

| Degree programme | Type | Course |
|------------------|------|--------|
| Economics        | OB   | 2      |

## Contact lecturer

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## Teaching staff

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## Group languages

You can consult this information at the [end](#) of the document.

## Prerequisites

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

## Objectives

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.

## Learning outcomes

- CM42 (Propose tax and public spending policies.) Propose tax and public spending policies.
- CM43 (Propose public interventions that improve the distribution of income.) Propose public interventions that improve the distribution of income.
- CM44 (Promote improvements in the efficiency and equity of the economy.) Promote improvements in the efficiency and equity of the economy.
- KM37 (Describe concepts related to welfare economics and the role of the public sector.) Describe concepts related to welfare economics and the role of the public sector.
- KM38 (Interpret the functions of the Public Treasury.) Interpret the functions of the Public Treasury.
- KM39 (Identify the institutions and agencies through which public intervention and regulation of the

economy occurs.) Identify the institutions and agencies through which public intervention and regulation of the economy occurs.

- SM44 (Analyse economic facts and decisions in terms of efficiency and equity.) Analyse economic facts and decisions in terms of efficiency and equity.
- SM45 (Evaluate public policies and their effects on the well-being of society.) Evaluate public policies and their effects on the well-being of society.
- SM46 (Analyse the tax impact.) Analyse the tax impact.
- SM47 (Evaluate the main social spending programmes and their effects on economic growth.) Evaluate the main social spending programmes and their effects on economic growth.

## Contents

### 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

## Learning activities and methodology

| Title                             | Hours | ECTS | Learning outcomes |
|-----------------------------------|-------|------|-------------------|
| Practice sessions                 | 17    | 0.68 |                   |
| Study and information collection  | 88.5  | 3.54 |                   |
| Tutorials and essays' supervision | 4     | 0.16 |                   |
| Lectures                          | 32.5  | 1.3  |                   |

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.

## Assessment

### Continuous assessment activities

| Title                             | Weight   | Hours | ECTS | Learning outcomes                        |
|-----------------------------------|----------|-------|------|------------------------------------------|
| Written exams (midterm and final) | 35%, 35% | 4     | 0.16 | KM37, KM38, KM39, SM44, SM45, SM46, SM47 |
| Class participation               | 5%       | 2     | 0.08 | KM37, KM38, KM39, SM44, SM45, SM46, SM47 |
| Project                           | 25%      | 2     | 0.08 | CM42, CM43, CM44, SM45, SM47             |

### 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 264. 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: e-Formulari per a la reprogramació de proves.

A student who does not perform any evaluative task is considered "not evaluable", therefore, a student who performs a continuous assessment component can no longer be qualified with a "not evaluable".

In this subject, the use of Artificial Intelligence (AI) technologies is not allowed in any of its phases. Any work that includes fragments generated with AI will be considered a lack of academic honesty and may lead to a partial or total penalty in the grade of the activity, or greater sanctions in serious cases.

### 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 2 of Article 261. The recovery (UAB Academic Regulations). Additionally, it is required that the student to have achieved an average grade of the subject greater than or equal to 3.5 and less than 5.

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

The completion of assessment activities is subject to the provisions set out in this course guide and in the "[Policy of the School of Economics and Business on the Detection of Irregularities during Assessment Activities](#)", which regulates the conditions under which assessment tasks are conducted and the procedures applicable in cases where indications of irregularities are detected. Students are encouraged to consult the policy.

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 11 of Article 266. Results of the evaluation. (UAB Academic Regulations).

#### Comprehensive evaluation (Art. 265 of the UAB Academic Regulations)

By requesting the comprehensive evaluation the student waives the option of continuous evaluation.

The comprehensive evaluation must be requested at the Academic Management (Gestió acadèmica) of the Campus where the degree/master's degree is taught. The request must be filed according to the procedure and the deadline established by the administrative calendar of the Faculty of Economics and Business.

#### - Attendance :

- Student attendance is mandatory on the day of the comprehensive assessment. The date will be the same as that of the final exam of the semester as per the evaluation calendar published by the Faculty of Economics and Business and approved by the Faculty's Teaching and Academic Affairs Committee. The duration of the comprehensive assessment must be specified in the characteristics of such activity.
- 100% of the evaluation evidences must be handed in by the student on the day of the comprehensive assessment.
- The evaluation evidences carried out in person by the student on the same day of the comprehensive assessment must have a minimum weight of 70%.

#### - Characteristics of the comprehensive assessment:

| Evidence Type (1)                                                                          | Weight in the final assessment (%) (2) | Duration of the activity | Is the activity that corresponds to this evaluation evidence to be carried out in person on the date scheduled for the comprehensive evaluation? (YES/NO) (3) |
|--------------------------------------------------------------------------------------------|----------------------------------------|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| written exam on the contents of the subject                                                | 80%                                    | two hours                | Yes                                                                                                                                                           |
| short essay on one of the topics of the syllabus, to be jointly chosen with the instructor | 10%                                    |                          | Yes                                                                                                                                                           |
| oral presentation of the above-mentioned essay                                             | 10%                                    | 10 minutes               | Yes                                                                                                                                                           |
| TOTAL                                                                                      | 100%                                   |                          |                                                                                                                                                               |

(1) Descriptive title of each piece of evidence (exam, problem sets solving, case analysis, activity carried out using specific software that the student is expected to know,.

(2) Weight of the evidence in the final mark of the subject (specify the percentages of each evaluation evidence that the student must undertake)

(3) For each piece of evidence: Is the activity that corresponds to this evaluation evidence to be carried out in person on the date scheduled for the comprehensive evaluation? (YES/NO)

- Retake procedure:

"For the retake procedure, no distinction is made between students who have followed the continuous evaluation and those who have opted for the comprehensive evaluation. All will be re-assessed using the same test or evaluation evidence."

- Review of the Final Qualification:

"The review of the final qualification will follow the same procedure as for the continuous evaluation".

The proposed evaluation activities may undergo some changes according to the restrictions imposed by the health authorities on on-campus courses.

## 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

Not applicable.

## Course groups and languages

The information provided is provisional until November 30. After this date, you will be able to consult the language of each group through this [link](#). To access the information, you will need to enter the course CODE

| Type of teaching              | Group | Language        | Semester        | Shift         |
|-------------------------------|-------|-----------------|-----------------|---------------|
| (TE) Theory                   | 1     | Catalan/Spanish | second semester | morning-mixed |
| (PAUL) Classroom practices    | 1     | Catalan/Spanish | second semester | morning-mixed |
| (PLAB) Practical laboratories | 1     | Catalan/Spanish | second semester | morning-mixed |
| (TE) Theory                   | 8     | English         | second semester | morning-mixed |
| (PAUL) Classroom practices    | 8     | English         | second semester | morning-mixed |
| (PLAB) Practical laboratories | 8     | English         | second semester | morning-mixed |
| (TE) Theory                   | 51    | Catalan         | second semester | afternoon     |
|                               |       |                 |                 |               |

|                                     |    |         |                    |               |
|-------------------------------------|----|---------|--------------------|---------------|
| (PAUL)<br>Classroom<br>practices    | 51 | Catalan | second<br>semester | afternoon     |
| (PLAB)<br>Practical<br>laboratories | 51 | Catalan | second<br>semester | morning-mixed |