# Economic Policy

## Prof. Giampaolo galli; Prof. Luca Salmasi

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

The aim of the course is to analyse the main macroeconomic variables (consumption, savings, investments, public expenditure, imports and exports, prices, inflation, expectations, and gross domestic product). The course deals with the aforementioned topics in relation to the work of public institutions, and analyses their trends in the short, medium and long term. Ample space is given to the consequences of economic policy and the actions that public bodies, such as Government and the Central Bank, can take to influence the level of economic production. The analysis of theoretical models is accompanied by the presentation of case studies.

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

- know the basic concepts and fundamental tools of macroeconomics and economic policy;

- evaluate, through graphical analysis, the effects of a change in public spending, taxation level and production investment;

- understand the relationship between money supply and interest rates, as well as assess the effects of monetary policy on production;

- distinguish between short-, medium- and long-term effects and evaluate the role of prices and expectations within this context;

- in conclusion, learn the basic notions of economic growth and the main factors that influence it.

***COURSE CONTENT***

Part 1

- Macroeconomic variables and national accounts.

- The principle of effective demand in an economy with fixed prices.

- Consumption, savings and investment in the elementary Keynesian model.

- The public sector and determination of the production level: the impact of taxes, transfers and public spending.

- Balance in the goods market: the IS curve.

- Money supply and monetary policy. Balance in the currency market and LM curve.

- Imports, exports and the multiplier in an open economy.

- Exchange rates, capital movements and the IS-LM model in an open economy. The impact of monetary and fiscal policies in the various exchange regimes.

Part 2

- Macroeconomic balance with flexible prices; the Aggregate Demand - Aggregate Supply model.

- Phillips curve, nominal wage flexibility and expectations.

- Budgetary policies and public debt sustainability.

- Recent events: the subprime crisis and the sovereign debt crisis in Europe.

***READING LIST***

O. Blanchard-A. Amighini-F. Giavazzi, *Macroeconomia: una prospettiva europea,* Il Mulino, Bologna, 2016. **First part chapters:** III, IV, V, VI, VII, VIII, IX. **Second part chapters:** I, X, XIV, XVI, XVII, XVIII, XIX, XX, XXII.

For in-depth studies:

L. Campiglio, *Mercato prezzi e politica economica*, Il Mulino, Bologna, 1999.

***TEACHING METHOD***

Frontal lectures and practical tutorials. The exam syllabus for students includes (i) the textbook indicated in the reading list, (ii) the contents of the work done in class (in-depth study of the case studies and the examples and discussions proposed by the lecturer), (iii) the lecturer's slides made available on the Blackboard platform.

***ASSESSMENT METHOD AND CRITERIA***

There are two different exam methods for those students attending lectures and those not.

*Students attending lectures:* Assessment takes the form of two written tests - an interim test on the topics covered in the first half of the course, and a final test on the topics covered in the second half of the course. Both tests consist of two parts and have a total duration of 30 minutes. The first part of each test consists of 20 multiple-choice questions on the basic course concepts. Each correct answer contributes 1.5 marks to the final mark; there is a 0.5-mark penalty mechanism for each wrong answer. The second test may be taken during the first or the second summer exam date.

*Students not attending lectures:* Assessment takes the form of a single written exam on the topics covered over the entire course. The exam consists of two parts and has a total duration of 30 minutes. The first part consists of 20 multiple-choice questions on the basic course concepts. Each correct answer contributes 1.5 marks to the final mark; there is a 0.5-mark penalty mechanism for each wrong answer.

***NOTES AND PREREQUISITES***

Students must have assimilated the main concepts taught in both the Mathematics and the Political Economics (Microeconomics) courses.

Lecturers will provide specific indications on the link between their lectures and the texts listed above, during lectures, visiting hours and via a notice in the Virtual Classroom or on Blackboard.

In case the current Covid-19 health emergency does not allow frontal teaching, remote teaching will be carried out following procedures that will be promptly notified to students.

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