

Prof. Dr. Carsten Hefeker
Europäische Wirtschaftspolitik

Unteres Schloß 3
57068 Siegen

Carsten.Hefeker@uni-siegen.de
www.wiwi.uni-siegen.de/ewp

Economic Policy

Lecture:

Wednesday 8-10 in US-A 134.

There is a rescheduled meeting on Monday, April 20 (16-18) in US-A 134 instead of Wednesday, April 15.

Tutorial (Konstantinos Theocharopoulos):

Monday 16-18 in US-F 103; beginning on Monday, April 27. The tutorial will be held every second week.

Office hours: After class and by appointment. Send email to Carsten.Hefeker@uni-siegen.de by using your official @student.uni-siegen.de email account.

Mechanics:

The course is based mainly on the textbooks by Mueller and Persson and Tabellini which are available in the library. Additional sources are indicated below and will be specified in class.

Slides and problem sets are available via UNISONO if you are registered for the course. Slides cover all relevant material but will not be sufficient to pass the course.

Requirements:

This course has 9 Credit Points. In addition to participating in the lecture and passing the final exam, each student will be required to write a short essay and present the solution to some problem sets in the tutorial. Each of these assignments is mandatory and will be part of the final grade. Details will be given in class.

Outline

Introduction

Part I: Social Planner and Efficiency

1. The Role of the State in the Economy
Property Rights, Transaction Costs and Economic Efficiency
2. Traditional View of Economic Policy
3. Social Welfare

Part II: Democratic Economic Policy

1. Aggregation of Preferences
 - Majority Voting and its Problems
 - The Median-Voter
2. Economic Policy as a Principal-Agent Problem
 - Probabilistic Voting
 - Interest Groups and Bureaucracy

Part III: Implementation of Economic Policy

1. The Golden Rule
2. Targets and Instruments, Assignment
3. Uncertainty
4. Rational Expectations and Time-Consistency
5. Rules vs. Discretion in Economic Policy

Part IV: Partisan Economic Policy

1. Partisan Politics and Distributional Conflicts
 - Debt and Common Pool-Problems
 - War-of-Attrition
 - Tying the Hands of One's Successor
2. Political Cycles
 - Opportunistic Cycles
 - Ideological Cycles

Part V: Economic Policy in Practice

Economic Policy Aims: Some Examples

Literature:

- Acemoglu, Daron (2003) Why Not a Political Coase Theorem?, *Journal of Comparative Economics* 31, 620-652.
- Acocella, Nicola, Giovanni Di Bartolomeo, and Andrew Hughes Hallett (2012) *The Theory of Economic Policy in a Strategic Context*, Cambridge: Cambridge University Press.
- Besley, Timothy (2006) *Principled Agents? The Political Economy of Good Government*, Oxford: Oxford University Press.
- Dixit, Avinash (1996) *The Making of Economic Policy*, Cambridge: MIT-Press.
- Drazen, Allan (2000) *Political Economy in Macroeconomics*, Princeton: Princeton University Press.
- Hillman, Arye (2018) *Public Finance and Public Policy*, 3rd ed., Cambridge: Cambridge University Press. (You may also use older editions.)
- Mueller, Dennis C. (2003) *Public Choice III*, Cambridge: Cambridge University Press.
- North, Douglass C. (1990) A Transaction Cost Theory of Politics, *Journal of Theoretical Politics* 2, 355-367.
- Persson, Torsten and Guido Tabellini (2000) *Political Economics: Explaining Economic Policies*, Cambridge: MIT-Press.