Introduction to Economic Policy

Module coordinator
holder of the Chair of Economic Order and Social Policy

Module offered by
Faculty of Business Management and Economics

ECTS
5

Method of grading
numerical grade

Duration
1 semester

Module level
undergraduate

Other prerequisites
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Contents

Description:
The course consists of six chapters. The first chapter illustrates what economists have in mind when referring to the term “economic policy” and discusses its objectives, means and institutions. The following chapters deal with the objectives that are set out in the German “Gesetz zur Förderung der Stabilität und des Wachstums der Wirtschaft” (“Law for Promoting Stability and Growth of the Economy”) of 1967. Each chapter uses current macroeconomic data to evaluate the degree to which the particular objective is achieved, discusses the reasons of possible problems and demonstrates actions the government may take to cure the problems.

Outline of syllabus:
1. Introduction
   - What is “Economic Policy”?
   - Objectives of economic policy
   - Instruments of economic policy
   - Institutions of economic policy
2. Full employment
   - Empirics: The status quo of the labour market
   - Reasons for unemployment
   - Cure for labour market problems
3. Price level stability
   - Empirics: inflation, deflation or price stability?
   - Reasons for inflation and deflation
   - Cure for price instability
   - The contradicting relationship between full employment and stable prices
4. Business cycles and economic growth
   - Empirics: current situation of the world economy and long-term economic growth
   - Reasons for cyclical fluctuations and determinants of economic growth
   - Cure for macroeconomic instabilities and means to facilitate economic growth
5. Balance in foreign trade
   - Empirics: balances of payments of Germany, Europe and the World
   - Reasons for macroeconomic imbalances
   - Cure for instabilities in foreign trade
6. Income distribution
   - Empirics: the distribution of incomes and its historical development
   - Reasons for an increase in income inequality
   - Cure for inequality and redistribution

Intended learning outcomes
The students gain a basic understanding of the role of the state in national and international economies. Based on a number of macroeconomic models (AS/AD, IS/LM, Phillips curve, labor market equilibria, Solow model, Beveridge curve, etc.), students study the ability of the state to influence national and global economies. Students learn to assess in which situations such influence can be welfare-enhancing and under which circumstances governmental interventions may be harmful. After successful completion of the course, students are able to analyze concrete economic situations and to develop policy options of the state. In addition, students have learned to
assess the situation of a country on the basis of empirical macroeconomic data and to explain the particular problems based on different models.

**Courses** (type, number of weekly contact hours, language — if other than German)

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<tr>
<th>Type</th>
<th>Weekly Contact Hours</th>
<th>Language</th>
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<tbody>
<tr>
<td>V + Ü</td>
<td>no information on SWS</td>
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**Method of assessment** (type, scope, language — if other than German, examination offered — if not every semester, information on whether module is creditable for bonus)

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<tr>
<th>Type / Scope</th>
<th>Language</th>
<th>Examination Offered</th>
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<tr>
<td>written examination</td>
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<td>approx. 60 minutes</td>
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**Allocation of places**

Number of places: 405. No restrictions with regard to available places for Bachelor’s students of Wirtschaftswissenschaft (Business Management and Economics), Wirtschaftsmathematik (Mathematics for Economics) and Wirtschaftsinformatik (Business Information Systems). The remaining places will be allocated to students of other subjects. Should the number of applications exceed the number of available places, places will be allocated in a standardised procedure among all applicants irrespective of their subjects according to the following quotas: Quota 1 (50% of places): total number of ECTS credits already achieved in the respective degree subject; among applicants with the same number of ECTS credits achieved, places will be allocated by lot. Quota 2 (25% of places): number of subject semesters of the respective applicant; among applicants with the same number of subject semesters, places will be allocated by lot. Quota 3 (25% of places): allocation by lot. Applicants who already have successfully completed at least one module component of the respective module will be given preferential consideration. Places on all courses of the module component with a restricted number of places will be allocated in the same procedure. A waiting list will be maintained and places re-allocated as they become available.

**Additional information**

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**Referred to in LPO I** (examination regulations for teaching-degree programmes)

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**Module appears in**

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<thead>
<tr>
<th>Degree</th>
<th>Major</th>
<th>Start Year</th>
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<tr>
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