# Economic policy

## Gr. A-K: Prof. Cartsen Krabbe Nielsen; Gr. L-Z: Prof. Maurizio Motolese

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

This course provides an introduction to economic policy issues for undergraduate students. The point of reference is the efficiency properties of a market economy while the focus is on different types of market failures that, at least in principle, can be addressed by means of particular economic institutions, government intervention or regulation. The course also equips students with some tools necessary to understand simple formal models, tools which will be used in finance and in more advanced economics courses.

After completion of the course the student will be familiar with various types of market failures and with how they are, in theory and practice, addressed by means of economic policies and regulation. He or she will also be furnished with an ability to critically evaluate theoretical models and actual policies.

***COURSE CONTENT***

1. The organization of governments. Institutions, laws, regulations and policies.

2. The aims of economic policy. Efficiency of perfectly competitive markets.

3. Market power and regulation of it.

4. Public goods and taxation.

5. Externalities and environmental policies.

6. The economic theory of uncertainty. Insurance and finance.

7. Asymmetric information: adverse selection. Social policies. The welfare state.

8. Asymmetric information: moral hazard. Regulation of financial institutions.

9. Monetary policy. Time inconsistency and the independence of central banks.

10. Economic growth and growth policies.

11. International trade and the winners and losers from economic globalization.

12. International economic integration.

13. Government and representation. The efficiency of governments.

***READING LIST***

There is no textbook for this course, but lecture notes will be posted on *Blackboard*.

***TEACHING METHOD***

There will be 60 lectures that present the theory as well as some empirical evidence. In addition there wll be TA sessions where some weekly exercises as well as the term paper (see below) will be discussed.

***ASSESSMENT METHOD AND CRITERIA***

All students will have to hand in solutions to the problem sets to the TA in order to be admitted to the final exam. In addition students who attend the class are requested to form groups of size 6-8 and hand in a term paper written on a economic policy topic, chosen by the students. The grade of the term paper counts 20% toward the final grade (for each member of the group). Each group is required to present their term paper according to a schedule announced in class.

Students who do not attend the class are required to individually write a term paper (counting 20% towards their final grade) before being able to take the exam.

Both the optional Midterm Exam (40 % of final grade) and Final exams (80% or 40 % of final grade) are written and consist of multiple choice questions as well as essay questions.

***NOTES AND PREREQUISITES***

The course builds on the first year course in microeconomics and the second year course in macroeconomics. A registered positive grade (≥18/30) in Introductory Microeconomics is a requirement for taking the exam in Economic Policy

Further information can be found on the lecturers' webpages or on the blackboard pages of the courses.

*Office hours*

Maurizio Motolese: Thursdays from 16.00 to 18.00 in Via Necchi, 5 room 105.

Carsten Nielsen: Fridays from 16.00 to 17.30 in Via Necchi, 5 room 102 bis.