

ECON2132/ECON4434/ECON8034 Public Sector Economics (H/G)

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), 4th year Honours students (ECON4434) and undergraduate students enrolled at the Honours level (ECON2132). Students enrolled in ECON2132, ECON4434 and ECON8034 should read the *course outline for ECON2131* for additional information regarding the Pass component.

- The 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.

Mode of Delivery	On campus, lecture and tutorial based
Prerequisites for ECON2132	Completion or concurrent enrolment in ECON2101/2111 Microeconomics 2 (P or H).
Prerequisites for ECON8034	Completion or concurrent enrolment in ECON8025 , and either ECON2015/6015 or ECON8013 or equivalent courses.
Course Convener and Lecturer	Dr. María Racionero
Phone	(02) 61254466
Email	maria.racionero@anu.edu.au
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
Relevant administrator	Nicole Millar
Phone	(02) 61250384
Email	enquiries.rse@anu.edu.au
Tutor	This information will be available in Wattle

SEMESTER 1
2018

<http://programsandcourses.anu.edu.au/course/ECON2132>
<http://programsandcourses.anu.edu.au/course/ECON4434>
<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), 4th year Honours students (ECON4434) and undergraduate students enrolled at the Honours level (ECON2132). Students enrolled in ECON2132, ECON4434 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.

Assessment item	Description	Specific requirements	Due date	Weighting (%)
2 assignments	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
Mid-semester exam	90 minutes with 15 minutes reading time	Compulsory and 50% redeemable	Mid-semester examination period	30%
Final examination	180 minutes with 30 minutes reading time	Compulsory and non-redeemable	Final examination period	60%

Note: The assessment schedule for ECON2132, ECON4434 and ECON8034 is similar to the assessment schedule for ECON2131. However:

- The mid-semester exam and the final exam for ECON2132, ECON4434 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 a one-hour weekly meeting with Honours and graduate students, *starting in week 1*. Check the ANU timetable for the time and location of these seminar meetings. 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

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 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.

Main and recommended texts for the graduate/Honours component

- **Main text:** Hindriks, J. and Myles, G.D. (2013), *Intermediate Public Economics* (2nd edition), MIT Press.
- **Recommended texts:**
 - Hillman, A.L. (2003), *Public Finance and Public Policy: Responsibilities and Limitations of Government*, Cambridge University Press.
 - Mueller, D.C. (2003). *Public Choice III*, Cambridge University Press.

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. Hillman (2003) is a final-year undergraduate public finance text that emphasizes the role of political institutions in shaping how governments behave. Mueller (2003) is the main reference book on public choice and treats these issues with a greater formality and detail.

COURSE SCHEDULE FOR HONOURS/GRADUATE COMPONENT

Weeks	Topic	Required reading
1-2	An introduction to public choice, Arrow's impossibility theorem and majority rule	Hindriks and Myles, ch.11, sections 1,3 & 4
3-4	Alternatives to majority rule	Hindriks and Myles, ch.11, sections 5-7
5-6	Voting on public goods	Hindriks and Myles, ch.6, section 5
7-8	Political competition	Hindriks and Myles, ch.11, section 8
9-10	Introduction to rent-seeking	Hindriks and Myles, ch.12, sections 1-4
11-12	Rent-seeking and government policy	Hindriks and Myles, ch.12, sections 6-8

Note: The required readings are indicated in the table above. This is a tentative list. Other required readings and/or references might be added during the course. Hindriks and Myles (2013) is available as eBook from the ANU Library. 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 can provide more detailed references upon request.

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 main and recommended texts listed above will be placed in the Reserve Collection. There will be a link to the Reserve Collection in Wattle.

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 ECON2131/2132/8034 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/selt/students/> and
- <http://unistats.anu.edu.au/surveys/selt/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 [Student Academic Integrity](#) Policy 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/>