**Public Economics: Pensions**

## Prof. Gilberto Turati

***COURSE AIMS AND INTENDED LEARNING OUTCOMES***

The course aims to provide students with the necessary basic concepts to understand the reasons behind the existence of public systems of social security and their main features. At the end of the course, students will be able to:

– demonstrate an understanding of the theoretical reasons justifying public intervention in the field of social security starting from failures of private insurance markets;

* demonstrate an understanding of the historical trend of pension spending and of the main public finance aggregates in Italy;

– recognise the different models for the Welfare State and the role of pension systems in these models;

– be familiar with the historical development of pension systems and the main categories of pensions contemplated by the Italian legal system;

– demonstrate an understanding of the reasons for and the interventions of the main reforms in public pensions in Italy;

– demonstrate an understanding of the microeconomic and macroeconomic aspects of the pay-as-you-go systems and fully-funded systems;

– demonstrate an understanding of the different means for computing pensions (defined-benefit and defined-contribution methods);

– demonstrate an understanding of the role of the private pension schemes that supplement public pensions and issues related to the integration between social security, healthcare and assistance;

* use the theories acquired during the course to critically discuss, using the language of economics, problems concerning the possible economic policy solutions for Italian social security.

***COURSE CONTENT***

a. Public welfare in market economies: theoretical arguments

a.1. Efficiency, equity, and management of the economic cycle and its development: objectives of public intervention in the field of social security based on the welfare approach.

a.2. *Public choice*, failures of public intervention and the role of private insurance (an overview).

a.3. Problems deriving from informative asymmetries on private insurance markets and in the field of social security.

a.4. Insurance markets and market power.

a.5. Social security problems generated by externalities and possible solutions.

b. Public welfare and welfare state

b.1. Welfare State in comparative perspective; Beveridge and Bismarck; the social democratic, liberal, and corporate models; the role of welfare and social security systems.

b.2. Spending on the Welfare State: evolution of public spending, deficit and debt; evolution and impact of European law also in the light of Covid-19 pandemic.

b.3. Historical development of pension systems and the main categories of pensions contemplated by the Italian legal system; reasons for the main reforms in public pension systems.

c. Economics of the welfare system

c.1. Microeconomics and macroeconomics of pay-as-you-go systems and fully-funded systems. Rate of return. Effects on aggregate savings.

c.2. Computing pension income based on the defined-benefit and defined-contribution methods. The effects on the allocation of demographic and financial risks.

c.3. The role of the private complementary pension and the problems of the integration between pension, healthcare and assistance systems.

***READING LIST***

Textbook recommended for the entire course:

P. Bosi (edited by), *Corso di Scienza delle Finanze,* Il Mulino, Bologna, Latest edition available Ultima edizione disponibile.

For part (b) concerning the history of public finance, the reference textbook is the following:

M. Bordignon-G. Turati, *Debito pubblico. Come ci siamo arrivati e come sopravvivergli*, Vita e Pensiero, 2022.

Further reading will be assigned in class. Class notes will be published on Blackboard.

***TEACHING METHOD***

The course comprises twelve lectures of three hours each assembled along six weeks.

***ASSESSMENT METHOD AND CRITERIA***

The students will be assessed through a written exam divided into two parts. The first part is worth a maximum of 10 points and it is comprised of 10 multiple-choice questions aimed at verifying the students’ knowledge of the basic concepts and definitions studied in the course. Each correct answer will be assigned one point; each wrong answer will be taken away half point. The second part is worth a maximum of 20 points and it is comprised of 3 open-ended questions, each question focuses on one section of the course, aimed at verifying the students’ ability to apply the knowledge acquired in the course and to discuss the theoretical reasons for public intervention, data on Italian public finance and economic policy issues in the field of social security. The assessment will take into account the completeness and rigor of the answers. The exam will be 60-minute long.

***NOTES AND PREREQUISITES***

*Prerequisites*

Before taking this course, students need to have an understanding of key microeconomic and macroeconomic concepts as well as understand basic concepts of general and financial math. In addition, students need to be able to reason about an economic problem using simple graphs.

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.

Further information can be found on the lecturer's webpage at http://docenti.unicatt.it/web/searchByName.do?language=ENG or on the Faculty notice board.