



Universidad  
de Alcalá

# Political Economy and Public Finance

Grado en Derecho  
Universidad de Alcalá

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Curso Académico 2019/2020

Primer Curso - Segundo Cuatrimestre

# Syllabus

Name of subject:	Political Economy and Public Finance
Course code:	400006
Degree: Law	
Department:	Economics and Business Management
Area:	Applied Economics
Type: Basic	<b>Basic</b>
ECTS Credits:6	
Year and semester:	1 <sup>st</sup> year, 2 <sup>nd</sup> semester
Lecturer:	Prof. Alberto del Villar Prof. Óscar Montes Pineda
Office hours: Appointments can be made in class or via email	<a href="mailto:alberto.delvillar@uah.es">alberto.delvillar@uah.es</a> <a href="mailto:oscar.montes@uah.es">oscar.montes@uah.es</a>
Language:	English

## 1. INTRODUCTION

Political Economy and Public Finance is a subject aimed at students in their first year of the Law Degree. It is a compulsory subject taught in the second semester. It deals with the most fundamental concepts of economics, and is useful not only for law students as such, but also as individuals who consume, invest, and make economic decisions. Furthermore, economics is a fundamental part of all social and political activity, which makes this a key subject within the context of the degree.

The subject is divided into two parts:

1. Political Economy: The main objective is to introduce students to Economics, providing the basic concepts, tools and criteria necessary to achieve a general, but relevant and up-to-date, knowledge of key economic topics. The topics are approached from a theoretical and empirical point of view, covering the concepts of markets, economic growth, prices and inflation, unemployment, interest rates, among others. The course is designed for students who are studying Economics for the first time, and who need a general overview of the topic and the different issues involved.

2. Public Finance: Public Sector activity is the object of analysis in this part of the subject. The Public Sector, as an economic agent, plays different roles in influencing the rest of the economic agents operating in the economy. From this perspective, the course aims to present Public Sector dynamics and their impact on the economic decisions of economic agents. For this purpose, state budget/finance is studied as the basic tool in public decision-making, as well as issues related to public spending and public incomes.

## 2. COMPETENCES

### General competences:

1. The ability to search for information, to select and evaluate economic documentation and general information.
2. The use of information technology to obtain information and address economic issues.
3. Reflective, critical and independent learning.
4. The ability to critically analyse and summarise the knowledge acquired and to apply theoretical concepts to practical cases.
5. The ability to express ideas orally and in written form.
6. The ability to work in groups.
7. To contribute to an understanding of the functioning of the real economy, linking this to the principles of ethics and solidarity dominant in contemporary society. To consider the obligation of every citizen to contribute to the upkeep of collective needs through taxes.
8. To express ideas, information, problems, solutions, theoretical and practical content with fluency, clarity and precision.

### Specific competences:

1. To gain knowledge of the fundamentals of economics, the laws of supply and demand, the functioning of markets, and current issues related to today's economic situation: growth, prices, employment, exterior sector, economic budget.
2. To evaluate economic and budgetary information.
3. To gain an awareness of the relevance of economic events.
4. To gain knowledge of and evaluate the possible risks and effects of economic performance.
5. To encourage an understanding of the relationship between economics and the other subjects on the course.
6. To gain an understanding of the effect of the Economy and Society on public expenditure and income.

## 3. CONTENTS

Content Units	Total classes, credits or hours.
POLITICAL ECONOMY	• 24
PUBLIC FINANCE	• 24

## PROGRAMME FOR POLICIAL ECONOMY AND PUBLIC FINANCE

### PART I: POLITICAL ECONOMY

1. MARKET FORCES: DEMAND AND SUPPLY. Demand. Supply. Market equilibrium.
2. MACROECONOMIC VIEW. Income and expenditure. Gross Domestic Product, GDP measurement and components. Is GDP a good measure? Real and nominal GDP.
3. PRICE STABILITY AND INFLATION. Price indicators. How is the CPI calculated? Measurement problems. The GDP deflator. The growth of money and inflation. Classical theory of inflation. Inflation costs.
4. EMPLOYMENT AND UNEMPLOYMENT. Employment indicators. Types of unemployment. Unions. Efficiency-wage theory.
5. BUSINESS CYCLES: the cycle. Relevant phases and variables.
6. THE INFLUENCE OF MONETARY POLICY AND FISCAL POLICY IN THE AGGREGATED DEMAND. Indicators of Monetary Policy and Fiscal Policy. Concepts and tools.

### PART II: PUBLIC FINANCE

1. THE ROLE OF GOVERNMENT IN A MODERN MARKET ECONOMY. Market failures. Public choice. Government failure (or non-market failure).
2. PUBLIC BUDGET. What is a budget? Expenditures and revenues. Public Program budgets. Approaches to budgeting. Government Finance Statistics.
3. TAX INCIDENCE. Effect of taxes and subsidies on price, production and welfare.
4. DEFICITS, SURPLUSES, AND THE PUBLIC DEBT. Public budget balance. Structural deficits, cyclical deficits and the fiscal gap.
5. FISCAL FEDERALISM AND INTERNATIONAL PUBLIC FINANCE. The Fiscal Federalism Theory. EU Budget.

## Study Plan (Optional Subject)

	Contents
	Introduction: 1 hour
	• Organisation of group work: 2 hours
	• Lectures: 24 hours
	• Practical classes, group tutorials: 12 hours
	• Presentation of work: 9 hours

## 4. TEACHING-LEARNING METHODOLOGIES. - FORMATIVE ACTIVITIES

### 4.1. Credit Distribution

**Total Number of Hours: 150**

<b>Number of contact hours: 48</b>	Number of lecture hours: 24 Number of tutorial hours for projects: 12 Number of hours of commentary on economic trends: 10 Number of exam hours: 2
<b>Number of hours of independent work: 102</b>	<ul style="list-style-type: none"> <li>• Number of hours of independent study: 87</li> <li>• Number of hours preparing projects and solving practical cases: 15</li> </ul>

### 4.2. Methodology, materials and didactic resources

<b>Seminars</b>	<ul style="list-style-type: none"> <li>• Theoretical classes in large groups</li> <li>• Preparation and presentation of group work (small groups)</li> <li>• Group tutorials           <ul style="list-style-type: none"> <li>• Professors will offer a summary of the different theoretical topics. Some topics will be developed and presented for the students. A lo largo de estas sesiones el profesor expondrá o proporcionará a los alumnos una síntesis de los contenidos teóricos. The teacher will facilitate and support this process. The students will be the responsible of their own learning. In some parts of the subject techniques of "flipped classroom", project-based learning and learning based on games will be used.</li> </ul> </li> </ul>
<b>Individual Tutorials</b>	<ul style="list-style-type: none"> <li>• Meetings with students on an individual basis to track progress.</li> </ul>
<b>Exams</b>	<ul style="list-style-type: none"> <li>• Exams and practical tests.</li> </ul>

Possible collaboration with the CRAI-Library professionals will be considered so that students can carry out activities aimed to develop their competences in the use and management of information.

## 5. Assessment: Procedures, marking criteria

### General considerations

The methodological development of the course material is designed to promote participation and active, continuous and accumulative learning. As such, continuous assessment is the general rule of the course, in accordance with the philosophy of the "Bologna Process".

However, as established in the "NORMATIVA REGULADORA DE LOS PROCESOS DE EVALUACIÓN DE LOS APRENDIZAJES" (passed on 24/03/2011 and modified on 05/05/2016), to pass the subject each student may choose between a system of continuous assessment (A) or, in exceptional circumstances, a final ordinary exam (B).

The choice of assessment system must be made during the first two weeks of term. For students who, with reason, have not finalised their matriculation at the official start date of the course, this two week period will begin from the moment of their incorporation into the degree.

To be eligible for the final exam, the student must send a written request to the *decano*, the head of college, explaining the reasons why he/she is unable to follow the system of continuous assessment. The *decano* will evaluate the circumstances put forward by the student and make a decision accordingly. If the student has not received a written response to his/her request after 15 working days, it is assumed that the proposal has been approved.

Without this request for Final Assessment, it is assumed that the student has chosen to be evaluated through Continuous Assessment.

### **Assessment Criteria:**

#### **Ordinary examination session**

##### **Continuous Assessment (A)**

For continuous assessment, the student will be graded on several activities, making up 60% of the overall grade: case studies or commentaries on economic news, knowledge tests, articles, individual or group projects and, where applicable, the presentation of these projects, active participation in class discussion, etc.

As part of their Continuous Assessment, students will sit at least two knowledge tests, one for Economics and the other for Public Finance. The exams consist of several written essay questions, and they have a weighting of 40% of the overall grade. Students who do not pass continuous assessment may not attend the final ordinary exam.

##### **Final Exam (B)**

Students who opt for this system must sit a final test for the subject in which they must demonstrate the acquisition of competences through written and/or oral exercises.

A mark of at least 5 out of 10 must be attained to achieve a pass.

Those students who at the beginning of the course have not chosen the continuous assessment method, or have renounced it, will have access to a final evaluation, through a written and / or oral exam that allows to assess whether their individual learning has been sufficient or not acquire the required skills. Additionally, for the final evaluation, it will be possible to demand the performance of individual works when they are judged that these are necessary for the acquisition of some generic and / or specific competences of the subject

### **Extraordinary examination session**

The exam will assess the student's acquisition of the same competences and knowledge that are tested in the continuous assessment and final exam, and will consist of questions from both parts of the subject.

#### **Assessment criteria**

Students will not only be assessed on their knowledge acquisition, but also on a range of skills and competences.

As such, throughout the course the student must demonstrate:

- An understanding of the main concepts and ideas in each of the units.
- The ability to integrate and apply course content to the reality of the economic situation in Spain.
- The ability to develop coherent ideas.
- The ability to solve problems comprehensively.
- The ability to summarise.
- Careful presentation and a rigorous approach.

For a written exercise, the following items will be analysed (by way of example):

	100	75	50	25	0	
Well structured exercise						Poorly structured or incomplete exercise
Well laid out and clear objectives						Objectives not specified
Methodology well-explained						Poor or unexplained
The necessary bibliography is used						No evidence of use
Appropriate use of terminology and correct spelling and grammar						Inappropriate use of terminology and errors in spelling and grammar
Correct analysis						Incorrect analysis
Accurate interpretation						Interpretation is unsatisfactory or non-existent
Clear and correct conclusion						Confused or non-existent
Rigorous argument						Not rigorous
Text, tables and figures in appropriate format						Inappropriate
Original work						Copied work
Work well-presented (quality)						Work poorly presented (lack of quality)

For activities involving class presentation – a question, an exercise or a case study - the assessment criteria will be the following:

Regarding the content of the presentation:

Prior preparation (well-prepared presentation --- clear evidence of lack of preparation)  
Command of the presentation topic (high, low or non-existent)  
Organisation (structured, poorly structured, unstructured)  
Relevance (addresses the task, does not address the task)  
Academic rigour (high, low or non-existent).

Regarding the delivery of the presentation:

Appropriate control of time (controlled, uncontrolled)  
Appropriate speed (too slow or too fast)  
Audible (Clear or unclear)  
Holds attention (holds attention, does not hold attention)  
Entertaining delivery (entertaining, boring)

Grading Criteria:

In line with the R.D 1125/2003, which regulates the 'Suplemento al Título', grades must follow the following scale of numerical marks and a qualitative grade:

0,0 - 4,9	SUSPENSO (SS) <b>Fail</b>
5,0 - 6,9	APROBADO (AP) <b>C - Pass</b>
7,0- 8,9	NOTABLE (NT) <b>B</b>
9,0 - 10	SOBRESALIENTE (SB) <b>A</b>
9,0 – 10	MATRÍCULA DE HONOR limitada ó 5% <b>A+</b>

In all cases, marks will be given in increments of 0.5 decimals.

## 6. BIBLIOGRAPHY

### General references for Political Economy (first part)

- Krugman, P., Wells, R. and K.J. Graddy (2013) Essential of Economics, New York, NY Worth Publishers
- Mankiw, G (2015) Principles of Economics, 7th Edition (if possible 8<sup>th</sup> Edition, 2018), Cengage Learning
- William J. Baumol, Alan S. Blinder (2014) Macroeconomics: Principles and Policy; 12th edition (or Eleventh Edition 2010 Updated), Cengage Learning
- Blanchard, Olivier, and David R. Johnson (2012) Macroeconomics. 6th ed. Pearson, 2012.
- David Begg, Gianluigi Vernasca, Stanley Fischer and Rudiger Dornbusch (2014) Economics, eleventh edition, McGraw Hill (Chapter 2 – Tools of Economic Analysis)

**Additional readings:** Depending on the topic discussed in class, relevant articles will be posted on the course online campus. Furthermore, students are encouraged to read *The Economist* or a similar press publications at least twice a month. As well as providing good coverage of economic events, this helps students relate what they learn to the real world.



**General references for Public Finance**

- Buchanan, James M. & Musgrave, Richard A. (1999). Public Finance and Public Choice: Two Contrasting Visions of the State. MIT Press.
- Gruber, J. (2016) Public Finance and Public Policy, 5th edition, Worth Publishers.
- Rosen, H. and Gayer, T. (2014) Public Finance, 10th edition, McGraw-Hill.
- Stiglitz, J. and Rosengard, J. (2015) Economics of the Public Sector, 4th edition, W. W. Norton & Company

**Data sources:**

- ✓ (Spanish) National Statistical Institute (INE)
- ✓ European Statistical Office (Eurostat)
- ✓ European Commission Databases (Macroeconomic database AMECO)
- ✓ World Bank Group (WDI data base)