**MACROECONOMICS AND PUBLIC FINANCE**

**Lajos Bokros**

**Winter Term, 2022/2023**

Credits: 4

Assessment: 80% exam, 20% participation

teaching format: lectures and seminars combined

Curriculum:

1. **The Open Economy**

* markets of goods and services
* factor markets: labor and capital
* free flow of ideas and information

2. **The 4 sectors of the open economy**

* utility function of domestic sectors
* the role of the external sector
* the impact of globalization

3. **Flow of Income in an open economy**

* savings and investments
* domestic use and disposable income
* fiscal stance versus external position

4. **Growth and financial equilibrium**

* role of domestic savings
* role of enterprise investments
* role of external savings

5. **Net foreign assests**

* change in short term foreign financial assets
* the role of foreign exchange reserves
* sovereign wealth funds (SWFs)

6. **Currency convertibility**

* current account convertibility
* capital account convertibility
* currency „manipulation”

7. **Public debt and external debt**

* four possible scenarios
* debt sustainability
* debt as economic policy constraint

8. **Pro-cyclical and anti-cyclical policies**

* the business cycle
* four possible fiscal responses
* the impact on growth and equilibrium

9. **The impossible trinity in monetary policy**

* interest rates (i/r) & exchange rates (e/r)
* fixed and floating e/r regimes
* currency board and currency union

10. **Three elements of eonomic policy**

* monetary policy
* fiscal policy
* income policy

11. **Optimal macropolicy mix in a small, open economy**

* fiscal contraction with monetary expansion
* monetary contraction with fiscal expansion
* the role of income policy to regain competitiveness

12. **Institutions behind economic policy**

* central bank
* parliament, government, MoF
* interest reconciliation mechanisms

13. **Fiscality**

* policy and politics in fiscal issues
* fiscal sector components
* stock and flow in fiscal accounts

14. **Legal framework of government budgeting**

* law on public finance
* budget law per year
* Parliamentary Audit Office

15. **Structure of central government budgets**

* central budget
* extrabudgetary funds
* social security system

16. **Subsovereign governments**

* the legal status of subsovereign governments
* division of labor among levels of government
* mandatory and freely chosen tasks

17. **4 models of subsovereign finance**

* local taxes and central transfers
* dedicated and block transfers
* taxing and spending autonomy

18. **Subsovereign debt management**

* bankruptcy and liquidation
* regulation of subsovereign borrowing
* the integrity of fiscal borroving

19. **Taxonomy of taxation**

* direct and indirect taxes
* tax base, tax rate, tax stage
* tax regime requirements

20. **Direct taxes**

* income taxes: personal and corporate
* asset taxes: financial and non-financial
* migration of the tax base; harmonization

21. **Indirect taxes**

* single-stage taxes: consumption and excises
* multiple-stage taxation: VAT
* tax distortions and tax cascading

22. **Education**

* mandatory and voluntary segments
* the problem of excess demand
* financing models and alternatives

23. **Mandatory education**

* the role of subsovereign governments
* division of labor between different levels
* capitation financing based taxation or transfers

24. **Higher education**

* academic freedom: insider management
* financial discipline: outsider management
* multi-chanel financing

25. **Pension systems**

* pay-as-you-go system: origin and characteristics
* vulnerability of PAYG: demography and tax avoidance
* parametric and paradigmatic reforms

26. **Parametric reforms**

* retirement age and contribution rate
* substitution rate and indexation
* transitional arrangements

27. **Multipillar pension systems**

* mandatory and voluntary private pension
* PAYG versus funded systems
* capital market and investment rules

28. **Health care systems**

* input and output: in-kind and financial services
* the problem of information asymmetry
* consequences of information asymmetry

29. **Segments of health care provision**

* general practitioner
* out-patient and in-patient specialized care
* prevention and rehabilitation

30. **Multi-chanel financing of health care**

* central budget and social security
* mandatory and voluntary private funding
* co-payment at the point of sale