

▶▶ JSGS 805.3: Economics for Public Policy Analysis

	University of Regina Campus	University of Saskatchewan Campus
Instructor:		M. Rose Olfert
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Office Hours:		By appointment
Office Location:		DIEF 152
Term:		Term I
Room:		DIEF 137
Date and Time:		W 5:30 – 8:30 PM, September 14 – December 7

CALENDAR DESCRIPTION

To provide an economic framework for the analysis of public policy. The course uses microeconomic concepts to examine when and how the government should intervene in the economy. Using the starting point of policy as intervention, the course examines the circumstances under which government involvement is most likely to be desirable. The course then moves to consider the key instruments that government uses in its intervention. In the examination of these two broad issues, the course pays particular attention to how people and firms behave and how they are likely to respond to policy instruments. The course also develops the key concepts associated with cost-benefit analysis and shows how these concepts are used in the analysis of public policy.

COURSE CONTENT AND APPROACH

The purpose of this course is to provide an economic framework for the analysis of public policy. The course uses microeconomic concepts to examine when and how the government should intervene in the economy. Using the starting point of policy as intervention, the course examines the circumstances under which government involvement is most likely to be desirable. The course then moves to consider the key instruments that government uses in its intervention. In the examination of these two broad issues, the course pays particular attention to how people and firms behave and how they are likely to respond to policy instruments. The course also develops the key concepts associated with cost-benefit analysis and shows how these concepts are used in the analysis of public policy.

REQUIRED READINGS

Textbook : Mintrom, Michael. 2011. *Contemporary Policy Analysis*. Place: Publisher

Murray Fulton. 2010. Class Notes. Electronic version on PAWS.

Readings as indicated under topics

SUPPLEMENTARY READINGS

Coyle, Diane. 2007. *The Soulful Science: What Economists Really Do and Why it Matters*. Princeton: Princeton University Press. ISBN13: 978-0-691-13623-3 (available on library reserve)

Mayer, Thomas. 2009. *Invitation to Economics: Understanding Argument and Policy*. Chichester, West Sussex : Wiley-Blackwell. ISBN: 978-1-4051-8393-2 (available on library reserve)

Frank, Robert H., Ben S. Bernanke, Lars Osberg, Melvin L. Cross, and Brian K. MacLean. 2009. *Principles of Microeconomics*, 3/e. McGraw-Hill Higher Education. ISBN: 0070965269 (available on library reserve)

EVALUATION

3 Problem Sets	15%
Mid Term Test	15%
Major Assignment	30%
Final Exam	<u>40%</u>
Total	<u>100%</u>

LATE ASSIGNMENTS

Assignments must be handed in on time. Late assignments are not normally accepted. See your instructor for special consideration.

STUDENTS WITH SPECIAL NEEDS

Please inform the professor if you have special needs and a way of accommodating them will be found.

ACADEMIC INTEGRITY AND CONDUCT

Understanding and following the principles of academic integrity and conduct as laid out in the University of Saskatchewan's Guidelines for Academic Conduct is vital to your success in graduate school (as attached; and available at http://www.usask.ca/university_council/reports/archives/guide_conduct.shtml). Ensuring that your work is your own and reflects both your own ideas and those of others incorporated in your work is important: ensuring that you acknowledge the ideas, words, and phrases of others that you use is a vital part of the scholarly endeavour. If you have any questions at all about academic integrity in general or about specific issues, contact any faculty member and we can discuss your questions.

COURSE OUTLINE:

**Readings available on PAWS.

1. Introduction – Policy as intervention (Sept. 14)

Readings: Mintrom, Ch. 1-3

**Banks, Gary. 2009. Markets: how free? Australian Productivity Commission.

http://www.pc.gov.au/__data/assets/pdf_file/0005/94433/20091130-markets-how-free.pdf

2. Behavioural relationships – How will people respond to policy intervention?

- Supply and demand, economic fundamentals (Sept. 21)
- Welfare Measures, consumer and producer surplus (Sept. 28)

Readings: Mintrom, Ch. 9

3. Bases for government intervention in a market economy

- Externalities and Asymmetric Information (Oct. 5)

- Limited Competition (Oct. 12)
- Public Goods, Distribution (Oct 19)

Readings: Mintrom, Ch. 9

****The World Bank. 1991. "Development Strategies: The Roles of the State and the Private Sector."**

Roundtable Discussion. Proceedings of the World Bank Annual Conference on Development Economics 1990.

Shiell, L. and . S Loney. 2007. "Global Warming Damages and Canada's Oil Sands." *Canadian Public Policy* 33(3): 419-440.

4. Government Policy Instruments

- Taxes and Subsidies (Oct. 26)
- Service Provision, Regulation and Standards (Nov. 2)

Readings:

Taxes: ****Mintz, J. and N. Olewiler. 2008. *A Simple Approach for Bettering the Environment and the Economy: Restructuring the Federal Fuel Excise Tax*. Sustainable Prosperity, U. of Ottawa: Ottawa**

Subsidies: Dalby, B. 2005. "A Framework for Evaluating Provincial R&D Tax Subsidies." *Canadian Public Policy* 31(1): 45-58.

Government Provision of Services – Agricultural R&D

Nagy, J.G. and W.H. Furtan. 1978. "Economic Costs and Returns from Crop Development Research: The Case of Rapeseed Breeding in Canada." *Canadian Journal of Agricultural Economics* 26: 1-14.

Regulations and Standards: Sen, A. and B. Mizzen. 2007. "Estimating the Impact of Seat Belt use on Traffic Fatalities: Empirical Evidence from Canada." *Canadian Public Policy* 33(3): 315-335.

Rabkin, D. and T. Beatty. 2007. "Does VQA Certification Matter: A Hedonic Analysis." *Canadian Public Policy* 33(3): 299-314

5. Government Failures—Capture and Pork-barrelling (Nov. 16)

Readings: Mintrom, ch. 10

Helm, Dieter. 2010. Government Failure, Rent-Seeking and Capture: The Design of Climate Change Policy. *Oxford Review of Economic Policy* 26(2): 182-96.

6. Benefit-Cost analysis (Nov. 23 and 30)

- Net Present Value—discounting and real values
- Opportunity Cost in costs
- Valuation of without market prices
- Misuses of multipliers
- Uncertainty

Readings: Mintrom, ch. 13

**Jenkins, Glenn, Chun-Yan Kuo and Aygul Ozbafli. 2007. *Cost-Benefit Analysis Case Study on Regulations to Lower the Level of Sulphur in Gasoline*. Department of Economics, Queen's University.

http://www.econ.queensu.ca/working_papers/papers/qed_wp_1134.pdf.

Treasury Board of Canada. 1998. *Benefit-Cost Analysis Guide*. Ottawa.

Kokoski, Mary. 2010. Getting Real: Price Deflation of Nominal Values. *Benefit-Cost Analysis* 1(1).

<http://www.bepress.com.cyber.usask.ca/jbca/vol1/iss1/>

Vining, A. and David L. Weimer. 2010. An Assessment of Important Issues Concerning the Application of Benefit-Cost Analysis to Social Policy. *Benefit-Cost Analysis* 1(1).

<http://www.bepress.com.cyber.usask.ca/jbca/vol1/iss1/>

Lecture Schedule:

Week	Topic
Wed. Sept 14	Introduction: Policy as Intervention
Wed. Sept. 21	Economics Relationships: Demand and Supply
Wed. Sept. 28	Social Welfare: Concepts and Measures
Wed. Oct. 5	Bases for Government Intervention: Externalities and Asymmetric Information
Wed. Oct. 12	Bases for Government Intervention: Limited Competition
Wed. Oct. 19	Bases for Government Intervention: Public Goods, Second Best and Equity
Wed. Oct. 26	Government Policy Instruments: Taxes, Subsidies
Wed. Nov. 2	Government Policy Instruments: Services, Regulations, Standards
Wed. Nov. 9	Mid-Term Test
Wed. Nov. 16	Government failures
Wed. Nov. 23	Cost-Benefit Analysis I
Wed. Nov. 30	Cost-Benefit Analysis II
Wed. Dec. 7	Wrap-up, Summary and Review

IMPORTANT DATES

Problem Sets:

#1: Data for Economic Analysis

#2: Consumer and Producer Surplus, Externalities

#3: Taxes and Subsidies

Major Assignment:

Mid-Term Test:

Due Dates:

Mon. Sept. 26, 2011

Wed. Oct. 12, 2011

Mon. Oct. 31, 2011

Fri. Dec. 9, 2011

Wed. Nov. 9, 2011