Macroeconomics and Public Finance
Department of Public Policy
Winter Semester, 2014/2015

Lajos Bokros

Credits: 4
Assessment: 80 % exam, 20 % participation
Teaching format: lectures, seminars, individual contributions, open debate

Curriculum:

1/ Fiscality

- Characteristics of fiscal sector in an open economy
- Components of fiscal sector and administration
- Legal framework of the fiscal sector
- Treatment of state owned enterprises

2/ Taxation

- Theoretical underpinnings of taxation
- Direct taxes (taxation of factor income)
- Indirect taxes (taxation of business turnover)

3/ Public administration

- Constitutional arrangements
- Fiscal federalism
- Subsidiarity

4/ Public receipts and outlays

- Current and capital budgets
- Balance sheet of the fiscal sector
- Regular and extraordinary items
- Transfers, subsidies, allowances

5/ Components of the fiscal sector at the national level

- Central budget
- Extrabudgetary funds
- Social Security
- Integrity and flexibility in budgeting
6/ Financing and managing human infrastructure

- Pension systems
- Health care finance and management
- Public education
- Higher education

7/ Pension systems

- Publicly managed unfunded systems (PAYG)
- Privately or publicly managed funded systems
- Occupational pension schemes
- Regulation and supervision of pension funds

8/ Health care (HC)

- Reasons of asymmetric information in HC
- Demand and supply management in HC
- General practitioners, out-and-in-patient care
- Multipillar solutions in HC finance and administration

9/ Education

- Distinction between public and higher education
- Role of local governments in public education
- Higher education in a competitive market

10/ Financing subsovereign governments

- The four models of subsovereign finance
- Split and own revenues, transfers, subsidies
- Joint tasks financed by subsovereign alliances
- Asset and liability management

11/ The Open Economy

- Markets of good and services
- Financial and factor markets
- The four sectors of and open economy

12/ The Balance of Payments

- Current and capital accounts
- Change in short-term net foreign assets (reserves)
13/ The Flow of Funds
- Saving and investment position of various sectors
- Disposable income and domestic use of income
- Fiscal deficit and public debt
- External deficit and national debt
- Economic policy consequences

14/ Exchange rate regimes in an open economy
- Significance of e/r in monetary policy
- Free float and managed float
- Fixed e/r regimes
- Currency board arrangements

15/ Monetary and fiscal policy mix
- The impact of fiscal contraction and expansion
- The impact of monetary restrictions and easing
- The unholy trinity in monetary management
- Crisis management with macropolicy tools

16/ Crisis economics
- The subprime crisis in the US
- Misguided monetary policy in the US
- Ineffective regulation and supervision
- Toxic assets and international contagion
- Economic policy failures in the eurozone

17/ Structural weaknesses in the financial sector
- The concepts of liquidity and solvency
- Asset classification and risk management
- Resolution mechanisms in banking
- Prudential regulation and supervision

18/ Crisis management in transition economies
- Structural weaknesses of transition economies
- Impact of the European Union
- Impact of institutional arrangements
- Macropolicy alternatives in transition
Compulsory reading


Chapter 1. The General Trends and the Philosophy of Public Finance Reforms
Chapter 14. Wages and Employment in the Public Sector
Chapter 15. Sorting Out Intergovernmental Roles and Responsibilities

2/ Second Wave of Polish Reforms
edited by Lena Kolarska-Bobinska, Institute of Public Affairs, Warsaw, 2000

Chapter 2. Territorial Government Reform
Chapter 3. Healthcare Reform
Chapter 4. Social Security Reform: Old Age and Disability Pensions
Chapter 5. Changes in Education – Ideas and Conditions
Chapter 6. Changes in Higher Education

3/ Averting the Old Age Crisis. A World Bank Policy Research Report
Oxford University Press, 1994

Chapter 4. Public Pension Plans
Chapter 5. Occupational Pension Plans
Chapter 6. Personal Savings Plans – Becoming Mandatory
Chapter 7. Putting the Pillars Together

4/ Health Economics in Development
Philip Musgrove, editor, The World Bank, Washington DC, 2004

Chapter 2. Public and Private Roles in Health
Chapter 9. Criteria for Public Spending on Health

5/ Bruce F. Davie and Bruce F. Duncombe: Public Finance
Holt, Rinehart & Winston, Inc. 1972

Chapter 7. Taxes and Resource Allocation

6/ Olivier Blanchard: Macroeconomics. MIT
Prentice Hall, 2003

The Open Economy
Chapter 18. Openness in Goods and Financial Markets
Chapter 19. The Goods Market in an Open Economy
Chapter 20. Output, the Interest Rate, and the Exchange Rate
Chapter 21. Exchange Rate Regimes

Chapter 5. The Open Economy


Chapter 1. The Need for Reform
Chapter 2. Conceptual Foundations of the World Bank’s Perspective

9/ Liam Ebrill, Michael Keen, Jean-Paul Bodin, and Victoria Summers: The Modern VAT. International Monetary Fund, 2001

Chapter 1. The Nature, Importance, and Spread of the VAT
Chapter 2. Basic Design Issues

10/ Nicholas Barr: Labor Markets and Social Policy in Central and Eastern Europe The Accession and Beyond. The World Bank, 2005


Chapter 2. Exporting to grow
Chapter 3. Flighty foreign financing
Chapter 5. From bubble to bubble
Chapter 8. Reforming finance


Chapter 2. Blessings and perils of liberal finance
Chapter 3. Financial crises in the era of globalization
Chapter 4. From crises to imbalances
Chapter 7. Toward global reform

13/ Nouriel Roubini – Stephen Mihm: Crisis Economics Allen Lane, 2010

Chapter 2. Crisis economics
Chapter 4. Things fall apart
Chapter 9. Radical remedies