



# Department

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# SEMINARS

"Unintended Consequences:  
Ambiguous Welfare Effects when  
the Policymaker is Unaware"

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**THURSDAY, 19 OCTOBER 2023**  
**2:00 PM**

Room Dono Giannesi, DEM



## A B S T R A C T

Unintended consequences manifest themselves in many aspects of socioeconomic life. We develop a model of unintended consequences (UC) of novel policies. In our setup, the policymaker is unaware of the UC of her policy.

We discuss several approaches to evaluating policy in terms of welfare measures, and elucidate the impact of a policymaker who dislikes unintended consequences, that is, who is UC-averse.

In order to underscore policy diversification, we also present a mean-variance framework. We show theoretically and in a calibration to the Great Inflation, that a policymaker who is unaware of unintended consequences can generate both negative and positive welfare effects.

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