ECON 90029
Economics for Public Policy

SUBJECT GUIDE

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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 has abolished 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 received so much political and media attention in Australia last year and was also abolished? What are the arguments that are used to support such a tax?

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 arguments are used by economists to support an extension of the goods and services tax to all goods and services including fresh food?

How can governments regulate the behaviour of firms in concentrated markets such as monopoly and oligopoly?

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?

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?

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 engage in policy analysis and discussion more comprehensively and authoritatively 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:
Joshua Gans, Stephen King, Martin Byford, N. Gregory Mankiw, Principles of
or

For the Macroeconomics section of the course, it is recommended that students use
one of:
Robin Stonecash, Jan Libich, Joshua Gans, Stephen King, Martin Byford, N. Gregory
or

Earlier editions of either text may be used.

Both of these books are available as a combined microeconomics and
macroeconomics texts titled, Economics (McTaggart, Findlay and Parkin), and
King, Robin Stonecash, Martin Byford, Jan Libich, N. Gregory 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/](http://accounts.unimelb.edu.au/).
Lectures – 1 x 3 hours each week

Wednesday 3.15pm – 6.15pm., Lecture Theatre 2, (room 109), 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 15 (week 6)</td>
<td>30%</td>
</tr>
<tr>
<td>Assignment 2</td>
<td>Individual</td>
<td>Electronic</td>
<td>5.00 pm, Wednesday May 13 (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.

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.

For further information, use the link:


**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:

![Special Consideration](http://specialconsideration.unimelb.edu.au/)

**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.

This can be accessed from the Assignment Tool tab on the LMS subject home page or using this link: [online extension request form](#).

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

**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.

- Students apply for Special Consideration through [My Unimelb](#) via the [Apply for Special Consideration](#) link under [Exams and Assessment](#) in the Admin tab.

- You must submit your online application no later than 3 working days after the due date for submission or examination of the particular component of assessment, to which your application refers.

**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.

Assistance in using these (and other) styles of referencing can be found using the link: [http://library.unimelb.edu.au/cite](http://library.unimelb.edu.au/cite)

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 MBS Student Centre_

The MBS student Centre can assist you with many aspects of policy with respect to special consideration, extensions and can answer many other questions of an administrative nature.

Level 4, 198 Berkeley St
The University of Melbourne
Carlton VIC 3010
1800 227 117 (Toll free in AU)
+61 3 8344 1670
mbs-enquiries@unimelb.edu.au

_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 to learn more and get involved.

_Past Exams_

Past exams will be made available for 2012, 2013 and 2014.
<table>
<thead>
<tr>
<th>Week Beginning Monday</th>
<th>Lecture</th>
<th>Lecture Topic</th>
<th>Reading</th>
</tr>
</thead>
</table>
| 2 March              | 1       | An introduction to economics. Costs and benefits at the margin. Cost: opportunity cost, fixed cost, sunk cost. The competitive market model including market definition.                                           | Gans, King, Byford and Mankiw, Chapters 1 and 2  
                         |         | McTaggart, Findlay and Parkin, Chapters 1, (but omit pages 38-40) and 3                                                                                                                                   |                                                                                           |
| 9 March              | 2       | The competitive market model (continued). The concept and use of elasticity.                                                                                                                                 | Gans, King, Byford and Mankiw, Chapters 4 and 5.  
                         |         | McTaggart, Findlay and Parkin, Chapters 3 and 4                                                                                                                                                    |                                                                                           |
                         |         | McTaggart, Findlay and Parkin, Chapters 5 and 6                                                                                                                                                    |                                                                                           |
| 23 March             | 4       | Aspects of tax and tax policy. The Henry Tax Review                                                                                                                                                     | Gans, King, Byford and Mankiw, Chapters 8 and 12                                                                                              |
| 30 March             | 5       | *(Prior to this week’s topics, students will required to undertake preliminary reading to understand the behaviour of firm’s costs of production)*  
                         |         | The firm in competitive markets. Competition and monopoly. The welfare costs of monopoly                                                                                                           | Gans, King, Byford and Mankiw, Chapter 14 and 15  
<pre><code>                     |         | McTaggart, Findlay and Parkin, Chapter 14 and 10                                                                                                                                                |                                                                                           |
</code></pre>
<table>
<thead>
<tr>
<th>Date</th>
<th>Week</th>
<th>Topic</th>
<th>Assignments</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 April</td>
<td></td>
<td>Non-Teaching Week</td>
<td></td>
</tr>
<tr>
<td>13 April</td>
<td>6</td>
<td>Market concentration and competition policy.</td>
<td>Gans, King, Byford and Mankiw, Chapter 18</td>
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<td></td>
<td></td>
<td></td>
<td>McTaggart, Findlay and Parkin, Chapter 10</td>
</tr>
<tr>
<td>20 April</td>
<td>7</td>
<td>Externalities</td>
<td>Gans, King, Byford 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>27 April</td>
<td>8</td>
<td>Public Goods</td>
<td>Gans, King, Byford and Mankiw, Chapters 10 and 11</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>McTaggart, Findlay and Parkin, Chapter 8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Chapters 1-3, 5 and 8</td>
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<td>(Available on 2-hour loan in Giblin Eunson Library)</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Joshua Gans, Stephen King, Robin Stonecash, Martin Byford, Jan Libich, N. Gregory Mankiw, Chapter 21*</td>
</tr>
<tr>
<td>11 May</td>
<td>10</td>
<td>National Income Accounting: The concept and measurement of GDP.</td>
<td>Joshua Gans, Stephen King, Robin Stonecash, Martin Byford, Jan Libich, N. Gregory Mankiw, Chapter 24* (national accounting) and Chapter 28* (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>Date</td>
<td>Week</td>
<td>Topic</td>
<td>References</td>
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<tr>
<td>18 May</td>
<td>11</td>
<td>Money and Monetary Policy</td>
<td>Joshua Gans, Stephen King, Robin Stonecash, Martin Byford, Jan Libich, N. Gregory Mankiw, Chapter 29*&lt;br&gt;McTaggart, Findlay and Parkin, Chapters 22 and 28</td>
</tr>
<tr>
<td>25 May</td>
<td>12</td>
<td>Budgetary Policy</td>
<td>McTaggart, Findlay and Parkin, Chapter 27</td>
</tr>
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*These chapter references are for the combined text; *Principles of Economics*

There may need to be some slight variation to this schedule and list of topics as result of student preferences and interests. Students will be asked to provide their preferences.