

(Table 5.2) Course unit description

Study program: Economy
Type and level of studies: Undergraduate level
Course unit: Public Finance
Teacher in charge: Srdjan M. Djindjić
Language of instruction: English language
ECTS: 7
Prerequisites: There are no economics or statistics course prerequisites.
Semester: Summer Semester
Course unit objective: Public finance study the role of the state in the economy and in our everyday lives, by using the traditional approach with true integration of theory, application and evidence. Public finance rests on two primary motives. The first motive is social optimality: the desire to design policies that maximize economic efficiency and redistributive resources in a socially preferred manner. The second motive is optimality of decision making: How do people – voters, politicians, bureaucrats, producers, consumers – in the circumstances of scarcity, make reasonable decisions? The objective of the course is to provide the students with the answers to the five key questions of the public finance: When should a state intervene in an economy? What are the available alternative forms of the state intervention? What are direct and indirect effects of the alternative forms of the state intervention on the economic results? Why did a government make certain decision, why do different countries solve/try to solve the same problems with different policies? Is decentralized governmental decision making desirable? <ul style="list-style-type: none">• The primary goal of this course is to enable students to acquire the knowledge and skills for an active engagement in creating, applying and critical analysis of different views of the questions on the public finance policies.
Learning outcomes of Course unit: Upon completion of this course, you will be able to: <ul style="list-style-type: none">• learn how the system of public finance functions and how political attitudes affect the public finance;• master the analytical methods that experts of public finance use;• identify the possible reasons for a state intervention, study public expenditure and estimate the consequences of the theory of welfare economics on the state policy;• know the wide theoretical frame for considerations about a fiscal policy and analyse good and bad sides of the basic income sources within the contemporary fiscal systems;• define fiscal federalism and explore how should various responsibilities be allocated to different levels of government;
Course unit contents: I Introduction to public economics and public policy analysis 1.1. What is public finance? 1.2. Public Finance and Ideology 1.3. Government at a Glance: The Size of Government, Expenditures, Revenues 1.4. Tools of Positive and Normative Analysis II Public Expenditure: Public Goods and Externalities 2.1. Public Goods 2.2. Externalities 2.3. Political Economy 2.4. Education 2.5. Cost-Benefit Analysis III Public Revenues: A Framework for Tax Analysis 3.1. Taxation and Income Redistribution 3.2. Taxation and Efficiency 3.3. Efficient and Equitable Taxation

IV Deficit Finance

- 4.1. How Big Is the Debt?
- 4.2. The Burden of the Debt
- 4.3 To Tax or to Borrow?

V Multigovernment Public Finance

- 5.1. Community Formation
- 5.2. The Tiebout Model
- 5.3. Optimal Federalism

Literature

Harvey S. Rosen and Ted Gayer. (2008; 2013). *Public Finance*, Eighth Edition, New York, USA: McGraw-Hill/Irwin.

Number of active teaching hours				Other classes
Lectures:	Practice:	Other forms of classes: mentoring system	Independent work:	

Teaching methods**Examination methods (maximum 100 points)**

Exam prerequisites	No. of points:	Final exam	No. of points:
Student's activity during lectures		oral examination	
practical classes/tests		written examination	60
Seminars/homework	40	
Project			
Other			

Grading system

Grade	No. of points	Description
10	91-100	Excellent
9	81-90	Exceptionally good
8	71-80	Very good
7	61-70	Good
6	51-60	Passing
5	0-50	Failing