



Academic year	2013-14
Subject	20610 - Welfare Economics
Group	Group 30, 1S, GECO
Teaching guide	G
Language	English

Subject identification

Subject	20610 - Welfare Economics
Credits	2.4 in-class (60 hours) 3.6 distance (90 hours) 6 totals (150 hours).
Group	Group 30, 1S, GECO(Campus Extens)
Teaching period	1st semester
Teaching language	English

Lecturers

Lecturers	Timetable for student attention					
	Starting time	Finishing time	Day	Start date	Finish date	Office
Lucia Mangiavacchi ---- lucia.mangiavacchi@uib.es	11:00h	12:00h	Friday	02/09/2013	27/06/2014	DB220
Francisco Jorge Oliver Rullán xisco.oliver@uib.es	11:00h	12:00h	Tuesday	23/09/2013	31/07/2014	DB245

Degrees where the subject is taught

Degree	Character	Course	Studies
Degree in Economics	Compulsory	Second year	Degree

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 semester of the 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

Recommendable

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





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.

Generic

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 criterions 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

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

Theme content

Part 1. Welfare Economics Fundamentals

Lesson 1. Market Failure

- * The invisible hand of competitive markets
- * Welfare Economics and Pareto efficiency
- * Analyzing Economic Efficiency
- * General equilibrium models and welfare economics implications

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 (Arrow impossibility theorem and the median voter)
- * 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
- * Equality of opportunity

Teaching methodology

The practical sessions will cover presentations, problem resolutions, discussion of papers and cases related with the economic situation and/or the interest of the students. 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, practical 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.

In-class work activities

Modality	Name	Typ. Grp.	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.
Practical classes	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.
Assessment	Exercises	Medium group (M)	The exercises will help to understand the formulas and indicators described in lesson 8 to analyze inequality and income redistribution. There will be two activities: one in class and another in the computers room (using Excel).



Modality	Name	Typ. Grp.	Description
Assessment	Final exam	Large group (G)	The final exam assess the knowledge acquired by students throughout the whole course.
Assessment	Mid term exam	Medium group (M)	The final exam assess the knowledge acquired by students during the course.

Distance education work activities

Modality	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.

Specific risks and protective measures

The learning activities of this course do not entail specific health or safety risks for the students and therefore no special protective measures are needed.

Workload estimate

Modality	Name	Hours	ECTS	%
In-class work activities		60	2.4	40
Theory classes	Development of the topics	24	0.96	16
Practical classes	Applications and examples	29.5	1.18	19.67
Assessment	Exercises	3	0.12	2
Assessment	Final exam	2	0.08	1.33
Assessment	Mid term exam	1.5	0.06	1
Distance education work activities		90	3.6	60
Individual self-study	Exercises and study	70	2.8	46.67
Group self-study	Practice and study	20	0.8	13.33
Total		150	6	100

At the beginning of the semester a schedule of the subject will be made available to students through the UIBdigital platform. The schedule shall at least include the dates when the continuing assessment tests will be conducted and the hand-in dates for the assignments. In addition, the lecturer shall inform students as to



whether the subject work plan will be carried out through the schedule or through another way included in the Campus Extens platform.

Student learning assessment

Exercises

Modality	Assessment
Technique	Extended-response, discursive examinations (Non-retrievable)
Description	The exercises will help to understand the formulas and indicators described in lesson 8 to analyze inequality and income redistribution. There will be two activities: one in class and another in the computers room (using Excel).
Assessment criteria	<p>There will be two lists of exercises that will be taken into account in the final assesment. Both will be related with the lesson 8 (inequality and income redistribution). One of them will be in class and the other will be in the computers room (using Excel).</p> <p>The evaluation of this process will represent 25% of the total assessment.</p> <p>The lecturer can decide that participation in specific conferences or seminars can replace part of the assessment assigned to the exercises.</p>

Percentage of final qualification: 25% following path A

Percentage of final qualification: 0% following path B

Final exam

Modality	Assessment
Technique	Extended-response, discursive examinations (Retrievable)
Description	The final exam assess the knowledge acquired by students throughout the whole course.
Assessment criteria	<p>It is necessary to obtain a minimum of 4 over 10 to average with other assessment activities. Otherwise the final mark is the mark of the final exam.</p> <p>Represents 50% of the total assessment.</p> <p>In order to get a different califfication from "not presented", the student must take the final exam.</p> <p>Only part time students or those students with especial circumstances (in the lecturer opinion) can take the path B. In any case, it is compulsory to sign a pedagogic contract to take the path B.</p>

Percentage of final qualification: 50% following path A

Percentage of final qualification: 100% following path B



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Mid term exam

Modality	Assessment
Technique	Extended-response, discursive examinations (Non-retrievable)
Description	The final exam assess the knowledge acquired by students during the course.
Assessment criteria	There will be a mid term exam in week eight. It will include questions about the topics covered in the first half of the semester.

Percentage of final qualification: 25% following path A

Percentage of final qualification: 0% following path B

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

Complementary bibliography

- * Amy Peng, 2009. "Introducing CGE Models to the Classroom Using EXCEL," Working Papers 013, Ryerson University, Department of Economics
- * 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

Other resources

Other material uploaded in Campus Extens

