



Economics and Public Finance

Tutorial 8

- Topics:
 - The Accounts and Balances of General Government.
 - Accounts consolidation.



Bibliography

Readings

- Slides from **T13, T14**



Topics for discussion - 1

Explain what is the consolidation of current spending within the four general government sub-sectors, and what is its purpose.



Topics for discussion - 2

Distinguish, in general terms, the **Public Accounts** and the **National Accounts** methodology.

Clarify why the National Accounts is more appropriate to assess the fiscal position of a country.



Multiple Choice Question - 1

The total budget balance of the general government is given by:

- a) The sum of the balances of the State and Social Security.
- b) The sum of the balances of the three sub-sectors.
- c) The sum of effective revenues minus the sum of effective primary spending in the three sub-sectors.
- d) Total revenue minus total spending of public administrations and state enterprises.



Multiple Choice Question - 2

The primary balance is given by:

- a) Current revenues minus primary spending.
- b) Effective revenues minus effective spending, excluding interest payments.
- c) Primary revenue minus primary spending.
- d) Total balance minus government debt.



Multiple Choice Question - 3

The degree of decentralisation of the general government is given by:

- a) The ratio of consolidated central government spending over GDP.
- b) The ratio of consolidated central government spending over total general government spending.
- c) The ratio of consolidated central government and social security spending over total general government spending.
- d) The ratio of consolidated spending of local and regional government over total general government spending.



Exercise 1

Using the table in the next slide:

a) Compute:

- i)* the consolidated values of current revenue and current spending, current transfers, the current balance, the capital balance and the total balance. Assess the results;
- ii)* the primary and total balances for each subsector.

	Central Administration	Local and Regional Governments	Social Security	Public Administration
1. CURRENT REVENUE	53644,7	6533	17972,2	?
1.1. Direct taxes	11525,8	2414,2	0	13940
1.2. Indirect taxes	19178,9	1021,1	592	20792
1.3. Social security contributions	5973	6,6	11037,3	17016,9
1.4. Other current revenue	16967	3091,1	6342,9	?
(of which: transfers from other sub-sectors)	11699,4	1783,6	4971,8	
	0			
2. CURRENT SPENDING	59268,5	5713,3	17640,6	?
2.1. Public consumption	26350,5	5065	492,3	31907,8
2.2. Subsidies	2275	146,4	505,1	2926,5
2.3. Interest payments	4019,2	129,4	6	4154,6
2.4. Current transfers	26623,8	372,5	16637,2	?
(of which: transfers to other sub-sectors)	17347,1	34,2	1073,6	
	0			
3. CURRENT BALANCE	-5623,8	819,7	?	?
	0			
4. CAPITAL REVENUE	2897,1	2502,9	33,4	3314,8
(of which: transfers from other sub-sectors)	555,8	1546,6	16,2	
	0			
5. CAPITAL SPENDING	5039,6	3357,2	67,2	6345,4
5.1. Investments	1253,1	2957,2	31,8	4242,1
5.2. Capital tranfers	3757	375,7	35,4	2049,5
(of which: transfers to other sub-sectors)	2098,4	11,8	8,4	
5.3. Other capital spending	29,5	24,3	0	53,8
Effective total revenue	56541,8	9035,9	18005,6	?
Effective total spending	64308,1	9070,5	17707,8	?
6. TOTAL BALANCE	?	-34,6	297,8	?
7. PRIMARY BALANCE	?	94,8	303,8	-3348,4

Source: Portuguese Budget.



Exercise 2

Consider the following estimates for the Public Administrations (public accounts recording for 2009, next slide):

- a)** Determine, presenting your calculations: effective spending; total and primary balance (consolidated) for the subsector Central Administration. Explain the meaning and relevance of these balances.
- b)** Consider the need for an improvement of the total balance of 2.000 million EUR and that the subsector Central Administration will contribute to that improvement proportionally to its share in total government spending. Compute that contribution.

Million EUR	Central Admin.	Local and Regional Gov.	Social Security	Public Admin.
CURRENT REVENUE	63.945,80	7.889,20	23.640,30	70.968,20
Direct taxes	15.296,60	3.329,30	0	18.625,90
Indirect taxes	22.291,00	988,3	713,1	23.992,30
Social security contributions	4.029,30	11,3	13.865,90	17.906,40
Other current revenue	22.328,90	3.560,40	9.061,30	10.443,60
(of which: transfers from other sub-sectors)	15.505,40	1.992,80	7.008,90	(-)
CURRENT SPENDING	67.156,90	7.280,90	22.039,10	71.969,90
Public consumption	24.630,00	6.137,50	508,7	31.276,20
Subsidies	1.941,80	199,9	1.168,00	3.309,70
Interest payments	5.720,50	294,5	10	6.025,00
Current transfers	34.864,50	649	20.352,50	31.359,00
(of which: transfers to other sub-sectors)	23.501,90	21,1	984	(-)
CAPITAL REVENUE	3.620,50	2.395,20	67	3.806,50
(of which: transfers from other sub-sectors)	701,80	1.563,90	10,7	(-)
CAPITAL SPENDING	5.702,30	3.511,80	113,5	7.051,10
Investments	1.457,70	2.982,20	47,6	4.487,50
Capital tranfers	3.778,90	463,4	65,8	2.031,70
(of which: transfers to other sub-sectors)	2.268,20	8	0,2	(-)
Other capital spending	465,60	66,3	0	531,9

Source: Portuguese Budget, 2009.