AAE 746: Frontiers AE1: Advanced Policy Analysis
Syllabus

Fall 2016, Tuesday-Thursday 2:30-3:45 pm, B30 Taylor Hall
WEB page: www.aae.wisc.edu/aae746/main.asp

Instructor:
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Prerequisites: AAE 635 (Microeconomic Theory) or Econ 711 (Microeconomic Theory)

Overview: The objective of the course is to strengthen the linkages between economic theory and the empirical analysis of pricing and policy issues in resource allocation. The main focus is on the analysis of economic efficiency and distribution issues. The first part of the course covers a normative approach to microeconomic efficiency for both production and consumption activities. The second part of the course focuses on Pareto efficiency and distribution issues at the aggregate level. Special attention is given to the benefit function and shortage function in the investigation of efficiency. Also, the course covers the role of transaction costs and of pricing and trade policy in resource allocation. Finally, the role of fairness is discussed in the investigation of distribution issues. A set of homework (about one every two weeks) illustrates the usefulness of the concepts in economic analysis.

Grading: Grading will be based on two exams (a midterm and a final), and a set of homework. Students may collaborate on the homework, but each student must submit his/her own answers to problems. The final grade will depend on the mid term exam (30%), the final exam (40%) and the homework (30%).

Contents:
- Introduction (1 week):
- Production (3 weeks):
  Production decisions, Efficiency, Productivity
- Consumption (3 weeks)
  Demand, Consumer benefit
- Pareto efficiency (3 weeks)
  Managing externalities, Role of transaction costs
- Pricing policy and trade policy (3 weeks)
  Competitive markets, Trade, Pricing and trade policy
- Political Economy (2 weeks)
  Nash bargaining, Fairness

Office Hours: I will be available during the semester on Wednesday 10:00-11:00 a.m. If this time is not convenient, please send me an Email to arrange for an alternative time.