This course is the Honours/graduate version of ECON2131 Public Sector Economics (P). The course is taught at a more advanced level for graduate students (ECON8034 Public Sector Economics (G)) and undergraduate students enrolled at the Honours level (ECON2132 Public Sector Economics (H)). Students enrolled in ECON2132 and ECON8034 should read the course outline for ECON2131 for additional information regarding the Pass component.

- This Pass component uses the basic tools of microeconomics to analyse the role of government and the rationale for and design of taxation and expenditure policy. Emphasis is placed on attaining a solid grasp of the basic theory of public economics. The topics to be covered include a review of basic microeconomics, welfare economics, cost-benefit analysis, public goods, externalities, public choice, public expenditure programs (including education, health, pensions and welfare payments), and taxation (including efficiency and equity issues, tax incidence, Australian tax policy, and fiscal federalism).

- The Honours/graduate component covers topics on public choice and provides an alternative, more critical, view of government. The public choice perspective places more emphasis on modelling the political process and argues that this, like the market mechanism, has readily identifiable sources of failure.

<table>
<thead>
<tr>
<th>Mode of Delivery</th>
<th>On campus, lecture and tutorial based</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prerequisites for ECON2132</td>
<td>Completion or concurrent enrolment in ECON2101/2111 Microeconomics 2 (P or H).</td>
</tr>
<tr>
<td>Incompatible Courses</td>
<td>-</td>
</tr>
<tr>
<td>Course Convener and Lecturer</td>
<td>Dr. María Racionero</td>
</tr>
<tr>
<td>Phone</td>
<td>(02) 61254466</td>
</tr>
<tr>
<td>Email</td>
<td><a href="mailto:maria.racionero@anu.edu.au">maria.racionero@anu.edu.au</a></td>
</tr>
<tr>
<td>Office hours for student consultation</td>
<td>Thursday 9.30-11am, or by appointment</td>
</tr>
<tr>
<td></td>
<td>Room 2010, HW Arndt Building 25a</td>
</tr>
<tr>
<td>Research Interests</td>
<td>Public Economics, Political Economy, Microeconomic Theory, Applied Microeconomics, Economics of Education</td>
</tr>
<tr>
<td>Relevant administrator</td>
<td>Karissa Carkeet / School Office</td>
</tr>
<tr>
<td>Phone</td>
<td>(02) 61250384</td>
</tr>
<tr>
<td>Email</td>
<td><a href="mailto:karissa.carkeet@anu.edu.au">karissa.carkeet@anu.edu.au</a> / <a href="mailto:enquiries.rse@anu.edu.au">enquiries.rse@anu.edu.au</a></td>
</tr>
<tr>
<td>Tutor</td>
<td>This information will be available in Wattle</td>
</tr>
</tbody>
</table>

SEMESTER 1
2015

http://programsandcourses.anu.edu.au/course/ECON2132
http://programsandcourses.anu.edu.au/course/ECON8034
and Wattle
COURSE OVERVIEW

Course Description
This course is the Honours/graduate version of ECON2131 Public Sector Economics (P). The course is taught at a more advanced level for graduate students (ECON8034 Public Sector Economics (G)) and undergraduate students enrolled at the Honours level (ECON2132 Public Sector Economics (H)). Students enrolled in ECON2132 and ECON8034 should read the course outline for ECON2131 for additional information regarding the Pass component.

- This Pass component uses the basic tools of microeconomics to analyse the role of government and the rationale for and design of taxation and expenditure policy. Emphasis is placed on attaining a solid grasp of the basic theory of public economics. The topics to be covered include a review of basic microeconomics, welfare economics, cost-benefit analysis, public goods, externalities, public choice, public expenditure programs (including education, health, pensions and welfare payments), and taxation (including efficiency and equity issues, tax incidence, Australian tax policy, and fiscal federalism).

- The Honours/graduate component covers topics on public choice and provides an alternative, more critical, view of government. The public choice perspective places more emphasis on modelling the political process and argues that this, like the market mechanism, has readily identifiable sources of failure.

Learning Outcomes
Upon successful completion of the requirements for this course, students should be able to:

- Identify and explain the principal forms of market failure that provide a justification for government intervention;
- Describe the main policy instruments used to mitigate market failures and explain the principles that guide their optimal use;
- Explain the limitations of government intervention - for instance, illustrate how the presence of information problems both explains the forms that policy intervention take and imposes limits on what can be achieved by it.
- Identify the trade-offs captured by public economics models; including the assumptions, relevance, and limitations of those models.
- Analyse policy problems and assess arguments appearing in the policy debate.
- Distinguish the normative and the positive approaches to public economics and, in particular, identify and explain public choice models of government.

Assessment Summary
The table below contains the proposed assessment schedule. Details about assessment may change during the first two weeks of semester. If there are any changes to the assessment schedule these will be posted in Wattle.

<table>
<thead>
<tr>
<th>Assessment item</th>
<th>Description</th>
<th>Specific requirements</th>
<th>Due date</th>
<th>Weighting (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 assignments</td>
<td>Take-home tasks to be handed in writing, involving problem-solving questions and short essays</td>
<td>Compulsory and non-redeemable</td>
<td>Weeks 4 and 10, by 4 pm on Thursday</td>
<td>5% each</td>
</tr>
<tr>
<td>Mid-semester exam</td>
<td>90 minutes with 15 minutes reading time</td>
<td>Compulsory and 50% redeemable</td>
<td>Week 7</td>
<td>30%</td>
</tr>
<tr>
<td>Final examination</td>
<td>180 minutes with 30 minutes reading time</td>
<td>Compulsory and non-redeemable</td>
<td>Final examination period</td>
<td>60%</td>
</tr>
</tbody>
</table>
Note: The assessment schedule for ECON2132 and ECON8034 is similar to the assessment schedule for ECON2131. However:

- The mid-semester exam and the final exam for ECON2132 and ECON8034 will contain questions specially designed to account for the additional material covered by Honours/graduate students. The number of questions will nevertheless remain the same.
- The assignment tasks may assess the additional material covered by Honours/graduate students.

**Research-Led Teaching**

The course will cover recent research in the area of public economics. Recent papers on taxation, education, social security, among other topics, will be provided in Wattle, often as suggested optional readings. When feasible the main findings of those papers will be discussed in class. The lecturer in charge of this course has research interests in public economics, political economy, information economics and economics of education, and has published several papers in top international journals.

**Workload**

Students taking this course are expected to commit at least 10 hours a week to completing the work. This will include:

- 2 hours a week: lecture
- 1 hour a week: tutorial
- 1 hour a week, starting week 2: Honours and graduate students meeting
- About 6 hours a week: reading, research, writing, lecture and tutorial preparation

**Course delivery**

All students follow the undergraduate lectures and tutorials (see the course outline for ECON2131 for more detail on the organization of these classes). In addition, there will be regular meetings with Honours and graduate students. These meetings will take place in Sem1 2015 on Thursday 11am-12pm at Arndt LT2 starting week 2. A list of topics with references is provided below. It is expected that students read the compulsory material to be treated and attempt the questions before in order to be able to actively participate in those meetings.

**Attendance requirements**

There are no marks allocated for attendance but participation in lectures and tutorials is encouraged. As noted above it is expected that students prepare for lectures and tutorials in advance.

**Tutorial registration**

Enrolment in tutorials will be completed online using the Electronic Teaching Assistant (ETA) after the first lecture. More information will be available in Wattle.

**Prescribed text and reference materials**

Prescribed and recommended texts for the undergraduate Pass component

Information about prescribed and recommended texts for the undergraduate Pass component of the course can be found in the course outline for ECON2131.

Recommended texts for the graduate/Honours component


Hillman (2003) is a final-year undergraduate public finance text that emphasizes the role of political institutions in shaping how governments behave. Hindriks and Myles (2013) is a first-year graduate textbook in public economics that covers the traditional topics of efficiency and equity but also highlights more recent developments in information, games, and, especially, political economy.
Mueller (2003) is the main reference book on public choice and treats these issues with a greater deal of detail.

**COURSE SCHEDULE FOR HONOURS/GRADUATE COMPONENT**

<table>
<thead>
<tr>
<th>Weeks</th>
<th>Topic</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-3</td>
<td>An introduction to public choice, Arrow's impossibility theorem and majority rule</td>
<td>Hindriks and Myles, ch.11, sections 1-4*&lt;br&gt;Mueller, chapters 4-6</td>
</tr>
<tr>
<td>4-5</td>
<td>Alternatives to majority rule</td>
<td>Hindriks and Myles, ch.11, sections 5-7*&lt;br&gt;Mueller, chapter 7</td>
</tr>
<tr>
<td>6-7</td>
<td>Voting and public goods</td>
<td>Hindriks and Myles, section 6.5*/Notes&lt;br&gt;Mueller, ch.2, sections 1-5</td>
</tr>
<tr>
<td>8-9</td>
<td>Voting and redistribution</td>
<td>Hillman, section 6.1*&lt;br&gt;Mueller, ch.3</td>
</tr>
<tr>
<td>10-11</td>
<td>Political behavior and public policy</td>
<td>Hillman, section 6.2*&lt;br&gt;Mueller, ch.20</td>
</tr>
<tr>
<td>11-12</td>
<td>Public policy and rent-seeking behavior</td>
<td>Hillman, section 6.3*&lt;br&gt;Hindriks and Myles, ch.12&lt;br&gt;Mueller, ch.15</td>
</tr>
</tbody>
</table>

Note: The required readings are indicated by an asterisk (*) and are listed first. This is a tentative list of references. Other references might be added during the course.

**Other relevant information**
- For the common component of the course, see “Other relevant information” in the course outline for ECON2131.
- For the Honours/graduate component of the course, the recommended texts listed above will be placed in the Reserve Collection (Hindriks and Myles (2013) is available as eBook from the ANU Library). There is a link to the Reserve Collection in Wattle. I will provide an electronic copy of chapter 11 sections 1-7 from Hindriks and Myles (2013) and chapter 6 from Hillman (2003) online in Wattle. The material provided online will cover most of the topics listed above. All topics are also treated in more depth in Mueller (2003) for those students who would like to pursue the study of public choice further and I have provided the references above.

**ASSESSMENT REQUIREMENTS**

**Assignments tasks**
The 2 assignments will consist of take-home tasks. These assignments will involve a combination of problem-solving questions and short essays, very similar to questions that can be found in examination papers. The purpose of these assignments is to provide regular feedback on how to answer questions. Students will be advised at a later date, in class and in Wattle, of the precise tasks to be fulfilled for each assignment.

**Assignment submission**
- **Hard Copy Submission (for hand-written or typed answers to problems):** Assignments must be submitted to the School Office and include a cover sheet. An assignment box for ECON2131/2132/8034 will be available for the submissions (assignment boxes are located on floor 1 of the HW Arndt Building 25a, opposite Room 1002). Email and fax submissions are not acceptable. Please keep a copy of the assignment for your records.
- **Online Submission (for essays):** Assignments are submitted using Turnitin in the course Wattle site. You will be required to electronically sign a declaration as part of the submission of your assignment. Please keep a copy of the assignment for your records.
  - The ANU is using Turnitin to enhance student citation and referencing techniques, and to assess assignment submissions as a component of the University's approach to managing Academic Integrity. For additional information regarding Turnitin please visit the ANU Online website.
Students may choose not to submit assessment items through Turnitin. In this instance you will be required to submit, alongside the assessment item itself, copies of all references included in the assessment item.

- Harvard style referencing is used often for economics essays and papers.

**Extensions and penalties**
- Extensions and late submission of assessment pieces are covered by the Student Assessment (Coursework) Policy and Procedure.
- The Course Convener may grant extensions for assessment pieces that are not examinations or take-home examinations. If you need an extension, you must request it in writing on or before the due date. If you have documented and appropriate medical evidence that demonstrates you were not able to request an extension on or before the due date, you may be able to request it after the due date.
- **No submission of assessment tasks without an extension after the due date will be permitted. If an assessment task is not submitted by the due date, a mark of 0 will be awarded.**

**Returning assignments**
The assignments will be returned during the tutorials and/or lectures as soon as they are marked. An announcement will be made in Wattle.

**Examinations**
- The mid-semester exam will consist of 3 questions to be answered in 90 minutes and will take place in week 7. Students will be advised at a later date, in class and in Wattle, of the material covered in the mid-semester exam.
- The final exam will consist of 6 essay-type questions to be answered in 3 hours. The questions will vary in complexity with 50% of the exam devoted to basic questions, aimed at determining whether the student should pass the unit, and then questions of increasing complexity, aimed at determining which students deserve credit, distinction or high distinction. You will have access to the previous years’ final exam papers through Wattle. The final exam will assess all material covered in the course.
- The permitted materials at the examinations are non-scientific calculators. You will also be able to check the permitted materials at the examination at [http://timetable.anu.edu.au/exams/](http://timetable.anu.edu.au/exams/) when the examination date and location will be announced.

**OTHER RELEVANT INFORMATION**

**Announcements**
Students are expected to check the Wattle site for announcements about this course, e.g. changes to timetables or notifications of cancellations. Notifications of emergency cancellations of lectures or tutorials will be posted on the door of the relevant room.

**Feedback**

**Staff Feedback**
Students will be given feedback in the following forms in this course:
- The solutions to assignments and mid-semester exams will be covered in class.
- Written comments, if relevant, will be included in the assignments returned to students.
- Verbal comments, if necessary, will be provided during consultation time.

**Student Feedback**
ANU is committed to the demonstration of educational excellence and regularly seeks feedback from students. One of the key formal ways students have to provide feedback is through Student Experience of Learning Support (SELS) surveys. The feedback given in these surveys is anonymous and provides the Colleges, University Education Committee and Academic Board with opportunities to recognise excellent teaching, and opportunities for improvement.

For more information on student surveys at ANU and reports on the feedback provided on ANU courses, go to
Policies
ANU has educational policies, procedures and guidelines, which are designed to ensure that staff and students are aware of the University’s academic standards, and implement them. You can find the University’s education policies and an explanatory glossary at: http://policies.anu.edu.au/

Students are expected to have read the Student Academic Integrity Policy before the commencement of their course.

Other key policies include:
- Student Assessment (Coursework)
- Student Surveys and Evaluations

SUPPORT FOR STUDENTS
The University offers a number of support services for students. Information on these is available online from http://students.anu.edu.au/studentlife/