**Ludger Schuknecht Application form:**

**Box 1:课程简介**

This course is directed at Master or advanced Bachelor students as a way of learning about the role of the state in the economy in a manner that combines theoretical and empirical learning with practical experiences, case studies, debates and most of all much student engagement.

**Box 2 教材or 3 参考书**

References:

Ludger Schuknecht (2020) Public Spending and the Role of the State. Cambridge: Cambridge University Press.

Ludger Schuknecht (2022) Debt Sustainability—A Global Perspective. Forthcoming in: Cambridge Elements of International Economics (pdf will be provided if the study is not out before the start of the semester)

**Box “Teaching Method” 教学方式**

The course would start with 1 or 2 lecture sessions with interactive discussions before turning to more mixed formats with lecture elements, student presentations and student discussions.

Student contributions would, therefore, include presentations (academic, to policy makers, in panels, or other formats), classroom participation plus paper/examen paper. This should be discussed after the first and second session.

Enrolment is limited to 25 students to allow for sufficient interaction.

**Box “Content”主要内容 及对应学时**

Objective: convey a sound economic and policy understanding regarding the role of the state and public expenditure. This includes theoretical and empirical concepts and extensive applications and policy discussion on the history of public spending, government “performance” and reform, fiscal sustainability and fiscal risks, financing constraints for government, and the role of fiscal rules from a comparative international perspective.

1. The role of the state and public expenditure, government performance and trust, the history and composition of spending.

*Applications: trust, public spending and performance measurement, a comparative perspective on countries and country groups, policy discussion*

1. Government performance and efficiency: concepts, indicators and measurement, country comparisons and case studies, policy discussion.

*Applications: country comparisons, case studies (possibly student presentation)*

1. How to stabilise the economy: Automatic stabilisers versus activist policies, expenditure reform experiences

*Applications: multipliers, non-Keynesian and super-Keynesian effects; case studies in Asia and Europe, with student presentations, policy discussion*

1. Social spending and population aging: spending and trends, contingent and implicit liabilities and their measurement, crowding out of other spending, the risk of “social dominance”

*Application: social spending categories and policies, welfare system pros and cons*

1. Fiscal-financial risks: financing costs and constraints of government, asset price cycles and financial crises, role of central banks, international linkages/financing and safety nets

*Application: debt simulations, case studies on financial vulnerabilities*

1. Fiscal rules: fiscal rules for aggregates (deficits, debt, spending) and the budget process (spending reviews, fiscal risk assessment, fiscal councils, etc.), debt restructuring

*Application: case studies on success and failure of rules and debt restructuring*

1. Debt sustainability and its determinants (debt, population aging and fiscal crisis, other factors methodologies of debt sustainability analysis)

Application to EU, China?

1. Current challenges on expenditure policies: Mastering climate change, public spending post-COVID, the European versus the Asian model

**Box “Grading”成绩评定**

The grades will be based on the following criteria: attendance (5%), class participation (25%), presentation (30%), paper/exam (40%)

**Options for Teaching Modules**

This course (or course module) should be directed at Master or advanced Bachelor student as a way of learning about the role of the state in the economy in a manner that combines theoretical and empirical learning with practical experiences, case studies, debates and most of all much student engagement.

In this „lighter” format than a pure lecture, student contributions would focus on country/regional experiences, controversial debates with role plays, presentations to (mock) senior officials and possibly other formats, plus short write ups of their contributions in different formats.

The course would as desirable and available, include contributions from outside debaters, “clients” and advisers, but not outside lecturers. It could also be done in conjunction with a university partner, complementing e.g. a public finance or related course.

Different lengths and approaches are possible: combined with existing courses, half or full semester course, modules of different lengths

1. **Course Outline “Public Spending and the Role of the State” (2 hours x 8 or 16)**

Objective: convey a sound economic and policy understanding regarding the role of the state, public expenditure, and change. This includes theoretical and empirical concepts and extensive applications and policy discussion on the history of public spending, government “performance” and reform, fiscal sustainability and fiscal risks, financing constraints for government, and the role of fiscal rules from a comparative international perspective.

Topics:

1. The role of the state and public expenditure, the classical and Keynesian perspective on the role of public spending/the state; public expenditure, government performance and trust.

*Application: trust, spending and performance measurement, correlation vs causality*

1. The history of public expenditure and the history of ideas: the 19th century, the 20th century until about 1960, the Keynesian revolution, the counter revolution, return of fiscal activism.

*Application: position of today’s countries and country groups*

1. What do governments do and what do they spend their money on, how do they finance themselves: concepts and facts about expenditure composition and classification.

*Application: country comparisons on expenditure composition, policy discussion*

1. Government performance and efficiency: concepts, indicators and measurement, country comparisons and case studies, policy discussion.

*Application: country comparisons and case studies*

1. Automatic stabilisers versus activist policies: definition, relevant spending (and tax) categories, stabilisation and multipliers, non-Keynesian and super-Keynesian effects. *Application: simulations, case studies, policy discussion*
2. Expenditure reforms and implications for the economy: identification and measurement of fiscal and expenditure reforms, history of reforms, facts and myths.

*Application: case studies in Asian and European financial crises*

1. “Optimal” size of the state: the literature, concepts and measurement, trade-offs and priorities.

*Application: comparison across country groups, cases, policy discussions*

1. Social spending and population aging: spending and trends, contingent and implicit liabilities and their measurement, crowding out of other spending, the risk of “social dominance”

*Application: sustainability analysis*

1. Fiscal-financial risks 1: financing costs and constraints of government, asset price cycles, banking and non-bank financial systems and crisis, role of central banks, international linkages/financing and safety nets

*Application: debt simulations, case studies on financial vulnerabilities*

1. Fiscal rules: fiscal rules for aggregates (deficits, debt, spending) and the budget process (spending reviews, fiscal risk assessment, fiscal councils, etc.), debt restructuring

*Application: case studies on success and failure of rules and debt restructuring*

1. Debt sustainability and its determinants (debt, population aging and fiscal crisis, methodologies of debt sustainability analysis)

Application to EU, China?

1. Other determinants of debt sustainability (size of government, growth perspective, financial imbalances, international interdependence)

*Application: where do we stand today*

1. Mastering climate change: mitigation and the market/price mechanism, social and political economy issues; adaptation; sustainability implications

*Application: a sustainable decarbonisation agenda*

1. Scenarios of debt reduction (consolidation and reform, workouts, financial repression, crisis)

Application: Historical experiences

1. Expenditure policy and the Asian experience

Application: Who were the old, who will be the new tigers?

1. Public expenditure post COVID-19: what have we learnt, what would we advise? Stock taking of fiscal situation and perspective, the case for more vs less debt and spending, how to evaluate and mitigate future risks, lessons for Asia.
2. **Module (6-12 hours)**

Public spending and the role of the state

1. Role of government and manifestation in overall spending and spending composition, history of spending, link with financing and debt
2. Assessing government performance and efficiency, case studies of government reform, optimal size of government
3. Fiscal risks from population aging, financial crises, climate change and debt sustainability
4. Role of fiscal rules and budgetary institutions
5. **Module (6-12 hours)**

Debt sustainability a global challenge

1. Debt sustainability and its determinants (debt, population aging and fiscal crisis, methodologies of debt sustainability analysis)
2. Other determinants of debt sustainability (size of government, growth perspective, financial imbalances, international interdependence)
3. Scenarios of debt reduction (consolidation and reform, workouts, financial repression, crisis)

**Literature**:

Based on “Public Spending and the Role of the State”, Cambridge University Press 2020 and further literature, “Debt sustainability—A global challenge”, forthcoming in Cambridge Elements in International Economics, 2022 and further literature