# Financial Sciences

## Prof. Gilberto Turati

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

The course aims to introduce students to the fundamental topics of economics and public finance, discussing the justifications and limits that characterise public interventions in modern market economies. The course discusses the role of the State in regulatory terms, beginning with the malfunctioning of markets and highlighting the problems of inefficiency in the allocation of resources, inequity in the distribution of incomes, and dynamic instability in market outcomes. The course also offers a positive view of the two sides of the public budget, placing particular emphasis on the Italian situation within the European context, updated with the most recent changes in response to the Covid-19 pandemic. Positive analysis is accompanied by a discussion of the theories that explain the advantages and disadvantages associated with public intervention. The course also offers a few insights into the mechanisms of collective choice in market democracies and on the malfunctioning of the public sector.

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

* know the main motivations behind public intervention in the different areas of market economies, through the provision of expenditure, taxation and regulation;
* know main stylised facts relating to Italian public finances within a wider international context, in particular the European context;
* use the knowledge acquired during the course to discuss advantages and disadvantages of economic policy proposals formulated by the government or discussed in Parliament through a formal economic analysis of the problems;
* use the knowledge acquired during the course to critically interpret public finance statistics;
* describe alternative economic policy proposals in technical language.

***COURSE CONTENT***

The course is divided into two parts:

(i) *The State as an allocative mechanism*

* The origin of the State and the institutional framework for the functioning of market economies
* The justifications for public intervention in modern economies starting from market limits: efficiency, equity, instability and development
* Collective choices and the limits of public intervention

(ii) *Italian public finances*

* The process of regional decentralisation and of centralisation towards the European Union; the innovations introduced in response to the Covid-19 pandemic
* The evolution in Public Administrations of revenue, expenses, deficit and debt, compared against the main European countries
* The budgetary process and the different approaches to managing the business cycle

(iii) *Economic analysis of public revenues*

* Distribution of the tax burden
* Distorting effects in efficiency terms
* Taxonomy of public revenues in Italy
* IRPEF within the Italian tax system

(iv) *Economic analysis of public expenditure*

* Expenditure on the welfare state, between insurance and redistribution

***READING LIST***

The recommended text for the entire course is

P. Bosi (ed.), *Corso di scienza delle finanze,* Il Mulino (latest available edition).

For part (ii) concerning the history of public finance, the reference text is:

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

For part (iii), on revenue, the reference text is

P. Bosi-M.C. Guerra, *I tributi nell’economia italiana*, Il Mulino (latest available edition).

Further reading references for further study will be indicated in class for each teaching unit.

***TEACHING METHOD***

Lectures using modern teaching tools that permit active participation by students.

***ASSESSMENT METHOD AND CRITERIA***

A written exam in three parts, lasting 60 minutes. Each part is worth a maximum of 10 marks. The first part consists of 10 multiple choice questions and must be handed in after 20 minutes. Each correct answer contributes 1 mark to the final mark; there is a 0.5-mark penalty mechanism for each wrong answer. The second and third parts consist of (semi-) open-ended questions aimed at assessing students' ability to analyse and formally discuss the micro- and macro-economic consequences of public policies, and require the use of a graph or the ability to critically analyse public finance statistics. Second and third parts of the assessment will consider the completeness and on the accuracy of each answer.

***NOTES AND PREREQUISITES***

An ability to both apply the key concepts of micro- and macro-economic analysis, and represent economic data and information through simple Cartesian graphs are prerequisites for a full understanding of the lessons.

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