# UNIVERSITÀ DEGLI STUDI DI PALERMO

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| **DEPARTMENT** | Scienze Economiche, Aziendali e Statistiche |
| **ACADEMIC YEAR** | 2016/2017 |
| **BACHELOR'S DEGREE (BSC)** | ECONOMICS AND FINANCE |
| **SUBJECT** | ECONOMIC POLICY |
| **TYPE OF EDUCATIONAL ACTIVITY** | B |
| **AMBIT** | 50183-Economico |
| **CODE** | 05718 |
| **SCIENTIFIC SECTOR(S)** | SECS-P/02 |
| **HEAD PROFESSOR(S)** | MAZZOLA FABIO Professore Ordinario Univ. di PALERMO |
| **OTHER PROFESSOR(S)** | |
| **CREDITS** | 8 |
| **INDIVIDUAL STUDY (Hrs)** | 128 |
| **COURSE ACTIVITY (Hrs)** | 72 |
| **PROPAEDEUTICAL SUBJECTS** | 02799 - POLITICAL ECONOMICS 2 |
| **MUTUALIZATION** | |
| **YEAR** | 3 |
| **TERM (SEMESTER)** | 2° semester |
| **ATTENDANCE** | Not mandatory |
| **EVALUATION** | Out of 30 |
| **TEACHER OFFICE HOURS** | **MAZZOLA FABIO**<br>Monday 12:30 13:30 |

**DOCENTE:** Prof. FABIO MAZZOLA

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| **PREREQUISITES** | Basic concepts of mathematics, micro and macroeconomics (at undergraduate level) |
| **LEARNING OUTCOMES** | Knowledge and comprehension: Acquisition of tools for the analysis of public intervention in the economy with reference to the knowledge of objectives and instruments used and to the definition of conceptual models for this analysis. Ability to use the specific approach of the discipline.<br>Ability to apply knowledge and comprehension: ability to identify an economic problem, to analyze it and to discuss the best policy strategies<br>-Autonomous judging: ability to evaluate positive and negative aspects of intervention policies and their application in different contexts<br>- Communication abilities: ability to present the issues concerning economic policy and their motivation to a non-expert audience<br>-Learning ability: ability to apply economic policy methods to new contexts, with particular reference to the Italian and the European ones. Ability to attend, by using the knowledge acquired in the course, master program at the first level or other specialisation programs in the economic field. |
| **ASSESSMENT METHODS** | Evaluation is based on the results of two exams: written and oral. The written examination lasts 150 minutes and is composed by 3 sections. Section 1 contains five open questions (four based on the classrooom exercises and one on fundamentals). Section 2 and section 3 are composed by 5 open questions each and cover the material related to the limitations of economic policy, microeconomic policy, fiscal (budget) and monetary policies. In section 2 students must define some concepts in a synthetic way. In section 3 students must explain the economic mechanism underlying a given sentence through graphical or analytical tools. The questions contained in the written exam aim at demonstrating the acquisition of the required competences and abilities. The evaluation of the written examination consists in a qualitative judgement corresponding to a numerical score: Not recommended (below 15), Recommended under confirmation (between 15 and 17.5), Sufficient (score between 18 and 20,5), More than sufficient (score between 21 and 23,5), Good (score between 24 and 26.5) and VeryGood/Excellent (score equal or greater than 27). The qualitative judgement together with the evaluation in the oral exam determines the overall evaluation. The student which is recommended under confirmation must perform an oral exam on the material of the written examination in order to confirm the admission. Students with qualitative judgement of sufficient or higher must complete the exam on the topics not included in the written examination. Not recommended students can ask for a full oral exam but they are usually strongly advised to take the written examination again. There can be a midterm exam for students attending the course. The exam is based on the material contained in the lectures already given. The midterm exam, if passed, allows the student to take an oral exam on the remaining topics. |
| **EDUCATIONAL OBJECTIVES** | The aim of the course is to provide adequate instruments for the analysis of public intervention with particular reference to objectives, models, instruments and applications derived from the Italian and the European contexts. In the first part the course will analyse the methodological aspects of the discipline, the objectives of economic policy, the motivation for State intervention in the economy and the main intervention actions both in the micro and in the macroeconomic framework. Limitations of economic policy and interdependencies will be considered as well. The program will continue by dealing with the basic concepts, the underlying theories, the objectives and the instruments of the main areas of modern economic policy: microeconomic policy, fiscal (budget) policy, monetary policy, exchange rate policy, tax policy, growth policies and employment policies. In dealing with fiscal (budget) and monetary policies the course will pay particular attention to the European and the European Monetary Union contexts. During classroom exercises students will develop skills for solving economic policy problems through the construction of analytical models. |
| **TEACHING METHODS** | Lectures (60 hours)<br>Classroom exercises (12 hours) |
| **SUGGESTED BIBLIOGRAPHY** | - BENASSY-QUERE' A., COERE' B., JACQUET P., PISANI-FERRY J. (2014), Politica economica. Teoria e Pratica, Bologna, Il Mulino<br>- Ulteriore materiale didattico viene fornito per la parte della politica microeconomica e per gli approfondimenti sulla politica monetaria e fiscale in Unione Monetaria nonche' per le esercitazioni sui modelli della politica economica<br>- Additional material is available for microeconomic policy and further topics on fiscal and monetary policy in Monetary Union as well as for classroom exercises. |

# SYLLABUS

| Hrs | Frontal teaching |
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| 4 | FUNDAMENTALS OF ECONOMIC POLICY<br>- The disciplinary domain of economic policy<br>- Motivations for public intervention<br>- The evaluation of economic policies |
| 4 | ECONOMIC POLICY IN AN IMPERFECT WORLD<br>-The Limitations of economic policy<br>-Interdependence in economic policy |
| 8 | MICROECONOMIC POLICY<br>- Welfare theorems<br>- State intervention and strategic interactions<br>- Domain and instruments of resource allocation policy<br>- Market failures and market regulation<br>- Market power and economic policy |
| 8 | FISCAL POLICY<br>-Basic concepts<br>-Keynesian fiscal policy<br>- Public debt sustainability<br>-Fiscal policy in an international context<br>-Rules and principles of fiscal policy<br>-Fiscal Policy in the Euro area |
| 8 | MONETARY POLICY<br>-Basic concepts<br>-The transmission of monetary policy<br>- Monetary policy in an international context<br>- Financial stability<br>- Objectives of monetary policy<br>- Institutions of monetary policy<br>- Instruments of monetary policy<br>- The role of Central Banks<br>- Monetary policy in the Euro area |
| 8 | MONETARY AND FISCAL POLICY IN MONETARY UNION (FURTHER TOPICS)<br>- The costs of a common currency and the optimal currency area theory<br>- The criticism to the optimal currency area theory<br>- The benefits of a common currency<br>- The comparison between costs and benefits of a common currency<br>-The Maastricht Treaty and the convergence criteria<br>- Characteristics and organization of the European Central Bank<br>- The ECB strategy of monetary policy<br>-Independence and accountability of monetary policy<br>- Public budget sustainability, fiscal discipline in monetary unions and the Stability Pact |
| 4 | EXCHANGE RATE POLICY<br>-Basic concepts<br>-Currency regimes, currency crises and the international monetary system<br>-Exchange rate management policy |
| 4 | TAX POLICY<br>-Basic concepts<br>-Laffer curve<br>-Efficiency and equity in the distribution of fiscal burden<br>-Tax policy and market failures corrections |
| 6 | GROWTH POLICIES<br>-Basic concepts<br>-Income convergence<br>-Productivity differentials<br>- Growth theories (fundamentals)<br>- Policy instruments to promote growth |
| 6 | EMPLOYMENT POLICIES<br>-Basic concepts<br>-Labor market and flows<br>-Unemployment theories<br>- Labor demand and supply policies<br>-Institutional reforms and labor markets |

| Hrs | Practice |
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| 12 | CLASSROOM EXERCISES<br>-Macroeconomics refresh<br>-Economic theory and economic policy models<br>-Static and deterministic model in economic policy<br>- Endogenous and exogenous variables, structural and reduced forms,<br>- Economic policy models with fixed objectives<br>- Economic policy models with flexible objectives<br>- Qualitative analysis of economic policy models<br>- Control problems in economic policy models with fixed objectives<br>-Independence and efficacy of instruments<br>-Control problems in economic policy models with flexible objectives |