

TOPIC 1: ECONOMICS OF PUBLIC EXPENDITURE

EXERCISE 1

Discuss the following sentence: “*Public spending can help reduce inequalities. However, we need to know how to measure them and to what extent these expenses have to be different.*”

Why are the countries of the OECD (Organization for Economic Cooperation and Development) “modernizing” their way of understanding public management and, in turn, applying new techniques to control public efficiency? What happens in the case of Spain and the regions that comprise it?

EXERCISE 2

Comment on the following sentence: “*Certain public policies could reduce the participation of the middle classes in social spending and this would entail certain types of unexpected distributive effects.*” What is meant by middle classes?

How do the middle classes in developed OECD countries, including ours, participate in and benefit from the welfare state?

EXERCISE 3

Choose the correct answer for each of the following questions. There is only one correct answer:

- 1) What are the best explanatory theories of public spending growth?:
 - a) Demand theories.
 - b) Supply theories.
 - c) The answers a) and b), both are corrects.
 - d) None of the previous answers is correct.
- 2) According to most available empirical studies, the basic part of redistribution through the public sector is done by:
 - a) The public income side.
 - b) The public spending side.
 - c) The pension side.
 - d) None of the previous answers is correct.
- 3) According to the explanatory theory of public spending from the perspective of supply relative to incremental budgeting, this will not be very significant if:
 - a) More public spending is financed with debt.
 - b) More public spending is financed with a public deficit.
 - c) More public spending is financed with more fiscal pressure.
 - d) The budget is extended.
- 4) The inefficiency X in public spending is:
 - a) The waste of the human factor of its own capacity.
 - b) The waste of the own capacity relative to the best “technology”.
 - c) The waste of the capital factor of its own capacity.
 - d) None of the above answers is correct.

- 5) According to most of the available empirical studies, the basic part of the redistribution related to tax expenditures tells us that:
- a) They reduce inequality and are regressive.
 - b) They increase inequality and are regressive.
 - c) They increase inequality and are progressive.