

# Empirical Analysis of Economy and Public Finances of EU countries

Course: Public Economy and Finance/Economia e Finanças Públicas

## Some notes for tutorial 7 Exercise

Students should have access and know how to extract data from two distinct databases: EUROSTAT and AMECO. The first is used for Tutorial 7 and both are needed for the final assignment of the chosen country. In order to do that, we wrote two guides, one for each database (see online I Fenix). Additionally, to better identify the variables in both datasets we clarify in Excel available in Fénix – Exercise Tutorial 7 – the label of each relevant variable and in which dataset is included.

Some additional comments about tutorial 7 given the distinction **between federal and unitary countries** (a slight change to take account of unitary and federal countries was introduced in Tutorial 7 last slide):

**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);**
- From EUROSTAT
- **Weight<sup>1</sup> and “structure” of public expenditure:**
- **Weight: public expenditure on GDP – from EUROSTAT**
- **“Structure” A distinction has to be made between **Unitary** and **federal** countries,**
- In **unitary countries** you can calculate the ratio of central government & social security in GDP because there are only two tiers of government and you have information (EUROSTAT) of general government expenditure on GDP and Regional & Local governments’ expenditure on GDP.
- In **federal countries** you can obtain the ratio of central government to GDP directly from (EUROSTAT) but you cannot calculate the ratio of central government and social security on GDP
- **and degree of political centralization:**
- In **unitary countries** you can calculate **the degree of political centralization of general government- the ratio of central government & social security expenditure on general government expenditure** - because there are only two tiers of government

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<sup>1</sup> The word weight is not written in the exercise, but in reality we ask also the weight, as can be understood by the following text of the exercise

and you have information (EUROSTAT) of general government on GDP and Regional & Local governments on GDP. *You have to devise how!*

- In **federal countries** you cannot obtain the degree of political centralization. But you can and you should get the data and calculate the **political centralization of central government (the ratio of central government expenditure on general government expenditure)**
- **gross public debt as a percentage of GDP from the Maastricht perspective;**  
get the data from EUROSTAT (see Excel)
- **general government balance (capacity/borrowing);**  
net lending/net borrowing as % of GDP  
**interest on public debt (as % of GDP)**  
get the data from EUROSTAT (see Excel)  
**and primary balance. (as a % of GDP)**  
data not available from EUROSTAT, *please calculate and explain how.*