# Public Finance

## Prof. Paolo Balduzzi; Dr. Chiara Mozzati (tutorials)

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

The course analyses reasons, means and effects of public intervention in the economy. The course will touch on the most important governance issues as well as those most pertinent today, including reasons for public intervention, the means for the economic organisation of the state and issues related to the public budget. The course will also take an in-depth look the most important expenditures and revenues for the State.

By the end of the course:

1. Students will know and be able to understand the dimensions and problems at the heart of the economic role of the state.

2. Based on this knowledge, students will be able to analyse and discuss the main characteristics of a tax system, both as a whole and in relation to its specific components; they will be able to compare the tax system of a single country at different points in time as well as make international comparisons.

3. Students will be able to independently assess the scope and importance of fiscal reforms, especially the ones regarding the design of taxes, the pension system and fiscal federalism.

4. Students will then be able to present the results of their analyses and contribute to the debate on the most topical issues related to the public economy.

5. Students will be able to further their studies on the course topics as well as on associated topics.

***COURSE CONTENT***

i. The reasons for public intervention and the theory of collective choices (15 hours)

Theorems of welfare economics.

Market failures.

The functions of social welfare.

Collective choices and mechanisms of political decisions.

*Reading: Chaps. 8, 10 and 11 and App. 1 and 2.*

ii. Introduction to analysing the public sector in Italy (5 hours)

The public sector in practice, in Italy and international comparisons.

Key concepts of accounting and preparing the state budget in light of the new European regulations.

Public debt and its dynamics.

Spending review.

*Reading: Chaps. 1 and 12.*

3. Expenditure for the welfare state (10 hours)

Pensions and the Italian pension system.

Some international comparisons

*Reading: Chaps. 9.*

4. Fundamental elements of the theory of taxation (17 hours)

Taxonomy of taxation.

The economic effects of taxation (labour, product and savings markets).

The concept of excess pressure.

An overview of the theory of the incidence of tax on competitive markets.

*Reading list: Chap. 6.*

5. The Italian tax system (3 hours)

IRPEF

Local taxes

*Reading: Chaps. 1, 2, 11.*

6. Fiscal federalism (10 hours)

Economic theories of decentralisation

Financing local bodies.

Municipal budgets (optional practical class).

*Reading: Chap. 11.*

***READING LIST***

The course may be tackled by using any good textbook on the science of finance. The professor recommends:

R. Artoni, *Elementi di scienza delle finanze,* Il Mulino, 6th edition.

Additional mandatory material will also be available on the course Blackboard page (course packs, additional material and lecture slides).

***TEACHING METHOD***

The course consists of 50 hours of frontal lectures and 10 hours of recorded lectures. Students have the option of taking part in an additional 10 hours of exercises on topics from Part One (market failures). The exercises are led by Dr Chiara Mozzati. Lastly, there will be an hour of exercises on content from Part Six (analysis of municipal financial statements), led by Professor Balduzzi. Contributions may be made by experts.

***ASSESSMENT METHOD AND CRITERIA***

The examination consists normally of a written test, which will last 120 minutes and include six open-ended and structured theory-based questions, four of which the student is required to answer. No interim test will be held. *Attending* students will have the option of adding a potential three points to their final mark, by voluntary individual or group assignments, concerning market failure (up to two additional points) and municipal budgets (up to one additional point).

***NOTES AND PREREQUISITES***

It is not necessary to have attended other specific courses; however, a good knowledge of microeconomics and mathematics is considered very useful. By way of example, we recommend the following manuals if needed:

 H.r. varian, *Microeconomia,* Cafoscarina, Venezia, latest edition;

 Torriero-scovenna-scaglianti, *Manuale di Matematica, Metodi e applicazioni*, Cedam, 2013.

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.