



# Economics of Policy Issues B

**Module Code: ECU33062**

**Module Name: Economics of Policy Issues B**

- **ECTS Weighting:** 5
- **Semester/Term Taught:** Semester 2
- **Contact Hours:** 22 hours of lectures and 4 hours of tutorials
- **Module Personnel:** Lecturer – Prof. Martina Zanella

## **Module Learning Aims:**

The module will provide an introduction to, and survey of, the theory of welfare economics. We will examine the broad philosophical and legal basis of a market economy, paying particular attention to the issues of property rights and the rule of law. We will then explore in some details the issue of collective benefits arising from public goods, highlighting the information problem associated with the optimal provision of such goods. This will be followed by a detailed discussion of externalities, where, among other things, we will study the different ways in which they are addressed: private solutions, public policy, and prohibition of markets.

We will discuss questions such as:

- Why do we need markets? What is social justice? Are competitive markets socially just?
- What is the rule of law? What are its benefits? Do we really need it?
- What is an institution? How do economic and political institutions interact?
- What are the political and the bureaucratic principal agent problem? How do they affect policy outcomes in our society? Can mass media help limiting the problem?
- What is a public good? How can we reach efficient provision of public goods? What are the consequences of using public finance to provide public goods?
- Who pays taxes? What is the Shadow Economy?



- What is an externality? Which problem does it generate? How can we best address externalities?
- Are we truly rational agents? What are the limits of our intuition? What are paternalistic public policies?

### **Module Learning Outcomes:**

Upon successful completion, students will be able to:

- Identify and analyse the key issues involved in welfare economics
- Discuss the basic economic and broad philosophical principles underlying these issues
- Appraise the various arguments/theories relating to these issues
- Formulate a balanced, critical judgment on the status of each of these debates.

### **Module Content:**

The module will cover the following main topics:

- The market. Responsibilities and limitations of government. Efficiency and social justice.
- Property rights and the rule of law.
- Institutions and governance. The principal-agent problem. Government bureaucracy.
- Public goods. Prisoners' Dilemma. Information problems. Cost-benefit analysis. Financing of Public Goods.
- Externalities. Private and public solutions. Prohibition of markets, paternalism, and hyperbolic discounting.

### **Recommended Reading List:**

The core book is Arye L. Hillman, *Public Finance and Public Policy: Responsibilities and Limitations of Government* (2nd Edition) Cambridge University Press 2009 and it is advised that you order this now through any bookshop. Additional material (articles,



blogposts, podcasts, websites...) will be discussed in class and referenced in the lecture slides.

### **Assessment Details:**

Marks for the course will be allocated as follows: 40% on the mid-term test and 60% on the final exam.

### **Module Website:**

Blackboard