

PUBP 805.3: Economics for Public Policy Analysis

University of Saskatchewan Campus	
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Office Hours:	By appointment
Office Location:	148 Diefenbaker Building
Term:	Term 3 (Spring)
Room:	To be determined
Dates/Times:	To be determined

CALENDAR DESCRIPTION

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

Diane Coyle. 2007. *The Soulful Science: What Economists Really Do and Why it Matters*. Princeton University Press: Princeton.
 Thomas Mayer. 2009. *Invitation to Economics: Understanding Argument and Policy*. Wiley-Blackwell: Chichester, West Sussex.

SUPPLEMENTARY READINGS

See below.

EVALUATION

Problem Sets	20%
Major Assignment	30%
Class Participation	10%
Final	<u>40%</u>
Total	<u>100%</u>

LATE ASSIGNMENTS

All assignments must be submitted by the due date. Please see the instructor if your assignment is going to be late.

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

Ensuring that you understand and follow the principles of academic integrity and conduct as laid out in the University of Regina's Graduate Calendar and the University of Saskatchewan's Guidelines for Academic Conduct is vital to your success in graduate school. 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 your course instructor to discuss your questions.

COURSE OUTLINE:

1. Introduction – Policy as intervention
2. Behavioural relationships – How will people respond to policy intervention?
 - Supply and demand as basic behavioural relationships
 - Demand – maximum willingness to pay
 - Supply – minimum willingness to accept
 - Welfare Measures – consumer and producer surplus
3. When should government intervene in the economy?
 - a. Externalities
 - b. Public goods
 - c. Limited competition
 - d. Imperfect information
 - e. Second best failures
 - f. Income distribution and intergenerational transfers
 - g. Human rights

- Readings: 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
- Gray, R., M. Fulton and H. Furtan. 2007. "The Provision of Goods and Farm Policy in Canada." Working Paper, Department of Agricultural Economics, University of Saskatchewan.

4. Government Failures

5. Instruments of government policy – How should government intervene?

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, University of Ottawa: Ottawa

Subsidies

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

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

Steven Sexton, Deepak Rajagopal, David Zilberman, and Gal Hochman. 2008. "Food Versus Fuel: How Biofuels Make Food More Costly and Gasoline Cheaper." *Agricultural and Resource Economics Update*. Giannini Foundation of Agricultural Economics, University of California, 12(1).

Standards

6. Cost-benefit analysis

- a. Cost-benefit analysis and opportunity cost
- b. Discounting and NPV (versus IRR)
- c. Discount rates
- d. Accounting for inflation – nominal and real dollars
- e. Cost of taxation
- f. Valuing costs and benefits without market prices
- g. Misuses of multipliers
- h. Risk analysis

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

Sumner, M.T. 1980. "Benefit-Cost Analysis in Canadian Practice." *Canadian Public Policy* 6(2): 389-393

Vining, A.R. and A.E. Boardman. 2004. Policy Analysis Methods in Canada. Working paper.

Belfield C, Nores M, Barnett S, Schweinhart L. 2006. "The High/Scope Perry Preschool Program: Cost-Benefit Analysis Using Data from the Age-40 Followup." *Journal of Human Resources* 41(1): 162-90