Public finance 2018/2019 – Second Part

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Office Hours: Upon request in the timeslot 17:00-19:00, Tuesday

COURSE AIMS

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 course covers tax policy and inequality, social insurance programs, efficiency of taxation, the impact of taxes on economic behavior, and the interaction between different levels of government. 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. Emphasis will be devoted to allowing direct student interaction with the models presented by means of mathematical software.

Students will learn:

Theories that explain the role of government in the provision of social insurance, welfare programs and in redistribution policies.

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.

Key concepts characterising types and properties of taxes and subsidies, that might be implemented by the state, their impact on economic behavior and their effects on welfare.

At the end of the course students will be able to:

Explain the economic contents and trade-offs captured by the models presented, discuss their assumptions, relevance, and limitations.
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.

Integrate the content of the course in their academic work, for example in analyses that are part of their bachelor's thesis.

COURSE PREREQUISITES: microeconomics, macroeconomics, and mathematics.

COURSE CONTENT

- Social Security
  Life-Cycle model and the Retirement Problem, Intertemporal Consumption, Social Security Systems, Effects of Social Security on Economic Decisions
- Inequality and Redistribution
  Rationales for income redistribution, Expenditure Incidence, In-Kind vs. Cash transfer, Income maintenance and work incentives
- 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 Labor Supply, Tax Compliance and Enforcement
- Public Finance in a federal system
  The Teibout Model, Centralized vs. Decentralized Systems

READING LIST[1]

H. ROSEN-T. GAYER, *Public Finance,* Tenth Global Edition, McGraw Hill Education, 2014.

Chapters: 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 and 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.

OUTLETS FOR MATERIALS

Blackboard
www.dgdi.me/#teaching (various info and links to material)
Repository of Notebooks: https://github.com/dgdi/public_finance_2018_2019

TEACHING METHOD

Class lectures and class exercises, SageMath notebooks.

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[1] The books in the reading list are available for purchase at the library of the University; books can be purchased from other resellers too.

ASSESSMENT METHOD

Written exam with open questions/exercises. Answer to open question might entail both the illustration of a relevant economic model, provide its economic interpretation and use it to derive the model implications relative to different scenarios. 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:

Two open questions and one exercise, two hours time, closed-notes, only pen allowed.

Dates:

1° Summer, 26/06/2019, 15:00, Location: TBA

2° Summer, 10/07/2019, 15:00, Location: TBA

1° Fall, 30/08/2019, 15:00, Location: TBA