Public finance
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COURSE AIMS AND INTENDED LEARNING OUTCOMES

The course aims to introduce the students to the main concepts of public economics and public finance by means of microeconomic analysis and by illustrating relevant empirical data. The standard economic rationales for government intervention in market economies will be presented along with its possible Pareto improving effect on welfare. The trade-off between the potential welfare-enhancing government intervention and the distortionary effects of its policy instruments will be discussed. The course covers market failures, political economy, tax policy and inequality, social insurance programs, social security, efficiency of taxation, the impact of taxes on economic behavior, and the interaction between different levels of government. Emphasis will be devoted to allowing direct student interaction with the models presented by means of mathematical software.

At the end of the course students will:
– Understand the main drivers of government interventions, public goods, externalities and public expenditures;
– Know theories that explain the role of government in the provision of welfare programs, social insurance, and in redistribution policies;
– Be aware of stylized facts about key economic variables that have historically motivated government intervention and how the change of the variable dynamics is likely to affect government programs in the future;
– Know key concepts characterising types and properties of taxes and subsidies that might be implemented by the state, their impact on economic behaviour and their effects on welfare;
– Be able to explain the economic contents and trade-offs captured by the models presented, discuss their assumptions, relevance, and limitations;
– Have skills to use the model presented in the course as a framework to evaluate the current policy debate (scientific literature, project reports, journal articles, etc.) critically and in an informed fashion;
– Be able to integrate the content of the course in their academic work, for example in analyses that are part of their bachelor's thesis.

COURSE CONTENT

1stpart

- Introduction to public finance, review of analytic and empirical tools;
- Role of Government, Market Failures, Externalities;
- Political Economy;
- Social Security, Life-Cycle model and the Retirement Problem, Social Security Systems, Effects of Social Security on Economic Decisions;
- Health Care, Externalities of Health Care Provision, Insurance, Private/Public Provision of Health Insurance;
- Public Finance in a Federal System.

2ndpart

- Framework for Tax Analysis;
- Tax Progressivity, Tax incidence and Tax Efficiency in Partial Equilibrium Setting, Optimal Taxation of Commodities and Income, effect of Personal Taxation on Labour Supply, Tax Compliance and Enforcement;
- Inequality and Redistribution;
- Rationales for income redistribution, Expenditure Incidence, In-Kind vs. Cash transfer, Income Maintenance and Work incentives;
- Optimal Taxation of Income;

READING LIST

H. ROSEN-T. GAYER, *Public Finance,* McGraw Hill Education. You are welcome to buy any edition of the textbook.
Chapters[1]: 3, 4, 5, 6, 7, 9, 10 11, 12, 13 (pp.270-280), 14 (pp. 296-313), 15 with Appendix A, 16, 18 (pp. 407-423), 22 (pp. 499-510)
The exam will be based on the material from the slides, excercises and SageMath notebooks. The slides are not self explanatory and attending lectures is highly recommended. The textbook is intended to provide a wider understanding of the course program and is essential for the non attending students. All the material required for the exam will be available on Blackboard.

TEACHING METHOD

Lectures and exercise practice. The materials used in lectures and exercises consist of slides and SageMath notebooks
If distance learning will be the only option available, the teaching method will be based on recorded lectures and interactive webinars.

ASSESSMENT METHOD AND CRITERIA

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[1] Chapters and pages refer to the Tenth Global Edition (2014) of the book.

The exam will be written and will include both open questions and exercises. Answer to open questions might entail the illustration of a relevant economic model, its application to different scenarios and the illustration of its economic interpretation. Exercises will test the proficiency of the student in using the model to analyze positive and normative questions. The student is expected to prove a good working knowledge of all the material covered by the course. The exam will be closed-notes, only pen, calculator and ruler allowed.

If distance examination will be the only option available, the evaluation will be based on a blackboard test and an oral exam.

During the term where the lectures are held, students may take a midterm exam. The midterm exam will be on the *1stpart* material and its grade will be from 0 to 30. If the midterm grade is $\geq$ 18, the student has the possibility to accept it. In this case the midterm grade will account for 50% of the final grade while the other 50% will be assessed on the *2ndpart* part of the course material only. The midterm grade will be valid until the last Summer round of exams. A student who rejects the midterm grade (at any point in time), getting a midterm grade < 18 or not taking the midterm exam, will be graded on an exam covering the whole course program.

NOTES AND PREREQUISITES

Microeconomics, macroeconomics, and mathematics.

In case the current Covid-19 health emergency does not allow frontal teaching, remote teaching will be carried out following procedures that will be promptly notified to students.

Contacts

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