

## ECON2131

# Public Sector Economics (P)

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This course 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).

<b>Mode of Delivery</b>	On campus, lecture and tutorial based
<b>Prerequisites</b>	Completion or concurrent enrolment in <a href="#">ECON2101/2111</a> Microeconomics 2 (P or H).
<b>Incompatible Courses</b>	-
<b>Course Convener and Lecturer</b>	Dr. María Racionero
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Office hours for student consultation	Tuesday 2-3.30pm or by appointment Room 2010, HW Arndt Building 25a
Research Interests	Public Economics, Political Economy, Microeconomic Theory, Applied Microeconomics, Economics of Education
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RSE Students Webpage	<a href="https://www.rse.anu.edu.au/students/">https://www.rse.anu.edu.au/students/</a>
<b>Tutor</b>	This information will be available in <a href="#">Wattle</a>

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<http://programsandcourses.anu.edu.au/course/ECON2131> and [Wattle](#)

## COURSE OVERVIEW

### Course Description

This course 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).

### 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.

### 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.

Assessment item	Description	Specific requirements	Due date	Weighting (%)
<b>2 assignments</b>	Take-home tasks to be handed in writing, involving problem-solving questions and short essays	Compulsory and non-redeemable	Weeks 4 and 10, by 4 pm on Thursday	5% each
<b>Mid-semester exam</b>	90 minutes with 15 minutes reading time	Compulsory and 50% redeemable	Mid-semester examination period	30%
<b>Final examination</b>	180 minutes with 30 minutes reading time	Compulsory and non-redeemable	Final examination period	60%

### 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
- At least 7 hours a week: reading, research, writing, lecture and tutorial preparation

## **Course delivery**

The Pass component of Public Sector Economics (ECON2131) consists on one two-hour lecture and a one-hour tutorial per week (see the timetable for details on dates, times and locations). Tutorial meetings start in week 2 (See tutorial registration details below).

- *Lectures*: It is expected that students attend lectures whenever possible and come prepared to them. The handouts for each topic will be available before the lectures in Wattle. The relevant references are included in the last page.
- *Tutorials*. It is expected that students prepare for tutorials in advance and come ready to answer questions about the problems assigned for each week's tutorial. The details about tutors are available in the contacts section and more detailed information about tutorials can be found in the folder "Tutors and tutorials" in Wattle.

## **Co-teaching**

Students enrolled in ECON2132 Public Sector Economics (H), ECON4434 Public Sector Economics (4<sup>th</sup> year Honours) and ECON8034 Public Sector Economics (G) attend the lectures and tutorials of ECON2131 Public Sector Economics (P) plus additional weekly meetings to cover additional material. These students should read the additional course outline for ECON2132/ECON4434/ECON8034 for more detail.

## **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**

Tutorial signup for this course will be done via the Wattle website. Detailed information about signup times will be provided on Wattle or during your first lecture. When tutorials are available for enrolment, follow these steps:

1. Log on to Wattle, and go to the course site
2. Click on the link "Tutorial enrolment"
3. On the right of the screen, click on the tab "Become Member of....." for the tutorial class you wish to enter
4. Confirm your choice

If you need to change your enrolment, you will be able to do so by clicking on the tab "Leave group..." and then re-enrol in another group. You will not be able to enrol in groups that have reached their maximum number. Please note that enrolment in ISIS must be finalised for you to have access to Wattle.

## **Prescribed text and reference materials**

### **Main text**

Rosen, H. and Gayer, T. (2014), *Public Finance* (10<sup>th</sup> edition), McGraw-Hill.

### **Recommended texts**

For public economics:

- Abelson, P. (2012), *Public economics: principles and practice* (3<sup>rd</sup> edition), Mc-Graw Hill.
- Stiglitz, J.E. and Rosengard, J.K. (2015), *The Economics of the Public Sector* (4th edition), W. W. Norton.

For mathematical techniques: Sydsaeter, K. and Hammond, P. (2006), *Essential Mathematics for Economic Analysis*, Prentice Hall (Pubs).

Your existing microeconomics text will also be useful for some topics.

## COURSE SCHEDULE

The table below contains the proposed course schedule. Required readings are indicated by an asterisk (\*) and are listed first. They mostly refer to the prescribed text. However a number of different sources are sometimes used. The complete set of references will appear in the last page of each handout. Please check the last page of the handouts, as they become available, as additional references might be added throughout the semester.

Topic	Title	References
1	The public sector in a mixed economy	Stiglitz & Rosengard, Ch. 1* Rosen & Gayer, Ch. 1 pp. 2-5 Abelson, Ch. 1 (pp. 7-8)
2	The economic rationale of government	Rosen & Gayer, Ch. 3* Stiglitz & Rosengard, Ch. 3-4
3	Welfare economics: efficiency and equity	Rosen & Gayer, Ch. 12 pp. 256-263 (social welfare functions) + Appendix pp. 533-545 (review of micro)* Stiglitz & Rosengard, Ch. 7 Abelson, Ch. 6 and 28 pp. 494-497 (inequality measures)
4	Cost-benefit analysis	Rosen & Gayer, Ch. 8* Stiglitz & Rosengard, Ch. 11
5	Public goods and publicly provided private goods	Rosen & Gayer, Ch. 4* Stiglitz & Rosengard, Ch. 5
6	Externalities	Rosen & Gayer, Ch. 5* Stiglitz & Rosengard, Ch. 6
7	Education and health care	
7.1	Education	Rosen & Gayer, Ch. 7* Stiglitz & Rosengard, Ch. 14 Abelson, Ch. 12
7.2	Health care	Rosen & Gayer, Ch. 9* Stiglitz & Rosengard, Ch. 13 Abelson, Ch. 32
8	Social insurance and income maintenance	
8.1	Social security	Rosen & Gayer, Ch. 11* Stiglitz & Rosengard, Ch. 16 Abelson, Ch. 31 pp. 554-561
8.2	Welfare programs	Rosen & Gayer, Ch. 13 (pp. 270-282 and pp. 289-292) and 12 (pp. 264-268 on in-kind transfers)* Stiglitz & Rosengard, Ch. 15 Abelson, Ch. 30 (for social welfare provisions in Australia) and 31 (for welfare for the workforce and families)
9	Introduction to taxation and tax incidence	Rosen & Gayer, Ch. 14 pp. 296-310* Stiglitz & Rosengard, Ch. 17 and 18* Abelson, Ch. 21
10	Taxation and economic efficiency	Rosen & Gayer, Ch. 15* Stiglitz & Rosengard, Ch. 19 Abelson, Ch. 22
11	Optimal taxation	Rosen & Gayer, Ch. 16 pp. 347-363* Stiglitz & Rosengard, Ch. 20 Abelson, Ch. 23
12	Fiscal federalism	Rosen & Gayer, Ch. 22 pp. 501-511 and pp. 518-524* Stiglitz & Rosengard, Ch. 26

### **Other relevant information**

- Handouts, in the form of brief PowerPoint presentations, will be provided before the lecture. Occasionally, more detailed documents will be provided for topics for which this is deemed necessary. All these documents will be available in Wattle.
- Students should note that the PowerPoint handouts are to be regarded as a guide to the referenced material. The required reading is given in the last page of each handout. Students should consult these references.
- Prescribed and recommended texts will be placed on the Reserve Collection, usually on 2-day loan (except for a copy of the prescribed text which I have requested to be placed on a 2-hour loan). A text on mathematical techniques has been included for those who might need it. It is the policy of the library to place texts on 2-day loan by default unless a high utilization rate is observed. If there is high demand for a text, it is automatically transferred to the 2-hour loan. This means that students should preferably seek these references well in advance in order to facilitate the efficient use of resources. There is a link to the Reserve Collection in Wattle.
- The lecturer's email address is given at the beginning of this handout but it is only to be used when you need to contact her about administrative or personal matters. It is not to be used for instructional purposes. When you have questions about the course material, please consult your regular tutor or lecturer in person.

## **ASSESSMENT REQUIREMENTS**

### **Assignments tasks**

The 2 assignments will consist on 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 available [here](#). An assignment box for ECON2131/2132/4434/8034 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 the mid-semester examination period. Students will be advised at a later date, in class and in Wattle, of the material covered in the mid-semester exam. Students are expected to check the Wattle site regularly for announcements.
- The mid-semester exam is compulsory: There will be no special examinations for the mid-semester exam. Instead for students who would normally meet the requirements for a special exam (eg medical certificate), the weighting will be moved to the final exam. Students who do not sit the mid-semester exam and do not meet the necessary requirements for a special exam will receive a zero.
- 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/> when the examination date and location will be announced.

## **Scaling**

Your final mark for the course will be based on the **raw** marks allocated for each of your assessment items. However, your final mark may not be the same number as produced by that formula, as marks may be **scaled**. Any scaling applied will preserve the rank order of raw marks (i.e. if your raw mark exceeds that of another student, then your scaled mark will exceed the scaled mark of that student), and may be either up or down.

## **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

- <http://unistats.anu.edu.au/surveys/self/students/> and
- <http://unistats.anu.edu.au/surveys/self/results/learning/>

## **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 [Academic Misconduct Rules 2014](#) before the commencement of their course.

Other key policies include:

- Student Assessment (Coursework)
- Student Surveys and Evaluations

## **Privacy Notice**

The ANU has made a number of third party, online, databases available for students to use. Use of each online database is conditional on student end users first agreeing to the database licensor's terms of service and/or privacy policy. Students should read these carefully.

In some cases student end users will be required to register an account with the database licensor and submit personal information, including their: first name; last name; ANU email address; and other information.

In cases where student end users are asked to submit 'content' to a database, such as an assignment or short answers, the database licensor may only use the student's 'content' in accordance with the terms of service – including any (copyright) licence the student grants to the database licensor.

Any personal information or content a student submits may be stored by the licensor, potentially offshore, and will be used to process the database service in accordance with the licensors terms of service and/or privacy policy.

If any student chooses not to agree to the database licensor's terms of service or privacy policy, the student will not be able to access and use the database. In these circumstances students should contact their lecturer to enquire about alternative arrangements that are available.

## **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/>

RSE has a Frequently Asked Questions page where you can find relevant policies and information on a broad range of topics, the onus is on the student to familiarise themselves with this page and the information available.

<https://www.rse.anu.edu.au/students/students/frequently-asked-questions/>