

PhD in Public Policy and Administration
Università Bocconi
Academic Year 2020-21
Public Economics and Finance
Professor Paola Profeta

Course Description

This course provides a general introduction to the theory and practice of public economics and finance. The course combines theoretical models with empirical evidence. The instructor will present the main questions addressed and selected tools used in public economics. These tools are then applied to the spheres of public revenues (taxation) and public expenditure. Students will receive readings and they are required to prepare a presentation in class. The course is organized in 12 sessions (1,5 hour each).

Detailed Description of Assessment Methods

70% final written exam; 30% presentation (with slides) and discussion in class

Each presentation lasts about 40 minutes, including questions and a general discussion. All students are required to read the papers before the presentation (not only the speaker), and to be active during the presentation and the discussion.

Contact

E-mail: paola.profeta@unibocconi.it
Office: 6 E301, Via Roentgen 1
Office hour: By appointment

Course outline

Lesson 1 and 2: 19 April 8.30am and 10.20 am

Introduction and background. Welfare theorems. Public sector statistics

This session introduces the study of public economics and its importance for our understanding of how government intervenes in the economy, what are the consequences, what are the desired outcomes and how they affect individuals and the society at large.

This session presents the main questions of the public economic approach, it explains the equity/efficiency trade-off and the two welfare theorems. Failures of the market are also discussed. We also discuss the international scenario on taxes and expenditures and present data.

Material: Teacher's note

Lesson 3 and 4: 26 April 8.30 and 10.20 am

The Public choice and political economy approach

The public choice approach goes beyond the economic one. We present the main features of this approach, and discuss specific cases. We introduce the basic methodology from Arrow's

impossibility theorem to the median voter theorem and its applications to the analysis of redistributive policies.

Material: Teacher's notes

Lesson 5 and 6: 3 May 8.30 and 10.20 am

Taxation in theory and practice

We introduce the basic concepts of taxation in public economics, including progressivity, we review the optimal taxation theory with empirical implications.

Material: Teacher's notes

Mankiw, G., Weinzierl, M. and D. Yagan (2009) Optimal taxation in theory and practice. *Journal of Economic Perspectives* 23 (4): 147–174

Lesson 7: 10 May 10.20

GUEST SPEAKER: MASSIMO ANELLI

Lesson 8 and 9: 12 May 8.30 and 10.20 am

Social security

We discuss the main features of pension systems, sum up the main theories that explain them and then focus on pension reforms. Current challenges.

Material: teacher's notes

OECD, 2019. Pension at a glance. <https://www.oecd-ilibrary.org/docserver/b6d3dcfc-en.pdf?expires=1585742938&id=id&accname=guest&checksum=A1D32687041239A1F2D5FC2F977F1487>

Galasso, V. and Profeta, P. "Population Ageing and the Size of the Welfare State" (with V. Galasso) in "International Handbook of Ageing and Public Policy" (2015), *Edward Elgar*.

Galasso, V. and Profeta, P. When the state mirrors the family: the design of pension systems. *Journal of the European Economic Association* 2018

Lesson 10, 11, 12 : 13 May, 12.10/15/16.50

Presentations

- 1) Saez, G. and G. Zucman. Progressive Wealth Taxation. Brookings Papers on Economic Activity 2019
- 2) Gupta, S. and J.T. Jalles (2021) Can Covid-19 induce governments to implement tax reforms in developing countries? Covid Economics, CEPR
- 3) Carta, F, F D'Amuri and M T von Wachter (2020), "Workforce aging, pension reforms, and firm outcomes", NBER, working paper 28407. See a short summary here: <https://voxeu.org/article/workforce-ageing-pension-reforms-and-firms-outcomes>
- 4) Naomitsu Yashiro, Tomi Kyrrä, Hyunjeong Hwang, Juha Tuomala. (2021) Technology, Labour Market Institutions and early retirement: Evidence from Finland. OECD wp 1659
- 5) Lalive, R, A Magesan and S Staubli (2020), "The impact of social security on pension claiming and retirement: Active vs passive decisions", working paper. See a short summary here: <https://voxeu.org/article/impact-social-security-pension-claiming-and-retirement>

- 6) Galasso, Vincenzo, Vincent Pons, Paola Profeta, Michael Becher, Sylvain Brouard, Martial Foucault "Gender Differences in COVID-19 Related Attitudes and Behavior: Evidence from a Panel Survey in Eight OECD Countries" (2020) (with Vincenzo Galasso,), *PNAS (Proceedings of the National Academy of Sciences of the United States of America)* Research paper. 117 (44), 27285-27291.
- 7) Bourguignon, F. (2018) World changes in inequality: an overview of facts, causes, consequences and policies. CESifo Economic studies