

Prof. Dr. Carsten Hefeker
Universität Siegen
carsten.hefeker@uni-siegen.de

The Theory of Economic Policy PhD Course in Economics Autumn 2024

Time and Place:

| | |
|------------------------|--------------------------------|
| Monday, February 3: | 13:00 – 18:00 |
| Tuesday, February 4: | 9:00 – 12.00 and 13:30 – 18:00 |
| Wednesday, February 5: | 9:00 – 12.00 and 13:30 – 18:00 |
| Thursday, February 6: | 9:00 – 12.00 and 13:00 – 15:00 |

The course will take place at University of Siegen, Campus Unteres Schloss, Room US-A 234.

The course will comprise lectures and assignments to be discussed in class. Individual participants will lead class discussion of assignments.

Preliminary Outline

Part I: Classical Theory

- 1.1. Tinbergen: Controllability and Neutrality
- 1.2. Theil: Trade Offs and the Utility Function
- 1.3. The Assignment Problem
- 1.4. Targets and Instruments
- 1.5. Additive and Multiplicative Uncertainty

Accocella et al. (2012, Part I), Accocella and Di Bartolomeo (2006, 2008), Hughes Hallett (1989).

Part II: Policy Neutrality and Strategic Interaction

- 2.1. The Lucas-Critique and Strategic Interaction
- 2.2. Strategic Games
- 2.3. Policy Non-Neutrality Resurrected
- 2.4. The “New” Theory of Economic Policy

Accocella et al. (2012, Part II), Accocella and Di Bartolomeo (2004), Docker and Neck (2008), Drazen (2000, Ch. 4), Hughes Hallett (1989).

Part III: Credibility of Policymaker

- 3.1. Policy Rules: Benefits and Costs
- 3.2. Contingent Rules

- 3.3. Uncertainty about Policymaker's Type
- 3.4. Benefits and Costs of Delegation

Drazen (2000, Ch. 5, 6), Hefeker and Neugart (2024), Persson and Tabellini (2000, Ch. 15).

Part IV: Policy Spillovers and Cooperation

- 4.1. Spillovers and Pareto-Inefficiency
- 4.2. Uncertainty and the Incentive to Cooperate
- 4.3. Cooperation and Insurance

Ghosh and Masson (1994), Hefeker and Neugart (2018), Persson and Tabellini (2000, Ch. 18).

Literature

Main texts:

Acocella, Nicola, Giovanni Di Bartolomeo and Andrew Hughes Hallett (2012) *The Theory of Economic Policy in a Strategic Context*, Cambridge: Cambridge University Press.
 Drazen, Allan (2000) *Political Economy in Macroeconomics*, Princeton: Princeton University Press.

Additional readings:

Acocella, Nicola and Giovanni Di Bartolomeo (2004) Non-neutrality of Monetary Policy in Policy Games, *European Journal of Political Economy* 20, 695-707.
 Acocella, Nicola and Giovanni Di Bartolomeo (2006) Tinbergen and Theil Meet Nash: Controllability in Policy Games, *Economics Letters* 90, 213-218.
 Acocella, Nicola and Giovanni Di Bartolomeo (2008) Towards a New Theory of Economic Policy: Continuity and Innovation, in R. Neck et al (eds) *Quantitative Economic Policy*, Berlin: Springer, 15-34.
 Dockner, Engelbert and Reinhard Neck (2008) Time Consistency, Subgame Perfectness, Solution Concepts and Information Patterns in Dynamic Models of Stabilization Policies, in R. Neck et al (eds) *Quantitative Economic Policy*, Berlin: Springer, 51-101.
 Ghosh, Atish and Paul Masson (1994) *Economic Cooperation in an Uncertain World*, Basingstoke: Blackwell.
 Hefeker, Carsten and Michael Neugart (2018) Non-Cooperative and Cooperative Policy Reforms under Uncertainty and Spillovers, *Journal of Comparative Economics* 46, 94–102.
 Hefeker, Carsten and Michael Neugart (2024) Policy Rules and Political Polarization, *Journal of Public Economic Theory* 26, e12710.
 Hughes Hallett, Andrew (1989) Econometrics and the Theory of Economic Policy: The Tinbergen–Theil Contributions 40 Years On, *Oxford Economic Papers* 41, 189-214.
 Persson, Torsten and Guido Tabellini (2000) *Political Economics: Explaining Economic Policies*, Cambridge: MIT-Press.