree on to the tutorials.

- Macroeconomic aspects of governments: fiscal policy and monetary policy (the IS-LM model). Stabilizing effects of fiscal policy and monetary policy. Xavier Cuadras

What are the pros and cons of fiscal policy and monetary policy with the objective of macroeconomic stabilization?

Macroeconomic policy: what we thought we knew, what we learned during the crisis, and how we should design macroeconomic policy for the next few years

Required reading: To read before class: Chapter 5 of the Macroeconomics book (see the references section).

And also the 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, the article by the CaixaBank Research economist Adrià morrones "What room for maneuver does economic policy have?", Peter Bofinger's article "The 'bazooka': Modern Monetary Theory in action" and especially the articles by Blanchard, Dell'Aricia and Mauro "Rethinking Macroeconomic Policy" (You can also see the same authors "Rethinking Macro Policy II: Getting Granular") and by Blanchard and Summers "Rethinking Stabilization Policy: Evolution or Revolution?".

Session 3. Economic effects of public intervention:

- A) Macroeconomic aspects of governments: monetary policy issues. The dilemma between inflation and unemployment (the Phillips curve). Inflation, unemployment, expectations and credibility of monetary policy. The independence of central banks. Xavier Cuadras

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

Required reading:

To read before class: chapter 35 of the book Principles of Economics (see the references section) and the article by R. Repullo in Papeles de Economía Española.

And also articles "Heroes of the zero", "Grim expectations", "The death of inflation" in The Economist magazine and the article "Former Fed Chair Janet Yellen on why the answer to the inflation puzzle matters".

B) Macroeconomic aspects of governments: MONETARY POLICY AND FISCAL POLICY IN THE EUROPE OF THE SINGLE CURRENCY. The European Central Bank and monetary policy. Centralization or decentralization of European tax policy. The future of macroeconomic policy in the euro zone. Xavier Cuadras

What is the economic reason for the existence of the Stability and Growth Pact? And its consequences?

-How does the existence of the single currency condition the strategies to fight the economic recession in the different countries?

Required reading:

To read before class: Chapter 11 of the book The Economics of Monetary Union.

And also Paul De Grauwe's article "A Fragile Eurozone in Search of a Better Governance".

Microeconomic aspects of governments: Overall impact of the budget. Natalia Pascual.

Expenditure modalities and specific objectives .. From welfare to workfare. Can a dual tax system do for a redistributive public policy? Tax incidence categories. Economic evaluation as a proof of efficient achievement of objectives

Reading: recommended before entering class

JL Pinto's applied economic evaluation text to the FBBVA book [textavalpinto.pdf](#)

Development of complementary tutorials to those mentioned above

(I) The economic evaluation. The case of TAV Gines de Rus and V Inglada pdf: [Spainhighspeed.pdf](#)

(I) The debate 'Growing Public P.H. Lindert and controversy based on his contribution: pdfs: [Debate2A.pdf](#); [debate2B.pdf](#) and [Lindert.doc](#)

(li) welfare programs at workfare, pdf: [workfare.pdf](#)

(lii) Welfare models pdf: [artmodels.pdf](#)

(iv) - Other areas that generate curiosity in detail and material to agree to the tutorials (for example, the proposal to modernize the Catalan AA.PP. of 2012 or the rescue of the Catalan highways, among others)

#### TUTORSHIP SESSIONS:

Xavier Cuadras and Natalia Pascual. Specific instructions will be done in the first plenary session. Sessions will be dedicated to the preparation and presentation of work done in groups. The groups and the topics of the papers will be set no later than the end of the plenary session on. The first session will consist of a meeting of a maximum of 30 minutes of each group with the teacher to set the objectives, content and development of the work. The second session will consist of a plenary session of compulsory attendance where each group will briefly present their work. Another group will act as a commentator for each work to elicit questions, comments and observations.

References (textbooks) X. Cuadras:

BLANCHARD, O., A. AMIGHINI and F. Giavazzi (2012) PEARSON Macroeconomics 5th edition. Available through the link on the UAB Virtual Campus.

DE Grauwe, P. (2020) The Economics of Monetary Union, 13th ed. Oxford University Press

Mankiw, N.G. (2018) Principles of Economics, 8th ed. Cengage Learning.

(References available in the university libraries of Catalonia)

THE CORE TEAM (2017) The Economy (Economics for a Changing World. Available for free at <https://core-econ.org/the-economy/book/text/0-3-contents.html> (the Spanish version it is also available for free on the same website core-econ.org).

#### Session 4. Rationality of public intervention:

- The State as an organization. Ivan Planas

The doctrine of the public interest. Public Sector Bankruptcies: Can Public Sector Organization Generate Inefficient Results?

Government and agencies, economic theory of bureaucracy, political economy of public budgeting. Where are the main inefficiencies in the public sector and how to solve them?

Required reading:

"Public management: Concepts and institutions", chapter 1, sections 3, 4 and 5 of Albi et al (1997).

"Public management and efficiency", chapter 2, sections 1, 2, 3 and 4 of Albi et al (1997).

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

Chapters I and IV of the book: Guillem López Casasnovas (director), Jaume Puig-Junoy, Juan José Ganuza and Ivan Planas Miret (2003) The new instruments of public management. Volume 31, of the Economic Studies (available online)

"Compensation policies in Performance for Officials". OECD Multilingual summaris. (PRP.pdf)

#### Session 5. Rationality of public intervention:

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

What are the main allocation mechanisms, agents, and organizations? Within the allocation mechanisms, when the public sector must prioritize, which mechanism is better for queues or prices?

Public action through regulation. Economic modalities and effects. Is it better to use market regulation than productive intervention by the public sector? When? How?

Required reading:

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

"From Administration to Management", Chapter 4 of Albi et al (1997); and Annex III of chapter 2 of Albi et al (1997).

#### Session 6. Rationality of public intervention:

Organizational 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 consultation and outsourcing of services. Rationality and problematic.

Is a governance model feasible in public institutions similar to that of private ones?

Required reading:

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

"Innovations in public management", chapter 6 of Albi et al (1997).

Chapter VI, and VI of the book: Guillem López Casasnovas (director), Jaume Puig-Junoy, Juan José Ganuza and Ivan Planas Miret (2003) The new instruments of public management. Volume 31, of the Economic Studies (available online)

(Chapters 5, and 6) Plans I (say) Evolution of the governance and management model of the entities participated by the Catalan Health Service. PDF and photocopies.

"Complementary techniques of public management", chapter 5 of Albi et al (1997).

"Public management through cases", chapter 7 of Albi et al (1997).

JL Pinto, V. Ortún and J. Puig-Junoy, Cost-effectiveness analysis in health, Primary Care, 2001.

J. Puig-Junoy, JL Pinto and V. Ortún, Cost-benefit analysis in health, Primary Care, 2001.

JL Pinto, J. Puig-Junoy and V. Ortún, Cost-Utility Analysis, Primary Care, 2001.

Planas I. (2005). Main public policy evaluation mechanisms. Economy 60.

#### TUTORSHIP SESSIONS:

Ivan Planas

Sessions 7 and 8. Public finances and intergovernmental relations: maite Vilalta.

- Fiscal federalism: Fair taxation, sub-central taxes, and allocation of taxes; functions of the sub-central public sector, mobility, intergovernmental grants and funds to equalize fiscal capacity and needs.
  - Autonomous estates: Ceded and own taxes. 2009 financing model. Equalization fund and other funds.
  - Local farms. Taxes (IBI and others), rates and prices, tax shares. Supramunicipal Treasury.
- Workshops: Analysis of Specific Subsidies and Public Service Rates

#### TUTORSHIP SESSIONS::

Maite Vilalta

## 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.

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.

## 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

## Bibliography

General references:

Albi, E.; González-Páramo, J.; López Casanovas, 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 Casanovas (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.

## **Software**

No specific software is used in this course.