

**COURSE DATA****Data Subject**

<b>Code</b>	36795
<b>Name</b>	Public sector economics I
<b>Cycle</b>	Grade
<b>ECTS Credits</b>	6.0
<b>Academic year</b>	2023 - 2024

**Study (s)**

<b>Degree</b>	<b>Center</b>	<b>Acad. year</b>	<b>Period</b>
1933 - D.D. in Law-Economics 2022	Doubles Studies Faculty of Law - Faculty of Economics	3	First term

**Subject-matter**

<b>Degree</b>	<b>Subject-matter</b>	<b>Character</b>
1933 - D.D. in Law-Economics 2022	3 - Asignaturas de tercer curso	Obligatory

**Coordination**

<b>Name</b>	<b>Department</b>
DESCALS I TORMO, ASENSI	110 - Applied Economics

**SUMMARY**

Public Sector Economics I and II are two subjects that constitute an annual block of basic and fundamental training in Public Economics. They are taken in the third year to give way later, in the fourth year, to the possibility of deepening in four different fields of Public Economy through the optional subjects. These subjects are part of the Public Sector Economy module and the Public Economy and Fiscal System subject and count for twelve ECTS credits between the two semesters of the course.

The subjects are part of the Public Economy Curricular Intensification. The subject Public Economy and Fiscal System seeks to provide the student with a knowledge and understanding of the actions and functions of the public sector and some aspects of the public sector that have to do with the different public revenue policies and programs of public expenditure. Within this subject, the compulsory subjects that we deal with, Public Sector Economics I



and II, stand out, which aim to structure all this knowledge and prepare the student for the rest of the subject's optional subjects. Specifically, in Public Sector Economics I and II, the basic contents will be introduced that will be developed in other subjects such as Public Economic Evaluation, Spanish Tax System, Public Regulation and Fiscal Federalism: Autonomous and Local Finance. By studying the subjects of Public Economy and Fiscal System, students will be able to count on extensive knowledge of the operation of the public sector that will be useful in their professional future, especially in all levels of public administration, as well as in the relations between companies and the public sector through knowledge of the tax system and the main public spending programs.

## PREVIOUS KNOWLEDGE

### Relationship to other subjects of the same degree

There are no specified enrollment restrictions with other subjects of the curriculum.

### Other requirements

The student must have basic knowledge of Economics. In particular and especially he should have studied a basic Microeconomics course. It is also recommended to have a fundamental knowledge of Macroeconomics. However, it is not required to have passed any particular course in order to take this subject.

## OUTCOMES

## LEARNING OUTCOMES

After finishing the classes, students will have:

- Ability to use the analytical apparatus necessary to move in the world of Public Economy.
- Acquisition of sufficient knowledge to understand any environment, language and problem regarding the main areas of public sector intervention: pensions, health, schooling and social services.
- Critical ability to understand and anticipate the results of different tax structures.
- Acquisition of knowledge about the internal limitations in the behavior of the public sector. In particular, the student must be able to apply economic analysis to predict and correct the problems that will arise in the operation of



public institutions,  
both in the making of collective decisions and in their execution.

## DESCRIPTION OF CONTENTS

### 1. 1. Characterization of the Public Sector

- 1.Public Sector, Private Sector and Third Sector: a comparative behavior
- 2.Functions and Actions of the Public Sector
- 3.Public Sector Budget
- 4.Budget principles and phases of the Budget
- 5.Economic, organic and functional classification
- 6.Structure of Public Revenues and Expenditures

### 2. 2. Welfare economics and market failures

1. Concept of Paretian optimality. Criticisms of the Pareto optimum concept
2. Possibilities and limitations of the market as an institution
3. Concept and types of market failures
4. Market failures as a necessary and/or sufficient condition for public intervention

### 3. 3. Public Goods

- 1.Definition and efficient provision of public goods
- 2.The problem of the non-paying user or "free-rider"
- 3.Mixed goods: characterization.

### 4. 4. External Effects on the Market

1. Definition and microeconomic analysis of the problem.
2. Implications for efficiency and equity
3. Solutions.
- 3.1 With public intervention
- 3.2 No public intervention



## **5. 5. Public Regulation. Natural Monopoly and Merit Wants**

- 1.The case of natural monopoly
- 2.Solutions with Public intervention
- 3.Implications from efficiency and equity
- 4.Merit Wants
- 5.Definition and problems for the principle of consumer sovereignty
- 6.Justifications for public intervention
- 7.Choice of Public Performance Technique

## **6. 6. Economic analysis of the functioning of political systems**

1. Concept of public sector failures
2. Failures of the public sector in shaping and revealing social preferences Models of fiscal illusion (Galbraith-Downs, Puviani-Buchanan)  
model of A. Downs on rational ignorance
3. Failures in making collective decisions  
Costs of decision-making: Analysis of Tullock and Buchanan  
Analysis of the Unanimity rule  
Analysis of "logrolling" or vote exchange.  
Analysis of simple majority rule
4. Failures in the execution of public decisions  
Theory of Bureaucracy: Niskanen's Model

## **7. 7. Public Economic Evaluation**

1. Concept and Justification of public evaluation and its relationship with public management.
2. The evaluation process: assessment of costs and benefits
3. Public evaluation criteria: efficiency, effectiveness, effectiveness and profitability.
4. Economic evaluation techniques: Cost-Benefit analysis

## **8. 8. Size and Growth of the Public Sector. Explanatory hypotheses**

- 1.Problems in measuring the size and growth of the Public Sector
- 2.Concept of Optimal Size of the Public Sector and calculation proposals
- 3.Explanatory factors of the growth of the Public Sector
- 4.The disease of costs: "Baumol's disease"

## **9. 9. Economic security as a public service: Social Security**



- 1.Characterization of the social security service
- 2.Poverty and basic income programs
- 3.Pensions: Financial techniques and benefit systems
- 4.The financial crisis of social security

## WORKLOAD

ACTIVITY	Hours	% To be attended
Theoretical and practical classes	60,00	100
Development of group work	12,00	0
Preparation of evaluation activities	36,00	0
Preparing lectures	21,00	0
Preparation of practical classes and problem	21,00	0
<b>TOTAL</b>	<b>150,00</b>	

## TEACHING METHODOLOGY

The development of the subject is fundamentally structured around theoretical sessions and practical sessions.

Depending on the type of session (theoretical or practical), one didactic method or another will be chosen. In the theoretical sessions, the main contents of each of the topics that make up the subject will be presented.

The predominant teaching method in the theoretical classes will be the participatory master class. This methodology makes it possible to manage large groups of students in an organized way, offering the advantages of a master class without limiting the participation of the students and the teacher-student interaction. An attempt will be made to encourage participation and discussion in the class in order to offer the student a direct involvement with the content. In the practical sessions, the teacher will propose to the students situations (real or fictitious) that they will have to solve by applying the theoretical concepts learned. These practical classes will be developed following different teaching strategies depending on the content discussed in the corresponding theoretical session.

## EVALUATION

The subject will be evaluated based on the following procedures:

- 1.- Written tests consisting of one or more exams that will consist of theoretical and practical questions.
- 2.- Continuous evaluation of practical activities based on the preparation of short assignments, team work, resolution of problems and analysis of written cases ordered by the teacher.





3.- Continuous assessment of the student based on regular attendance at classes and face-to-face activities, their participation and degree of student involvement in the teaching-learning process. Here we evaluate the oral participations.

Procedures 2 and 3 constitute continuous assessment and, taken together, will account for **40% of the student's final grade**,

but for this part of the evaluation to be taken into consideration, the minimum grade in the exam (written test 1.-)

will be a **4.5(four and a half) out of 10 (ten)**.

The continuous assessment (assessment procedure 2 and 3 above), due to its nature, **is NOT recoverable** and, therefore, the grade obtained applies to both the first and the second call.

## REFERENCES

### Basic

- DALMAU, J.C., DESCALÇ, A: "Una introducció a l'Economia Pública", PUV, Valencia 2009
- ROSEN, H.S.: Hacienda Pública, McGrawHill, Madrid, 2011
- STIGLITZ, J.E.; Rosengard, J.K.: La Economía del Sector Público. Antoni Bosch editor. Barcelona, 2015.
- SALVADOR, C.: Economía de la Seguridad Social, Parte I y Parte II. Valencia 2016. Capítulos 1,2, y 5
- AYALA, Luís (coordinador): "Economía del Estado del Bienestar", Civitas, Pamplona, 2021

### Additional

- CULLIS, J.; JONES, P.: Finance and Public Choice. Analytical Perspectives. Third edition, Oxford. University Press, 2009.
  - MUSGRAVE, R.A., y MUSGRAVE, P.B.: Hacienda Pública Teórica y Aplicada. McGraw-Hill Interamericana de España, Barcelona, 1992.
  - GARCÍA VILLAREJO A.; SALINAS, J.: Manual de Hacienda Pública. Tecnos, Madrid, 1994
  - COYLE, D. (2020). "Markets, State, and People: Economics for Public Policy". New Jersey: Princeton University Press, 2020.
  - MAZZUCATO, M.: "El Estado Emprendedor". RBA, Barcelona, 2019
  - RAWORTH, K.: "La economía del Donut: siete formas de pensar la economía del siglo XXI". Ediciones Paidós, Barcelona, 2018.
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