

ECONOMICS IN ACTION

Important information:

Lecturer: dr Piotr Denderski

Email: pdenderski@inepan.waw.pl

Time: 9:45 – 12:00 and 13:30 – 15:45, 21 August 2023 – 25 August 2023

Place: Palace of Culture and Science, room 2301

Who is this class for?

The class is dedicated to high-school pupils interested in economics. Those wanting to participate in the Economic Knowledge Contest (organized by the Polish Economic Society) and those simply curious of the world around us, hoping to learn more about economics, are equally welcome. The topics that we will discuss in this class are often a subject of heated public debates and hence you can also think of this class as a springboard to active participation in these debates.

Furthermore, those graduating with distinction will be entitled to receiving a recommendation letter from the lecturer in support of their application to top programs in Economics around the world (such letters are routinely required by e.g., Oxford and Cambridge).

What is this class about?

Every day we make many decisions. A significant share of them (if not all) can be analyzed using tools and methods that economists have developed. This class aims to demonstrate how great the ability of economics to explain the world is. We will touch upon pressing issues of fundamental importance, like climate change, but we will also talk about ordinary topics, like what makes us buy our favorite chocolate bar. In doing so, we will cover all fundamental scientific discoveries and key ideas developed by economists.

We will start with individual choice. In laymen terms, a good example of this type of a problem is a decision of whether to participate in this class or not. In economic terms, we will talk about scarcity, the importance of constraints and marginal cost-and-benefit analysis. We will also discuss revealed preferences and opportunity costs.

Next, we will move on to game theory applications in economics. You can think of an action-movie scene where they are interrogating suspects as an example. An academic economist would say that in this part of the class we will focus on the notion of a Nash equilibrium and also on what we can learn about effective negotiations, reputation, credibility and altruism from games.

Continuing, we will discuss the Rawlsian veil of ignorance concept. It is a philosophical way of thinking about the sense of/the right way of/asking questions about fairness of economic policy. We will also touch upon inequality and the grounds for redistribution.

The fourth topic discussed in this class is asymmetric information. This captures all of the situations in which one party has an informational advantage over others. We will talk about economic value of privacy. This explains why some of the most popular mobile apps are available for free while others are not and why it's a good idea to read Terms and Conditions before installing an app. The value of privacy is also related to why airlines or railway companies offer seats and services of varying quality (an economist would say they are trying to screen the preferences of their customers). Next, we will also talk about moral hazard and what it implies for regulating the banking sector. Finally, we will

discuss the so-called selection problem and what it means for social security or health and car insurance markets.

Last, but not least, we will also discuss the so-called externalities (external effects) and coordination problems in this class. In practical terms, they are related to climate change (e.g., the tragedy of the commons, public goods investments). Next, we will also talk about how to deal with heavy traffic in a city. Finally, we will try to understand why giving rivers the right of legal representation might just make sense and if this is a way to save Oder.

Reading

1. The main reading will be the notes and lecture slides prepared by the lecturer.
2. Those interested in furthering their knowledge of topics discussed in class should consider consulting the freely-available online textbooks created in the CORE project. These are available at www.core-econ.org and you should consult: *The Economy, Experiencing Economics* and *Economy, Society and Public Policy* textbooks.

Grading

Participation in the class can be certified with a diploma. The receipt of the certificate is conditional on getting at least 50 out of the total of 100 points. The diploma with distinction will be awarded to those participants, who score at least 80 points. The final grade will consist of three components:

- active participation: 0-20 pts,
- (analytical) homework/data analysis 0-30 pts,
- an essay on a topic chosen by the participant (picked from the list of topics proposed by the lecturer): 0-50 pts.

Active participation: the class will be offered in 10 blocs (2 blocs per day). Being present during the entire bloc earns a participant 1 point. On top of that, each participant can get up to 1 point for e.g., asking questions or answering lecturer's questions. Teaching materials will be disseminated in advance to facilitate preparation.

Analytical homework/data analysis: at the end of the class, the lecturer will post a list of task (identical for all participants) which will require acquisition of data from publicly available sources (e.g., the Polish central bank or the main statistical office), conducting simple calculations on the data and writing a short report on the interpretation of results. Knowledge of high-school math will be sufficient to do well and any methods or algorithms that go beyond that will be discussed in teaching materials. You will have 10 days to submit this homework since the end of the course.

Essay: at the end of the course, the lecturer will distribute a list of essay topics. The limit of the length of an essay and a marking scheme and essay requirements will be discussed in class.

About the lecturer

Dr Piotr Denderski has graduated from: the Warsaw School of Economics (MA in Quantitative Methods in Economics and Information Systems), the University of Warsaw (BSc in Mathematics) and University of Amsterdam (MSc in Economics). He got his PhD at the prestigious Tinbergen Institute in Amsterdam, a graduate program in economics ran by the three largest Dutch universities. This PhD program is considered to belong to top-30 PhD programs in economics in the world and top-10 in Europe. During his doctoral studies, he did research internships at the New York University and the London School of Economics and Political Science. His research has been presented at all main

economic conferences in the world, including: European Economic Association Annual Conference, Econometric Society European Meeting & World Congress, Society for Computational Economics, Society for Economic Dynamics, Society for Advancement of Economic Theory and also at numerous research seminars at top universities in the US and in Europe. He currently works at the Institute of Economics at the Polish Academy of Sciences and at the University of Leicester School of Business.