



Economics and Public Finance Tutorial 7

- Topics:
 - Public Sector.
 - Scope and concepts in Public Administration.
 - **Political** decentralization (devolution).
 - **Administrative** decentralization.
 - National Accounting System and Public Sector Accounting.

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Bibliography

Readings:

In English:

See P.Pereira and Nunes, *Economia e Finanças Públicas: da Teoria à Prática*, Summary of Chapter 11 (translated) and slides Lecture 13.

In Portuguese:

Chapter 11 of both books (theory and exercises):

- Pereira et al (2015) *Economia e Finanças Públicas*, Escolar Editora
- Pereira, P. and Nunes, F. (2016) *Economia e Finanças Públicas: da Teoria à Prática*, Edições Almedina

- Datasets: Students are **starting the final COUNTRY exercise in this tutorial and will use EUROSTAT dataset**. A Guide on how to use

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Topics for discussion 1

Clarify the criteria for determining whether a given institution belongs to public administrations.



Topics for discussion 2

The internal structure of Public Administrations (PAs) in Portugal can, to a certain extent, be explained through the phenomenon of decentralization.

- a)** Explain, briefly, the characteristics of the PA sub-sectors.
- b)** What justifies the autonomy of Social Security as a sub-sector? Justify.



Topics for discussion 3

Considering the structure of both the Public Sector and Public Administrations, say how you would classify the following entities:

- a) University of Lisbon;
- b) Lisbon Hospital Center (*Centro Hospitalar de Lisboa Central, EPE*);
- c) Public Bank (Caixa Geral de Depósitos);
- d) General Directorate of the Budget (Ministry of Finance);
- e) Funchal (Madeira) Municipality.



Multiple Choice - 1

The **central government** consists of:

- a) Institutions from the direct and indirect administration of the State and Social Security.
- b) Institutions of the State's direct and indirect administration.
- c) Institutions of the direct and indirect administration of the State and of the indirect administration of the Autonomous Regions.
- d) Public entities that supply non-market goods and services.



Multiple Choice - 2

Which is a *false* statement. The institutions from indirect administration with autonomous administrative and financial autonomy in general:

- a) Have legal personality.
- b) Its leaders have only powers of daily management.
- c) They have own revenues.
- d) Have access to credit in certain situations.

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Multiple Choice - 3

The degree of centralization of public administrations of a unitary, that is, non-federal, (expressed as a percentage) can be given by:


- a) The ratio of central government expenditure (S1311) to GDPpm.
- b) The ratio of consolidated central government expenditure (S1311) to general government expenditure.
- c) One minus the ratio of local government expenditure (S1313) to general government expenditure.
- d) The ratio of consolidated expenditure on central government and social security in GDPpm.

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Exercise (Presentation)*

1. Obtain from the EUROSTAT database the following data on the public finances of a country in the Euro area to be indicated by the teacher:


- weight of the State in the economy (government expenditure in GDP);
- Weight and “structure” of public expenditure (weight of central government in GDP (**federal countries**) weight of central government and social security in GDP, **for unitary countries**)
- degree of political centralization of expenditure (central gov. and social security **if it is a Unitary State**, just central government if it is a **federal country**);
- gross public debt as a percentage of GDP from the Maastricht perspective;
- general government balance (capacity/borrowing);
- interest on public debt and primary balance.

See, in Fénix, Excel Tutorial 7 with names of variables and a Note about the distinction of unitary and federal countries.

* This exercise contributes and forms part of the preparation for the final group work. Revised version with a distinction of unitary countries and federal countries.

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Exercise (Presentation)*

2. Characterize the weight of the State in the Economy in 2010, 2019 and 2020, and the past trends and the situation of the public finances of that member state in the years 2015 to 2020. Identify some problems facing this country. Compare this country with the average for Euro area countries. Analyze the impact of COVID on the country's public finances in 2020.

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