

ECON 395 - Economic Policy Issues **Fall 2004**

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Administrative details

Date and Location of class: Monday - Wednesday 12:00pm-1:50pm, KAP 140.

Contact: For any matter concerning this class, contact me by e-mail (brocas@usc.edu). I usually answer within 24 hours (Monday to Friday).

Office hours: Wednesday 2:00pm-3:00pm & 6:00pm-7:00pm

Disability : Students requesting academic accommodations based on a disability are required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP when adequate documentation is filed. Please be sure the letter is delivered to me (or to T.A.) as early in the semester as possible. DSP is open Monday-Friday, 8:30-5:00. The office is located at Student Union 301 (Ph.: (213) 740-0776.

Web: Important information (e.g. syllabus, deadlines, problem sets) will be posted on the web at <http://www-rcf.usc.edu/~brocas>.

Attendance: in case you cannot attend a class, it is your responsibility to check the information that is posted on the web, download the problem sets that have been distributed in class (if any) and arrange with other students in your class to get class notes.

Prerequisites: ECON 203 and ECON 205 are required. Nevertheless, you should be comfortable with mathematical notations and formal reasoning.

Grading policy: the final grade is a weighted average of three components:

- Take-home assignments: 20% (the assignment with lowest grade will not count)
- Two in-class exams: 50%
- Term paper: 30%

Take-home assignments : the problem set of each assignment will be distributed in class one week prior to the date the assignment is due. You must work individually (no exception to this rule) on each assignment. Take-home assignments will be collected at the beginning of the class. In case you cannot attend, you can either send it to me by e-mail or drop it in my mailbox. Make sure you do so before class. The number of take-home assignments will depend on the availability of a teaching assistant for the class.

In-class exams: they will be closed book.

Term paper: it consists in applying the concepts of the course to make a detailed analysis of microeconomic regulation/policy of your choice. You must submit a description of your project (identify the subject as well as the focus of your analysis) no later than September 22, 2004. Your choice must be approved by me prior to completing the assignment. The last sessions of the course will be dedicated to present and discuss your projects (case study sessions with presentations by students). The paper must be returned to me the last day of class. Students are required to work individually on this project.

Important: if you wish to appeal your grade on any written assignment, return your assignment to me along with a memo explaining why you think the grade should be changed. All exams will be re-graded in their entirety.

Deadlines:

- Last day to enroll and to drop class: September 10, 2004.
- First in-class exam: October 13, 2004
- Second in-class exam: November 17, 2004
- Take home assignments: see the corresponding problem sets.
- Term paper: due December 1st, 2004.

Important: if the in-class examinations fall at a time that conflicts with your observance of a holy day, please contact me before September 15, 2004 to schedule an alternative date.

Exercise classes: if a teaching assistant is appointed for this class, there will be an exercise class taught by the T.A. every two of three weeks. The purpose of such classes is to review the course material through exercises and solve assignments step by step.

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Description of the course: The aim of this course is to present economic models of selected economic policy issues. Topics include competition policy, allocation of public goods, regulation, and taxation. The course focuses on the main ingredients of regulatory practices and public intervention, and consists of a series of lectures. Students are then asked to apply their knowledge to specific regulations (term paper). The course is suitable for students interested in careers in consulting firms and regulatory institutions.

Topics: we shall cover the following topics (subject to changes).

- Topic 1: Market inefficiencies
- Topic 2: Regulation, observability and incentives
(asymmetric information and moral hazard)
- Topic 3: Taxation
- Topic 4: Price caps
- Topic 5: Technological investment
- Topic 6: Regulation with transfers (subsidies)
- Topic 7: Pollution
- Topic 8: Public goods
- Topic 9: Income taxation
- Topic 10: Enforcement of policies
- Topic 11: Policies and politics

Textbook: No textbook is required for this course as the course covers selected topics from different areas in economics. Nevertheless, students might need to have a look at their course notes from previous years. Basic economics concepts used in this class can also be found in *Intermediate Microeconomics*, H. R. Varian, W W Norton & Co. (2002, sixth edition). [The standard textbook in economics at the undergraduate level].