

Infrastructure Economics and Policy

2011/12. 2nd term.

Instructors:

Oriol Roca (1st part), Javier Asensio (2nd part).

Course contents and objectives:

This course carries out an economic analysis of infrastructures and is divided in two parts. The first part discusses the economic effects and the optimal level of infrastructure provision, as well as its policy implications. The second part deals with the management role of public and private sectors, focusing on the deregulation process that has taken place in recent years. The emphasis of the course is empirical, with detailed examples and case studies to show the economic consequences of alternative policy designs.

Assessment:

Final exam, with questions from both parts of the course:	65%
Two essays, to be chosen from a list that that will be provided by the instructors:	35%

Course outline

First part (5 sessions, Oriol Roca)

1. Introduction: economic importance of infrastructures
Economic impact of public infrastructures: demand and supply effects, net and spillover effects, crowding out effects and distributive effects.
2. Infrastructures and economic growth
Models used to investigate the relationship between infrastructure and economic activity: Input Output Models, Econometric Models.
3. Decision-making on infrastructure provision
Cost Benefit Analysis and beyond.

Second part (5 sessions, Javier Asensio)

4. Models of public-private infrastructure management

The problem of monopoly in infrastructure provision and the range of possible solutions. Public provision of infrastructures and reasons for privatization.

5. Infrastructure provision with private contracts and concessions

Private contracts. Infrastructure concessions and the renegotiation problem. Public Private Partnerships (PPPs).

6. Infrastructure regulation and competition

Infrastructure regulation: rate of return & price cap. Vertical unbundling and the introduction of competition.

Bibliography:

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- Engel, E., R. Fischer and A. Galetovic, The economics of infrastructure finance: Public-private partnerships versus public provision, *EIB Papers*, 15 (1), 2010.
- Gómez-Ibáñez, J. A., *Regulating infrastructure. Monopoly, contracts and discretion*, Harvard University Press, 2003.
- Gramlich, E.M. Infrastructure investment: A review essay. *Journal of Economic Literature*, Vol. XXXII, 1176-1196, 1994.
- Guasch, J.L. *Granting and Renegotiating Infrastructure Concessions: Doing it Right*, The World Bank, 2004.
- Kessides, I. N., *Reforming infrastructure : privatization, regulation, and competition*, Oxford University Press – The World Bank, 2004.
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