

Principles of Public Economics (23171)

(formerly Public Sector I)

Degree: Grau en Economia

Course: third

Term: first

Number of ECTS credits: 5

Hours of student dedication: 125 h

Language of teaching: English

Professor: Ana Tur-Prats (anna.tur@upf.edu)

Lectures: Thursday and Friday 9.00-10.30 at classroom 40.150

Office hours: Thursday 11.30-12.30, Office 20.1E68 (Jaume I building)

Teaching Assistant: Stefan Roth (stefan.roth@upf.edu) and Alain Schlaepfer (alain.schlaepfer@upf.edu)

Seminars: Weeks 4-9, Wednesday (G.301: 9.00-10.30; G. 302: 13.00-14.30; G. 303: 14.30-16.00) at classroom 20.029

1. Course Description

The objective of this course is to present, at an intermediate level, the main concepts of public economics and analyse the implications of government intervention in the economy. In this course, we aim to analyse the reason for government intervention in terms of efficiency and equity; to study its effects on the economy and on social welfare; and to assess which instruments best serve this purpose. During the course, we will present and discuss the fundamental theorems of welfare economics, study the main market failures, and analyse what are the most appropriate instruments for different types of public intervention in the economy: expenditures (the choice between direct production and contracting out, the analysis of transfers), revenues (taxes and prices and their economic effects), with respect to the role of government (regulation, public action, financial activity). Finally we will discuss the coordination problems arising with fiscal federalism, when the responsibilities for public sector intervention are shared between local, national and international institutions.

2. Competences to be achieved

General competences:

1. Analytical and synthesis skills.
2. Ability to identify economic problems (using simple economic models) and the potential trade-offs arising in their resolution.
3. Ability to independently find information (databases, media, etc.) in order to build an argument using available evidence.
4. Ability to participate actively in lectures and seminars (know how to intervene, to listen and acquire oral and written communication skills), keeping an open mind.
5. Ability to understand and critically analyze the current economic events, as they are covered in the media.

6. Ability to work individually (reading material for the course, solving exercises, doing empirical research, etc.).
7. Ability to apply public economic concepts in practice (solving case studies and analysis of economic news and current events).
8. Research skills (search databases and academic journals, in order to expand your knowledge in the field).

Specific competences:

1. Understanding of the public economic concepts of the course.
2. Ability to identify and solve economic problems.
3. Ability to understand and use economic models
4. Ability to relate the analysis of socio-economic problems with the objectives and the main instruments of economic policy.
5. Ability to search information in order to increase your knowledge of the topics discussed.

3. Content

FIRST PART

Topic 1. The first goal of government intervention: addressing market failures

Topic 2. The second goal of government intervention: redistribution of resources

When the market is efficient, but the resulting distribution of resources is not socially desirable, the government intervenes in order redistribute resources.

Topic 3. Why do governments choose to intervene in the way that they do: Public choice and the formation of collective decisions

SECOND PART

Topic 4. Public expenditures: main tools

Topic 5. Some public spending expenditure programs

THIRD PART

Topic 6. How to finance public expenditures: efficiency and optimal taxation

Topic 7. Taxation in practice: analysis of the main economic effects of taxes

FOURTH PART

Topic 8. Fiscal federalism

SEMINARS

SEMINAR	Week	Title	Topic
1	4	The role of the public sector in the economy and important areas of intervention	1, 2, 4 and 5
2	5	Welfare versus Workfare: Poverty Trap	4, 5
3	6	Taxation I: Tax Incidence of VAT	7
4	7	Taxation II: Fat Tax	7
5	8	Mid-term test correction	
6	9	Measures of inequality and the redistributive role of the government	4-7

4. Assessment

4.1 Evaluation Method

The course is based on the principle of continuous assessment, with an important weight put on the acquisition of knowledge and skills.

1. For this purpose, participation in classes and seminars, as well as individual analysis of exercises and cases represent 30% of the total (this first part of the final grade is referred to as the “continuous evaluation” for participation in class/seminars), while the final exam accounts for 70% (this second part of the final grade is referred to as “exam”). The final exam can include topics seen at the “continuous evaluation” part.

2. To pass the course, one must obtain a final grade equal or superior to 5.0. The final grade is a weighted average of the two components of the grade (continuous evaluation and exam). Students who attended the course but failed can take the re-sit (*recuperació*). In this case, students have to attend the part(s) of the re-sit corresponding to the part(s) of the course that they failed: continuous evaluation, exam or both (see paragraph below on the re-sit exam rules).

3. Attendance at seminars and participation is required to get a grade for a seminar (i.e., hand-in the homework without attending the seminar will result in a grade of 0 for the seminar). Seminar attendance without participation does not ensure any minimum grade (i.e., if a student attends but does not participate, she/he may fail in the “continuous evaluation”). One needs to participate appropriately to ensure good grades: handing in the work and attending without participating is not sufficient to pass the “continuous evaluation” part.

4. Approved partial grades are not saved (exam or participation/seminars) for subsequent academic years.

5. There will be a mid-term test, which will serve both the teacher and the students to assess the understanding of the topics. The mid-term will not have any negative impact on the final grade of the course. Only in case of a good grade this would count as evidence of good participation (affecting positively to the 30% of seminars grades and class participation), in case of failure there will be no effect on the final grade. The mid-term will take place on

November 7, 2014. The correction will be done during lectures or seminars and there will be no specific individual revision.

Specific office hours will be scheduled prior to the mid-term and the final exams. The purpose of these office hours will be to answer specific questions of students who regularly attend lectures and seminars.

6. In order to be able to take the final exam, a student must have a minimal grade in the “continuous evaluation” part, which will be determined by the professors. The grades for “continuous evaluation” will be announced at least one week before the final exam.

7. According to the regulations for courses taught in English, students will take all the exams (instructions, questions and answers) exclusively in English.

4.2 Rules for re-sit (*recuperació*) exam

The re-sit exam will take place in February, on the date scheduled in the academic calendar (the date will be published in *Aula Global*). A student can take the re-sit exam if and only if she/he has participated in the teaching and evaluation activities of the course during the term, but has failed to pass the course. Students who did not participate in such activities or have cancelled their participation in the evaluation of the course cannot take the re-sit exam.

It is considered that a student has participated in the teaching and evaluation activities of the course when:

- She/he has participated in the continuous evaluation of the course, handing-in the work and assisting to at least 50% of the seminars and participating in the other activities mentioned in the syllabus of the course (except for duly justified reasons).
- She/he has done the final exam.

The re-sit exam is only for students who attended and participated in the activities of the course, but failed. Students who attended the course and passed with a final grade equal or superior to 5.0 cannot take the re-sit exam.

A student who participated in the teaching and evaluation activities of the course, but failed, can take the re-sit exam for the parts of the course that he initially failed during the term: continuous evaluation, exam, or both; but the student cannot take the re-sit for a part of the course for which her/his initial grade is already higher than 5.0 (the initial grade will be kept). The re-sit exam will therefore consist in two parts, the first part corresponding to the re-sit for continuous evaluation and the second part corresponding to the re-sit for the exam.

Finally, in order to encourage student mobility, students who took the course during the term but are studying abroad and cannot attend the re-sit exam have to contact in advance the professor responsible for the course in order to opt for an alternative exam that will take place in July. Exceptionally, if the student studying abroad cannot attend the July exam for justified reasons, an alternative date or an alternative evaluation will be arranged, under the supervision of the professor responsible for Public Economic courses at UPF and with the agreement of the coordinator of student mobility at UPF. This particular disposition only applies to students who participate in a mobility program recognized by the University.

5. Bibliography and resources

5.1. Main textbook

STIGLITZ, J. Economics of the Public Sector, 3rd edition, W.W. Norton and Company, 2000.

5.2. Additional references

GRUBER, J. Public Finance and Public Policy, 2d edition, Worth Publishers, 2007-2011-2013.

ROSEN, H. S. Public Finance, 6th. ed. McGraw Hill, 2002-2014.

HILLMAN, A. Public Finance and Public Policy. Ed. Cambridge, 2009.

Spanish textbook: ALBI, E. et al., Economía pública I; Economía pública II. 3rd ed. Barcelona: Ariel Economía, 2009.

5.3. Didactic resources

Additional material will be available through *Aula Global*. Specific material for each seminar will be posted on *Aula Global* before the seminar.

6. Methodology

The methodology of the course is based on student autonomy. Students must provide a systematic and continuous effort, guided by the professor and the teaching assistant. Thus, the course combines activities performed in the classroom with activities that students must carry out their own, either guided or independently. Specifically, students are expected:

1. To read and critically think about the readings and material made available for classes.
2. To complement the content presented in lectures and the readings analyzed in seminars by using the recommended bibliography.
3. Dedicate specific effort in order to identify and summarize the most important point of each reading.
4. Ask questions and talk to the teacher if they have difficulties understanding of the topics, before and/or during lectures and seminars.
5. Attend all classes.
6. Participate during lectures and seminars.
7. Hand-in all the homework (studies and exercises) assigned before the seminars in which they are discussed.

For their part, teachers are expected:

1. Present the main points of each topic in class and answer questions of the students regarding the understanding of the topic.
2. Assess the level of understanding and knowledge of the material, asking several students at random questions on the readings, case studies and other course materials, in each class or seminar.
3. Illustrate the application of theoretical material through exercises and case studies.