ECON 90029
Economics for Public Policy

SUBJECT GUIDE

Semester 1, 2014

Prepared by:
Dr. Graham Richards
Subject Coordinator

Department of Economics
Melbourne Business School
CONTENTS

SUBJECT OUTLINE 3

Introduction 3
Subject aims 4
Prerequisites 4
Prescribed References 4

LEARNING OUTCOMES 5

Subject Objectives 5
Generic Skills 5

ACADEMIC STAFF CONTACT DETAILS 5

Lecturer Contact Details 5
Email Protocol 5

LECTURES 6

Lecture Times 6
Lecture Slides 6
Lecture Recording 6

ASSESSMENT 6

Assessment Overview 6
Assignments 6
Using the Assignment Tool 7
Exam Policy 7
Plagiarism and Collusion 7
Penalties for Late Submission and Exceeding Word Limits 7
Special Consideration 8
Referencing 8

OTHER SUBJECT RESOURCES 9

Centre for Excellence in Learning and Teaching (CELT) 9
Past Exams 9
Lecture Schedule 10
Subject Outline

Introduction

Welcome to ECON90029 Economics for Public Policy

This subject is intended for students with little or no formal training in economics. It will introduce the key concepts and tools of economic analysis and use them to consider a range of public policy issues. The subject will look at both microeconomics, in which the focus is on the individual market, and macroeconomics, in which emphasis shifts to a consideration of aggregate outcomes resulting from the behaviour within all of the individual markets.

Much of the course will involve developing the analytical framework; the concepts, tools and techniques that are used by economists to consider issues of public policy.

Important policy considerations we will evaluate include those of environmental pollution, and climate change in particular, resulting from modern industrial techniques. While the previous Australian Government had introduced a tax on emissions of carbon dioxide, the current government plans to abolish this tax. But what are the arguments to support such a tax policy and might a simple quantitative limit on carbon dioxide emissions be a superior policy? And what about the mining tax that is receiving so much political and media attention in Australia currently? Again, the current Australian Government plans to abolish this tax so we should consider reasons for its justification.

Each month (with the exception of January), both expectations of the Reserve Bank’s cash rate decision, and the actual policy decision itself, influence share prices and the exchange rate. But what is the cash rate and what is the policy objective that influences the Bank’s decision? And what does the Bank have to do to change the cash rate?

What about housing for low income families? In some cities in the United States, the local authorities have a policy of rent control, reflecting a belief that adequate accommodation for all members of society is simply too important to be left to the market. So should such a policy be introduced into Australian capital cities given the alleged shortage of suitable accommodation in the private rental market? What about the “Great Australian Dream”? Will the range of subsidies that might be offered to young first home buyers be effective in assisting them to purchase their own home? Who else will benefit from these subsidies and who else may be worse off?

We will consider aspects of the distribution of income and wealth with an emphasis on Australian evidence. Do the available statistics support what it seems is a widely held view that there is a growing degree of inequality in Australia? And what do we mean by inequality and how should we measure it? Has government policy with respect to the redistribution of income had a significant impact?

As we develop the tools, techniques and framework of economics, we may not have sufficient time to consider those issues of public policy that particularly interest individual students. However, I am sure that the much improved understanding of the content and approach of economics that the course will provide, will allow all of you to more comprehensively and authoritatively engage in policy analysis and discussion in any further study that you may undertake, or in your professional lives.
Subject Aims
The overall aim of this subject is to provide students with a framework derived from economics with which to analyse public policy issues. This framework will be developed by considering some current policy issues.

Prerequisites
There are no prerequisite subjects for ECON90029

Prescribed References

For the Microeconomics section of the course, it is recommended that students use one of:

For the Macroeconomics section of the course, it is recommended that students use one of:

Both of these books are available as a combined microeconomics and macroeconomics text titled, Economics (McTaggart, Findlay and Parkin), and Principles of Economics (Gans, King, Stonecash, and Mankiw).

Learning Outcomes

Subject Objectives
On successful completion of this subject students should be able to:

• apply economic concepts in a rigorous way in a public policy context, but in a way that is useful to non-economists
• analyse policy-related information to identify relevant matters for economic analysis
• combine different economic theories in a way that is meaningful and useful in developing and assessing public policies over a range of subject areas
• evaluate the relevance of alternative economic theories for analysing different policy issues.

Generic Skills

On successful completion of this subject, students should have improved the following generic skills:

• problem solving skills;
• ability to communicate ideas, especially where alternative options are available;
• confidence in interpreting economic concepts in a policy environment.

At a broader level, studying Economics for the Public Sector will increase your awareness of:

• the multi disciplinary nature of policy.
• the relationship between economics and politics in the public policy arena;
• the role and limitations of economic analysis in public policy;
• the importance of rigorous analytical analysis to problem solving.

Lecturer contact details:

Graham Richards
Room: 416, Fourth Floor, FBE Building, 111 Barry Street.
Phone: 8344-9717

Email: grahammr@unimelb.edu.au

Consultation Hours: To be advised

Email Protocol

Please note that we are only able to respond to student emails coming from a University email address. Please do not use personal email addresses such as Yahoo, Hotmail or even business email addresses. Emails from non-University email addresses may be filtered by the University’s spam filter, which means that we may not receive your email. All correspondence relating to this subject will only be sent to your University email address. Note that you must first activate your University email address before you can send or receive emails at that address. You can activate your email account at this link: http://accounts.unimelb.edu.au/.
Lectures – 1 x 3 hour each week

Tuesday 6.15pm – 9.15pm., Lecture Theatre 2, Alan Gilbert Building.

Lecture Slides
The power point notes for each lecture will usually be available on the LMS before the lecture. During the lecture, modifications and additional comments may be made to the lecture notes. The lecture notes are to be considered as a complement with, not a substitute for, attendance at lectures.

Lecture Recording
Lecture recording using the EchoSystem will be used in this subject.

Assessment

Assessment Overview

<table>
<thead>
<tr>
<th>Assessment Task</th>
<th>Individual or Group</th>
<th>Hard Copy or Electronic</th>
<th>Due</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assignment 1</td>
<td>Individual</td>
<td>Electronic</td>
<td>5.00pm Wednesday April 9 (week 6)</td>
<td>30%</td>
</tr>
<tr>
<td>Assignment 2</td>
<td>Individual</td>
<td>Electronic</td>
<td>5.00 pm, Wednesday May 14 (week 10)</td>
<td>30%</td>
</tr>
<tr>
<td>End-of semester exam</td>
<td>n/a</td>
<td>n/a</td>
<td>Assessment period</td>
<td>40%</td>
</tr>
</tbody>
</table>

Assignments
For each assignment:

- Please use double spacing.
- Submit using the Assignment Tool (see below).
- Any reference material consulted and used in preparation of the essay should be fully identified. For the appropriate system of referencing see below.
- Word limit: No more than 2000 words for each assignment.

Using the Assignment Tool
You will use the Assignment Tool accessed from the LMS subject home page to submit your assignment.

See the link:

https://mbs.unimelb.edu.au/students/assessment/Assignments

To access the Assignment Tool for the subject:

1. Log into the LMS and access the relevant LMS subject page
2. Click on the ‘Assignment Tool’ link located in the subject’s navigation menu

This will provide you with important information on your assignment.

Exam Policy

The Faculty requires that you are available for the entire examination period. Supplementary exams will not be provided in cases of absence during the examination period, unless the absence is due to serious illness or other serious circumstances. See the Special Consideration web site for more information:

https://mbs.unimelb.edu.au/students/services/special_consideration

Plagiarism and Collusion

Presenting material from other sources without full acknowledgement (referred to as plagiarism) is heavily penalised. Penalties for plagiarism can include a mark of zero for the piece of assessment or a fail grade for the subject. Plagiarism is the presentation by a student of an assignment identified as his or her own work even though it has been copied in whole or in part from another student’s work, or from any other source (eg. published books, web-based materials or periodicals), without due acknowledgement in the text.

Collusion is the presentation by a student of an assignment as his or her own work when it is, in fact, the result (in whole or in part) of unauthorised collaboration with another person or persons. Both the student presenting the assignment and the student(s) willingly supplying unauthorised material are considered participants in the act of academic misconduct.

See the university policy in relation to such matters:

http://academichonesty.unimelb.edu.au/

Penalties for late Submission and Exceeding Word Limits

In order to ensure equality for all students, assignments must be completed within specified time limits. Late submissions will attract a marking penalty where approval for late submission has not been given.
Assignments that exceed word limits may also attract a marking penalty.

If you are unable to complete an assignment by the due date due to circumstances outside of your control, you should apply for an assignment extension in the first instance. Applications for extensions should be made to Melbourne Business School using the Assignment Extension Request form.

Please note that assignment extensions cannot be granted after the assignment due date.

Access an assignment extension request form here:


Special Consideration

Students who have been significantly affected by illness or other serious circumstances during the semester may be eligible to apply for Special Consideration.

See the link:

https://mbs.unimelb.edu.au/students/services/special_consideration

Referencing

All sources used for a written piece of assessment must be referenced. This is to acknowledge that your material is not based entirely on your own ideas, but is based, in part, on the ideas, information, and evidence of others. This is desirable as you are attending University in order to learn from others. You will be required to use the APA system or Harvard System of referencing.

The Faculty’s Centre for Excellence in Teaching and Learning (CELT) has prepared a booklet for each system specifically to assist students to reference correctly. Each booklet contains many examples that will help you when preparing your assignments.

The booklets can be found here:


It is important that all material you present for assessment is referenced correctly. Material that has not been referenced correctly may be considered to be plagiarised, and as such may be penalised. We will also look for evidence that material included in the bibliography has been used in the assignment. Including references that have not been
used may also result in your assignment being penalised.

Other Subject Resources

*The Centre for Excellence in Teaching and Learning (CELT)*
The FBE Centre for Excellence in Learning and Teaching (CELT) provides services and resources to enhance your learning in Business and Economics.

Maximise your academic success by taking part in CELT programs that are intended to develop:

- Skills in research, referencing and academic writing
- Mastery of different assignment types
- Effective study techniques
- Abilities to learn effectively with your peers
- Transition to the faculty and understanding of academic expectations

The Centre also provides an extensive range of Help Sheets that can enhance your academic performance in Business and Economics. These are available online at the CELT website

Visit the CETL site [fbe.unimelb.edu.au/celt](http://fbe.unimelb.edu.au/celt) to learn more and get involved.

**Past Exams**
Past exams will be made available for 2012 and 2013. The format of the examination this year will be very similar to that of 2013.
<table>
<thead>
<tr>
<th>Week Beginning Monday</th>
<th>Lecture</th>
<th>Lecture Topic</th>
<th>Reading</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 March</td>
<td>1</td>
<td>An introduction to economics. Costs and benefits at the margin. Opportunity cost and fixed cost. The competitive market model.</td>
<td>Gans, King and Mankiw, Chapters 1 and 2. McTaggart, Findlay and Parkin, Chapters 1, (but omit pages 38-40) and 3.</td>
</tr>
<tr>
<td>10 March</td>
<td>2</td>
<td>The competitive market model (continued). The concept and use of elasticity</td>
<td>Gans, King and Mankiw, Chapters 4 and 5. McTaggart, Findlay and Parkin, Chapters 3 and 4.</td>
</tr>
<tr>
<td>24 March</td>
<td>4</td>
<td>Aspects of tax and tax policy. The Henry Tax Review</td>
<td>Gans, King and Mankiw, Chapters 8 and 12.</td>
</tr>
<tr>
<td>31 March</td>
<td>5</td>
<td>The firm in competitive markets. Competition and monopoly. The welfare costs of monopoly</td>
<td>Gans, King and Mankiw, Chapter 14 and 15. McTaggart, Findlay and Parkin, Chapter 14 and 10.</td>
</tr>
<tr>
<td>7 April</td>
<td>6</td>
<td>Market concentration and competition policy. <strong>Assignment 1 Due This Week</strong></td>
<td>Gans, King and Mankiw, Chapter 17. McTaggart, Findlay and Parkin, Chapter 10.</td>
</tr>
<tr>
<td>Date</td>
<td>Week</td>
<td>Topic</td>
<td>Reading Material</td>
</tr>
<tr>
<td>----------</td>
<td>------</td>
<td>----------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>14 April</td>
<td>7</td>
<td>Externalities</td>
<td>Gans, King and Mankiw, Chapter 10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Common resources.</td>
<td>McTaggart, Findlay and Parkin, Chapter 9</td>
</tr>
<tr>
<td>21 April</td>
<td></td>
<td>Non-Teaching Week</td>
<td></td>
</tr>
<tr>
<td>28 April</td>
<td>8</td>
<td>Public Goods</td>
<td>Gans, King and Mankiw, Chapter 11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cost-Benefit Analysis</td>
<td>McTaggart, Findlay and Parkin, Chapter 8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Chapters 1-3, 5 and 8 (Available on 2-hour loan in Giblin Eunson Library)</td>
</tr>
<tr>
<td>12 May</td>
<td>10</td>
<td>National Income Accounting: The concept and measurement of GDP.</td>
<td>Stonecash, Gans, King and Mankiw, Chapter 7 (national accounting) and Chapter 11 (labour market)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The labour market and unemployment.</td>
<td>McTaggart, Findlay and Parkin, Chapter 18 (national accounting) and pages 422-429 (the labour market)</td>
</tr>
<tr>
<td>19 May</td>
<td>11</td>
<td>Money and Monetary Policy</td>
<td>Stonecash, Gans, King and Mankiw, Chapter 12</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>McTaggart, Findlay and Parkin, Chapters 22 and 28</td>
</tr>
<tr>
<td>26 May</td>
<td>12</td>
<td>Budgetary Policy.</td>
<td>McTaggart, Findlay and Parkin, Chapter 27</td>
</tr>
</tbody>
</table>