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|----------------|---------------------------|
| Academic year  | 2010-11                   |
| Subject        | 20610 - Welfare Economics |
| Group          | Group 30, 1S, GECCO       |
| Teaching guide | B                         |
| Language       | English                   |

## Subject identification

|                          |  |
|--------------------------|--|
| <b>Subject</b>           | 20610 - Welfare Economics  |
| <b>Credits</b>           | 2.4 attended (60 Hours) 3.6 non-attended (90 Hours) 6 total (150 Hours). |
| <b>Group</b>             | Group 30, 1S, GECCO(Campus Extens 70/30)                                 |
| <b>Semester</b>          | 1st semester   |
| <b>Teaching language</b> | English  |

## Lecturers

| Lecturers   | Office hours for students |          |           |            |            |          |
|---|---------------------------|----------|-----------|------------|------------|----------|
|   | Start time                | End time | Day       | Start date | End date   | Location |
| Francisco Jorge Oliver Rullán<br><a href="mailto:xisco.oliver@uib.es">xisco.oliver@uib.es</a> | 10:00h                    | 13:00h   | Wednesday | 27/09/2010 | 18/02/2011 | DB245    |
| Amedeo Spadaro Giardina<br><a href="mailto:amedeo.spadaro@uib.es">amedeo.spadaro@uib.es</a>   | 10:00h                    | 13:00h   | Wednesday | 27/09/2010 | 30/09/2011 | db212    |

## Degrees where the subject is taught

| Degree              | Character  | Course        | Studies |
|---------------------|------------|---------------|---------|
| Degree in Economics | Compulsory | Second course | Degreee |

## Contextualisation

This course belongs to the field of Economics of the Public Sector. This field is composed by three subjects. The first is a basic core subject, Tax System, which is taught in the second half of first year. The other two are given in second year and correspond to the compulsory subjects: Economics of Welfare, which is taught in the first semester, and Public Sector, which is taught in the second semester.

Welfare Economics is a subject closely related to Public Sector and Microeconomics.

## Requirements





## Recommended

There is no requirement in the sense of obligation to pass a subject before taking Welfare Economics. However, in order to properly follow the subjects of 'Welfare Economics' and 'Public Sector', it is strongly recommended to take the first-year subjects 'Microeconomics', 'Mathematics' and 'Optimization' in advance.

## Skills

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### Specific

1. CE1. To contribute to the good management of allocation of resources both in private and public sector.
2. CE2. To identify and anticipate relevant economic problems regarding to the allocation of resources in general, both in private and public sector.
3. CE3. To bring rationality to the analysis and description of any aspect of the economic situation.
4. CE4. To evaluate consequences of alternatives and select the best ones given the aims.
5. CE5. To issue advisory reports on specific situations of the economy (international, national or regional) or its branches.
6. CE8. To identify sources of economic information and its contents.
7. CE9. To understand economic institutions as a result of the application of theoretical or formal representations about how the economy works.
8. CE10. To get relevant information from the data, which is impossible to recognize by non-professionals of the economy.
9. CE11. To analyze the economic situation by using the theoretical framework presented to them, being aware of its potential and limitations.
10. CE12. To contextualize the economic problems through the use of formal models. They must know the basic models and be able to incorporate extensions or changes in the underlying assumptions, being aware of its potential and limitations.

### General

1. CG1. Routinely to use information technology and communications throughout his professional career.
2. CG2. Read and communicate in English in a professional environment.
3. CG3. To apply professional criteria based on technical tools to the analysis of economic problems.
4. CG4. To be able to fluently communicate in your sphere, being also able to do team work.
5. CG5. Analyzing economic problems using critical reasoning, without prejudices, with precision and scientific rigor.
6. CG6. To defend your point of view showing and appreciating the bases of other divergent points of view.
7. CG7. Synthesis capacity.
8. CG8. To contribute, through the exercise of professional activity, to the development of human rights, democratic principles, equality of opportunity and universal accessibility, peace and solidarity, and environmental protection.

## Content

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One of the fields of study of public economy is to understand how public institutions behave, and to suggest the optimal behaviour of a government. In a world, such as the one described by Arrow-Debreu, where markets are efficient, governments are unnecessary because they cannot contribute to achieving economic efficiency. However, in the real world there are market failures that can lead to an unequal distribution of individual income, thus opening the possibility for governments to improve social welfare through its intervention, either by improving efficiency or distributing resources in a more 'justly' way. The first part of the course will examine the violation of the conditions of the First Welfare Theorem, such as externalities and public goods, which can provide a normative basis for public sector intervention. In the second part of the course, income distribution and how the state can redistribute it in order to improve social welfare, will be analyzed

The programme includes the following contents:

- \* Pareto Optimal and competitive equilibrium: Welfare Theorems
- \* Taxes in the competitive model
- \* Market Failures
- \* Social choice and the Welfare Theory
- \* Income distribution and inequality
- \* Policies to redistribute income
- \* Poverty
- \* Equal opportunities

### Thematic content

#### Part 1. Welfare Economics Fundamentals

##### Lesson 1. Market Failure

- \* The invisible hand of competitive markets
- \* Welfare Economics and Pareto efficiency
- \* Analyzing Economic Efficiency

##### Lesson 2. Market Failure

- \* Property rights and contract enforcement
- \* Market failures and the role of government
- \* Redistribution and merit goods
- \* Two perspectives on the role of government

##### Lesson 3. Public goods and publicly provided private goods

- \* Public goods
- \* Publicly provided private goods
- \* Efficiency conditions for public goods
- \* Efficient government as a public goods

##### Lesson 4. Externalities and the environment

- \* The problem of externalities
- \* Private sector solutions to externalities
- \* Public sector solutions to externalities
- \* Protecting the environment: the role of government in practice

#### Part 2. Social Choice and Welfare

##### Lesson 5. Public Choice

- \* Public mechanism for allocating resources
- \* Alternatives for determining public goods expenditures
- \* Politics and economics



### Part 3. Income distribution and inequality

#### Lesson 6. Welfare programs and the redistribution of income

- \* Rationale for government welfare programmes
- \* Analytic issues
- \* Types of welfare states

#### Lesson 7. Efficiency and equity

- \* Efficiency and distribution trade-offs
- \* Analyzing social choices
- \* Social choices in practice
- \* Three approaches to social choices

#### Lesson 8. Inequality, distribution and poverty

- \* Representing income distributions
  - \* Lorenz curve
  - \* Generalized Lorenz curve
- \* Inequality indices
  - \* Gini coefficient
  - \* Atkinson index
- \* Welfare implications
  - \* Atkinson-Kolm theorem
  - \* Shorrocks theorem
  - \* Atkinson-Bourguignon theorem
- \* Redistribution and progressivity of the tax-benefit system
- \* Other dimensions of the inequality
- \* Poverty
- \* Microsimulation as a tool to evaluate public policies

### Part 4. Equality of opportunity

#### Lesson 9. Equality of opportunity

- \* Definition
- \* Applications
- \* Examples

## Teaching methodology

The practical sessions will cover presentations, problem resolutions, discussion of papers and cases related with the economic situation or the interest of the student. Information technologies will be used to apply knowledge acquired in lectures.

Students will be proposed to carry out tasks and activities, both in groups and individually, in which they must apply the knowledge acquired in the theoretical lectures.

In addition to the tasks and activities, there will be a final exam to assess the degree of competences acquired in the Public Sector Economics area. The exam can contend exercises and theoretical questions.

Note that the UIB has a virtual platform (Campus Extens, which is based on the MOODLE platform) for an interaction with students (email, forums, supplementary material, questionnaires ...). This platform will be used along the course.

### Attended activities



| Type                   | Name                      | G. type          | Description  |
|------------------------|---------------------------|------------------|--|
| Theory classes         | Development of the topics | Large group (G)  | It is an hour and half each week, which gives the student an introductory overview of the topic with the basics. These lectures should allow the students to acquire the basic knowledge of the subject and simplify the analysis of the theoretical approach to the subject. For the development of the above activity, students will have specific materials and reference manuals |
| Seminars and workshops | Applications and examples | Medium group (M) | The aim is to promote the exchange of critical opinions from all participants and facilitate the application of knowledge to economic situations. There will be discussions of case studies linked to the topics presented in class.   |
| Practical classes      | Problem set               | Medium group (M) | The activity is related to students' self-assessment of their knowledge and skills acquisition. There will be resolution of individual and group exercises.  |
| ECTS tutorials         | Monitoring the task       | Small group (P)  | The aim is to monitor the evolution of the student throughout the course. In particular, we will monitor the task that they will present in class.   |
| Assessment             | Final exam                | Large group (G)  | The final exam assess the knowledge acquired by students throughout the whole course.  |
| Assessment             | Presentation              | Medium group (M) | The presentation will help to assess the task performance and ability both in oral and written presentation of the students.   |

### Non-attended activities

| Type                  | Name                | Description   |
|-----------------------|---------------------|---|
| Individual self-study | Exercises and study | The exercises ensure that students learn the concepts covered in the course.                        |
| Group self-study      | Practice and study  | The students learn the concepts covered in the course and create working groups to solve questions. |

### Workload estimate

| Type                       | Name                      | Hours      | ECTS       | %          |
|----------------------------|---------------------------|------------|------------|------------|
| <b>Attended activities</b> |                           | <b>60</b>  | <b>2.4</b> | <b>40</b>  |
| Theory classes             | Development of the topics | 21         | 0.84       | 14         |
| Seminars and workshops     | Applications and examples | 15         | 0.6        | 10         |
| Practical classes          | Problem set               | 18         | 0.72       | 12         |
| ECTS tutorials             | Monitoring the task       | 3          | 0.12       | 2          |
| Assessment                 | Final exam                | 2          | 0.08       | 1.33       |
| <b>Total</b>               |                           | <b>150</b> | <b>6</b>   | <b>100</b> |



| Type                           | Name                | Hours      | ECTS       | %          |
|--------------------------------|---------------------|------------|------------|------------|
| Assessment                     | Presentation        | 1          | 0.04       | 0.67       |
| <b>Non-attended activities</b> |                     | <b>90</b>  | <b>3.6</b> | <b>60</b>  |
| Individual self-study          | Exercises and study | 70         | 2.8        | 46.67      |
| Group self-study               | Practice and study  | 20         | 0.8        | 13.33      |
| <b>Total</b>                   |                     | <b>150</b> | <b>6</b>   | <b>100</b> |

At the beginning of the semester the subject schedule will be available to students through the UIBdigital platform. This schedule will at least include the dates for the continuous assessment exams and assignment deadlines. Furthermore, the lecturer will inform students as to whether the subject syllabus will be carried out according to the schedule or otherwise, including Campus Extens.

## Student learning assessment

### Problem set

|                     |   |
|---------------------|---|
| Type                | Practical classes   |
| Technique           | Extended-response, discursive examinations ( <b>Non-recoverable</b> )   |
| Description         | The activity is related to students' self-assessment of their knowledge and skills acquisition. There will be resolution of individual and group exercises.   |
| Assessment criteria | Attendance and participation in class represents 15% of the final assessment. Practices may be wholly or partially replaced by activities during the semester that the lecturer consider appropriate (seminars, conferences ...). |

Final mark percentage: 15% for pathway A

### Final exam

|                     |   |
|---------------------|---|
| Type                | Assessment  |
| Technique           | Extended-response, discursive examinations ( <b>Recoverable</b> )   |
| Description         | The final exam assess the knowledge acquired by students throughout the whole course.   |
| Assessment criteria | It is necessary to obtain a minimum of 4 over 10 to average with other assessment activities.<br><br>Represents 50% of the total assessment.<br><br>In order to get a different califfication from "not presented", the student must take the final exam. |

Final mark percentage: 50% for pathway A

### Presentation

|                     |  |
|---------------------|--|
| Type                | Assessment   |
| Technique           | Oral tests ( <b>Non-recoverable</b> )  |
| Description         | The presentation will help to assess the task performance and ability both in oral and written presentation of the students.   |
| Assessment criteria | There will be a presentation in class. Before the presentation the students must discuss the outline of the piece of work in a tutorial and send the presentation/slides in advnace. |



The evaluation of this process will represent 35% of the total assessment

Final mark percentage: 35% for pathway A

## **Resources, bibliography and additional documentation**

### **Basic bibliography**

Stiglitz, Joseph E. (2000) "Economics of the Public Sector", Norton & Company. 3rd Edition. ISBN 978-0-393-96651-0

### **Additional bibliography**

Badenes, N. (2007) "¿Cómo se mide la pobreza? Ejemplos a partir de una base de datos simulada" e-pública Revista electrónica sobre la enseñanza de la Economía Pública. N. 2, pp. 12-36 <http://www.unizar.es/e-publica/wp-content/uploads/22badenes.pdf>

Hindriks, J. and Myles, G. D. (2006) "Intermediate Public Economics" The MIT Press, Cambridge, England  
Lambert, Peter J. (2001) "The Distribution and Redistribution of Income" 3rd Edition. Manchester University Press

Rosen, Harvey S. (2001) "Hacienda Pública", McGraw-Hill 2001, 5ª Edición.

Salas, R. (2001) "La medición de la desigualdad económica", Papeles de Economía Española, 88, 14-28, 2001. Papeles de Trabajo 14/2001, Instituto de Estudios Fiscales. [http://www.ief.es/Publicaciones/PapelesDeTrabajo/pt2001\\_14.pdf](http://www.ief.es/Publicaciones/PapelesDeTrabajo/pt2001_14.pdf)

### **Other resources**

Other material uploaded in Campus Extens

