

Cairo University
Faculty of Economics and Political Science
The Euro-Mediterranean Studies Program

Euro Mediterranean Studies
EMS 802: Economics of Public Finance in Europe and Mediterranean Countries
Academic Year 2016/2017

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Office Hours: Sundays 16.00 – 17.30, Office 81, 4th Floor

Sundays: 17.30 – 20.30

❖ **Pre-requisites:**

Introductory microeconomics and macroeconomics. A refreshment of basic tools will be provided at the beginning of the course.

❖ **Course Objectives:**

This course is designed to help students understand the different aspects of the fiscal organization in the EU and Arab Countries. The course will focus on five main themes: 1) Theories underlying major fiscal policy debates; 2) how to construct budget plans; 3) tax policies, 4) the impact of government expenditures on income redistribution, and 5) economic considerations of social security.

❖ **Learning Outcomes**

Upon successful completion of this course the student will be able to: Provide arguments for the case of government intervention in an economy; Identify both market failure and government failure; Distinguish between public and private goods; Identify externalities and their impacts; Critically evaluate the concepts of equity and efficiency as a basis for decision making in taxation and public expenditure; Distinguish between tax avoidance and tax evasion; Analyze specific policy issues in the area of public expenditure and taxation from the perspectives of both traditional public finance and public choice; Critically evaluate systems of taxation and proposals for tax reform; Explain the planning and budgeting process in EU and Mediterranean countries.

❖ **Course Design and Content:**

The course covers the main economic theories of public sector; the design of public policy and the scope and limitations of public economic policy. In addition, it examines: the role of government in economies of the European Union and Mediterranean countries; Taxation, both direct and indirect, and its impact on the economy. The course focuses on analyzing the effects of expenditure programs and taxation policies on the economic behavior of households and firms. The role of public policy in achieving development will be examined. The efficiency and equity effects of public policy will be discussed. Special emphasis will be placed on issues and challenges facing European Union and Mediterranean countries.

The Course Structure and Readings are described below.

❖ **Course Structure and Readings:**

Week & Date	Topic	Readings
Section 1: Theories of Public Finance		
<u>Week 1</u> Feb. 12	<ul style="list-style-type: none"> - Introduction - Public Finance and a Review of Basic Concepts: Resource Allocation, Redistribution, Stabilization, Dynamic Optimization, The Failure of Government. - The Role of the State in Fiscal Theory 	<p>Required Readings*</p> <ul style="list-style-type: none"> - (Ihori, Toshihiro, 2017), Ch.1, Pp 1-5 - (Musgrave, Richard, 1998,) Ch1, Pp 35-50
<u>Week 2</u> Feb. 19	<ul style="list-style-type: none"> - Understanding Fiscal Management and its implications on the Euro-Med Area. - The Problem of Public Debt Issuance - Balanced-Budget Policy 	<p>Required Readings*</p> <ul style="list-style-type: none"> - (Ihori, Toshihiro, 2017), Ch.6, Pp 139-146
<u>Week 3</u> Feb. 26	<ul style="list-style-type: none"> - The Public Pension its implications in the Euro-Med Area. - Justification of the Public Pension: Income Redistribution. - The Failure of Private Pensions. - The Efficiency of a Compulsory Public Pension. ❖ Economic Effect of the Public Pension: The Funded System and The Pay-AS-You-GO System 	<p>Required Readings*</p> <ul style="list-style-type: none"> - (Ihori, Toshihiro, 2017), Ch.7, Pp 169-173
- Section 2: The Theory of Taxation and Income Redistribution		
<u>Week 4</u> Mar. 5	<ul style="list-style-type: none"> - The Theory of Taxation - Taxation in Eu and Mediterranean area 	<p>Required Readings*</p> <ul style="list-style-type: none"> - (Ihori, Toshihiro, 2017), Ch.8, Pp 205-227

<u>Week 5</u> Mar. 12	- Income Redistribution and its implications in Southern Mediterranean Countries.	Required Readings* - (Ihori, Toshihiro, 2017), Ch.10, Pp 267-293
Section 3: Growth, Unemployment, and Public Spending		
<u>Week 6</u> Mar. 19	- Public Spending and the Political Process in Southern Mediterranean Countries.	Required Readings* - (Ihori, Toshihiro, 2017), Ch.12, Pp 329-361 - (El-Agraa, 2015)
<u>Week 7</u> Mar. 26	- Local Public Finance	Required Readings* - (Ihori, Toshihiro, 2017), Ch.13, Pp 363-398 - (El-Agraa, 2015)
<u>Week 8</u> Apr. 2	- Growth, Unemployment and Public Finance in European Countries.	Required Readings* - (van der Ploeg, Frederick, 1998), Ch.5, Pp 126-150 - (El-Agraa, 2015)
<u>Week 9</u> Apr. 9	- Growth, Unemployment and Public Finance in Arab Countries.	Required Readings* - (van der Ploeg, Frederick, 1998), Ch.5, Pp 126-150.
Section 4: Budget and Structural Policies in Euro Mediterranean Area		
<u>Week 10</u> Apr.16	- The EU and fiscal federalism - The EU and fiscal federalism - Budget rules and procedure - EU budget revenue - EU budget expenditure	Required Readings* - (El-Agraa, 2007), Ch.19, Pp 353-365
<u>Week 11</u> Apr.23	- Net contributions to the EU Budget - The EU budget and EMU - The EU budget and enlargement	Required Readings* - (El-Agraa, 2007), Ch.19, Pp 366-370 - (El-Agraa, 2015)
<u>Week 12</u> Apr. 30	- The Fiscal Policy in Arab Countries - Budget rules and procedure in Arab Countries - Arab budget revenue - Arab budget expenditure	Required Readings* - (OECD, 2010)
<u>Week 13</u> May. 7	- Net contributions to the Arab Budget.	Required Readings* - (OECD, 2010)
<u>Week 14</u> May. 14	- Final Discussion	

***Required Readings:**

- El-Agraa, A. M. (2007). *The European Union- Economics and Policies* (8 ed.). United States of America: Cambridge University Press.
- El-Agraa, A. M. (2015). *The European Union: Illuminated- Its Nature, Importance and Future* (1 ed.). UK: Palgrave Macmillan.
- Ihuri, T. (2017). *Principles of Public Finance*. Singapore: Springer Science+Business Media Singapore.
- Krugman, P. R., Obstfeld, M., & Melitz, M. J. (2012). *International Economics- Theory & Policy* (9 ed.). United States of America: Addison-Wesley.
- Musgrave, R. A. (1998). Tax Policy in the Nordic Countries. In P. Birch, *Public Finance in a Changing World* (pp. 35-50). London: MACMILLAN PRESS LTD.
- OECD. (2010). *Progress in Public Management in the Middle East and North Africa: Case Studies on Policy Reform*. OECD.
- van der Ploeg, F. (1998). Unemployment and Public Finance in Europe. In P. Birch, *Public Finance in a Changing World* (pp. 126-150). London: Macmillan Press Ltd.

Useful links for material and data about the EU:

- <http://ec.europa.eu/trade/policy/countries-and-regions/statistics/>
- <http://www.ecb.europa.eu/home/html/index.en.html>
- https://www.wto.org/english/res_e/statis_e/tradebyregion_e.htm
- <http://data.worldbank.org/data-catalog/world-development-indicators>
- <http://www.oecd.org/>

❖ Evaluation:

▪ Presentation (20 minutes)	10
▪ Short Paper (approx. 5000 words, excluding reference/ tables/ charts/. etc.) – Paper Deadline: Week 12.	10
▪ Participation in class discussions during all teaching weeks	10
▪ Final Exam	70
Total	100

Note on Cheating and Plagiarism: Neither will be tolerated. All assignments, exams, and papers for this class are individual work. No notes of any sort may be used on assignments and exams. By handing in a paper, each student is affirming that this paper is her/his own personal work and that it was written by her/him.