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## Economic Policy

### Lecture:

Wednesday 08:00-10:00 in US-A 134/1.

There is a rescheduled meeting on Monday, April 16 instead of Wednesday July 18.

### Tutorial (Andreas Röhlig):

Monday 16:00-18:00 in US-A 134; Start is Monday, April 23.

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

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 at <http://www.wiwi.uni-siegen.de/ewp>. Slides cover all relevant material but will usually not be sufficient to pass the course. All material is password protected. The password will be announced in class and will NOT be distributed by email.

### Preliminary 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: Economic Policy in a Democracy

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

#### Part III: Implementation of Economic Policy

1. Tinbergen and the Golden Rule
2. Targets and Instruments Assignment
3. Controllability and 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-Attritions
2. Political Business Cycles
  - Opportunistic Business Cycles
  - Partisan Cycles

#### **Part V: Economic Policy in Practice**

- Economic Policy Aims: Some Examples
- German Ordoliberalism

#### **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*, 3<sup>rd</sup> 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.