

JSGS 805 Economics for Public Policy Analysis

	UNIVERSITY OF SASKATCHEWAN CAMPUS
INSTRUCTOR:	Jen Budney
PHONE:	306-850-0286
E-MAIL:	Jen.Budney@usask.ca
OFFICE HOURS:	Fridays 9 – 11 am (in office) and Mondays/Thursdays noon – 1pm via WebEx
OFFICE LOCATION:	Diefenbaker Building, room 141
TERM:	Term 2
ROOM:	Prairie Room
DATE AND TIME:	Wednesday 5:30 – 8:30 pm, January 4 – April 5. Optional Saturday labs: 9 am – noon.

CALENDAR DESCRIPTION

This course develops concepts in microeconomics (and, to a limited extent, macroeconomics) that are instrumental in understanding and conducting public policy analysis. It is intended for students who have had limited prior exposure to economics. Though it is not a formal prerequisite for JSGS 802 – Public Finance, the latter assumes the student has successfully completed JSGS 805.

LEARNING OBJECTIVES

After completing this course students are expected to:

- Understand and describe key economic terms and concepts;
- Be able to relate economic thinking to current policy issues;
- Understand how market forces operate and how government policies influence, and are influenced by, market forces;
- Understand why markets can sometimes fail to deliver the best outcomes for society;
- Identify instances of market failure and apply economic principles to designing policies to prevent or reduce the costs of market failure;
- Analyze the impact and evaluate the efficiency of regulation, corrective taxes/subsidies and tradable permits to address externalities;
- Have a firm understanding of the principles of cost-benefit analyses, including discounted values and counterfactuals;
- Understand how economics may be used in many areas in the public sector.

ATTRIBUTES OF JSGS GRADUATES

1. Management, Governance, and Leadership: Ability to inspire support for a vision or course of action and successfully direct the teams, processes, and changes required to accomplish it.
2. Communication and Social Skills: Ability to communicate effectively and build enduring, trust-based interpersonal, professional relationships.
3. Systems Thinking and Creative Analysis: Ability to identify key issues and problems, analyze them systematically, and reach sound, innovative conclusions.
4. Public Policy and Community Engagement: Ability to understand how organizational and public policies are formulated, their impact on public policy and management and how to influence their development.
5. Continuous Evaluation and Improvement: Commitment to on-going evaluation for continuous organizational and personal improvement.
6. Policy Knowledge: Ability to analyze and contribute content to at least one applied policy field.

COURSE CONTENT AND APPROACH

The purpose of this course is to provide an economic framework for the analysis of public policy. The course uses mainly microeconomic concepts to examine when and how the government should intervene in the economy, and the consequences of that intervention. More limited macroeconomic concepts are presented. The course pays particular attention to how people and firms behave as well as how they are likely to respond to policy interventions. 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.

JSGS 805 is lecture-based, but students will be called upon frequently in class to contribute to discussions and participate in problem-solving exercises and examples.

COURSE OUTLINE AND ASSIGNMENTS

1. Session 1 –Introduction: Policy as Intervention (January 4)

REQUIRED READINGS

- Weimer and Vining: Chapters 1 through 3 (“Preview”, “What is Policy Analysis”, and “Towards Professional Ethics”, pp. 1-53).
- Krugman et al.: Introduction and Chapters 1 and 13 (“First Principles” and “Efficiency and Equity”, pp 5-17 and 327-345).

RECOMMENDED READINGS

- Collins, Denis. 1988. Adam Smith’s Social Contract: The Proper Role of Individual Liberty and Government Intervention in 18th Century Society. *Business and Professional Ethics Journal* 7(3/4): 119-46.
- 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]

→ Chang: Chapter 4: “Let a Hundred Flowers Bloom: How to ‘Do’ Economics” (pp. 109-165).

2. Session 2 – Behavioural Relationships – The Basis of a Market Economy, Part 1 (January 11)

REQUIRED READINGS

- Krugman et al.: Chapters 3 and 5 (“Supply and Demand” and “Elasticity”, pp. 58-81 and 117-139); and Appendix to Chapter 2 (pp. 42-53) (essential for graphs).
- Weimer and Vining: Chapter 4 (“Efficiency and the Idealized Competitive Model”, pp. 54-70).

RECOMMENDED READINGS

- Fulton, M. class notes, pp. 1-27

3. Session 3 – Behavioural Relationships – The Basis of a Market Economy, Part 2 (January 18)

REQUIRED READINGS

- Krugman et al.: Chapters 6 through 11 (“Consumer and Producer Surplus”, “Making Decisions”, “Behind the Supply Curve: Inputs and Costs”, “Perfect Competition and the Supply Curve”, “The Rational Consumer”, “Consumer Preferences and Consumer Choice”, pp. 144-291).

RECOMMENDED READINGS

- Chang: Chapter 3: “How Have We Got Here?”, pp. 45-107.

4. Session 4 - Bases for Government Intervention in a Market Economy, Part 1 (January 25)

REQUIRED READINGS

- Weimer and Vining: Chapter 5 (“Rationales for Public Policy: Market Failures”, pp. 71-112)
- Krugman et al.: Chapters 19 and 20 (“Externalities” and “Public Goods and Common Resources”, pp. 478-515).
- Shiell, L. and S. Loney. 2007. Global Warming Damages and Canada's Oil Sands. *Canadian Public Policy* 33(3): 419-440.

5. Session 5 – Midterm Exam (February 1)

6. Session 6 – Bases for Government Intervention in a Market Economy, Part 2 (February 8)

REQUIRED READINGS

- Weimer and Vining: Chapters 6 and 7 (“Rationales for Public Policy: Other Limitations of the Competitive Framework” and “Rationales for Public Policy: Distributional and Other Goals”, pp. 115-155)
- Krugman et al.: Chapters 14 and 21 (“Monopoly” and “Taxes, Social Insurance, and Income Distribution”, pp. 348-375 and 519-543)

Akerlof, G. 1970. The Market for Lemons. *Quarterly Journal of Economics*. 84(3): 488-500

RECOMMENDED READINGS

- Chang: markets, pp. 38-40.

7. Session 7 – Bases for Government Intervention in a Market Economy, Part 3 (February 15)

REQUIRED READINGS

- Krugman et al.: Chapters 2 and 12 (“Economic Models: Trade-Offs and Trade” and “Factor Markets and the Distribution of Income”, pp. 21-38 and 295-324).
- Fortin, N., DA Green and T Lemieux. 2012. Canadian Inequality: Recent Developments and Policy Options. *Canadian Public Policy* 38(2): 121-145.
- Finnie, R and I Irvine. 2011. The Redistributive Impact of Canada’s Employment Insurance Program, 1992-2002. *Canadian Public Policy* 37(2): 201-218.

RECOMMENDED READINGS

- Chang: Chapter 9: “Boris’s Goat Should Drop Dead: Inequality and Poverty”, pp. 316-343.

8. Session 8 – Cost-Benefit Analysis (March 1)

REQUIRED READINGS

- Weimer and Vining: Chapter 16 (“Cost-Benefit Analysis: Assessing Efficiency”, pp. 383-423)
- Jenkins, G., Chun-Yan Kuo and A. Ozbaflı. 2007. *Cost-Benefit Analysis Case Study on Regulations to Lower the Level of Sulphur in Gasoline*. Dept. of Econ. Queen’s University.
http://www.econ.queensu.ca/working_papers/papers/qed_wp_1134.pdf.
- 2007 Treasury Board of Canada Secretariat’s *Canadian Cost-Benefit Analysis Guide: Regulatory Proposals* found at <http://www.tbs-sct.gc.ca/rtrap-parfa/analys/analystb-eng.asp>.
- Boardman, A.E., C. Laurin, M.A. Moore, and A.R. Vining. 2009. A Cost-Benefit Analysis of the Privatization of Canadian National Railway. *Canadian Public Policy* 35(1): 59-83.
- Ferrara, I., S. McComb, and P. Missios. 2007. Local Willingness-to-Pay Estimates for the Remediation of the Sydney Tar Ponds in Nova Scotia. *Canadian Public Policy* 33: 441-458.

9. Session 9 – Cost-Benefit Analysis cont’d (March 8)

REQUIRED READINGS

- Same as Session 8

10. Session 10 – Forms of Government Intervention (March 15)

REQUIRED READINGS

- Krugman et al, Chapter 4 (“The Market Strikes Back”, pp. 85-112).
- Weimer and Vining: Chapters 10 and 17 (“Correcting Market and Government Failures: Generic Policies” and “When Statistics Count: Revising the Lead Standard for Gasoline”, pp. 209-262 and 424-447).

RECOMMENDED READINGS

- 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

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

11. Session 11 – Government Failures (March 22)

REQUIRED READINGS

- Weimer and Vining: Chapters 8 and 13 (“Limits to Public Intervention: Government Failures” and “Government Supply: Drawing Organizational Boundaries”, pp. 156-190 and 308-324)
- Helm, Dieter. 2010. Government Failure, Rent-Seeking and Capture: The Design of Climate Change Policy. *Oxford Review of Economic Policy* 26(2): 182-96.
- Flyvbjerg, Bent. 2009. Survival of the Unfittest: Why the Worst Infrastructure Gets Built--And What We Can Do about It. *Oxford Review of Economic Policy* 25(3): 344-67.

12. Session 12 – Cost-Benefit Assignment Presentations

DESCRIPTION OF ASSIGNMENTS:

INDIVIDUAL TAKE-HOME ASSIGNMENTS: Students will be required to complete 2 (two) take-home assignments, related to material covered in the Krugman et al. and the Weiner and Vining texts. Individual take-home assignments must be completed on a computer and turned in as a hard-copy (paper print-out) by the due date and time. Assignments will not be accepted by email. Details on formatting and submission procedure will be included with the assignments.

Assignment #1: Demand and Supply, Consumer and Producer Surplus. This assignment will be distributed at the end of the Wednesday, January 18 class and will be due Friday, January 27 at 4pm. Worth 10% of final grade.

Assignment #2: Externalities, Natural Monopoly. This assignment will be distributed at the end of the Wednesday, February 8 class and will be due Friday, February 17 at 4pm. Worth 10% of final grade.

Assignment #3: Group Cost-Benefit Analysis. Students will be assigned to groups to complete a group cost-benefit analysis of a case to be chosen by the instructor. Groups will research the case together and present their shared findings to the class as a group, but each student will complete their own, individual cost-benefit report to be submitted on the same day as presentations. This assignment will be distributed at the end of the Wednesday, March 8 class, and will be due (group presentation and individual report) at the beginning of the Wednesday, March 29 class. Worth 25% of final grade (15% for report and 10% for presentation and group participation).

MIDTERM EXAMINATION: The mid-term exam will consist of written response questions and graphed response questions related to all material covered during the course up to and including the January 25 class. Students will have three hours to write the exam in class. It is a closed-book exam, and no electronic devices are permitted. The midterm exam will be completed during the Wednesday, February 1 class. Worth 20% of final grade.

FINAL EXAMINATION: The final exam will consist of written response questions and graphed response questions related to all material covered during the course up to and including the March 22 class. Students will have three hours to write the exam in class. It is a closed-book exam, and no electronic devices are permitted. Date and time of the final exam TBA. Worth 35% of final grade.

REQUIRED READINGS

TEXTBOOKS

Weimer, David L. and Aidan R. Vining. 2011. *Policy Analysis*. Longman. ISBN: 978-0-205-78130-0.

Krugman, Paul, Robin Wells and Anthony Myatt. 2006. *Microeconomics*. New York: Worth Publishing.

NOTE: This will be the main resource for the Lab for this class, Saturdays, 9:00-12:00.

ARTICLES AND PAPERS

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

Akerlof, GA. 1970. The Market for Lemons. *Quarterly Journal of Economics*. 84(3): 488-500

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

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

Jenkins, G., Chun-Yan Kuo and A. Ozbaflı. 2007. *Cost-Benefit Analysis Case Study on Regulations to Lower the Level of Sulphur in Gasoline*. Dept. of Econ. Queen's University.
http://www.econ.queensu.ca/working_papers/papers/qed_wp_1134.pdf.

Boardman, A.E., C. Laurin, M.A. Moore, and A.R. Vining. 2009. A Cost-Benefit Analysis of the Privatization of Canadian National Railway. *Canadian Public Policy* 35(1): 59-83.

Ferrara, I., S. McComb, and P. Missios. 2007. Local Willingness-to-Pay Estimates for the Remediation of the Sydney Tar Ponds in Nova Scotia. *Canadian Public Policy* 33: 441-458.

2007 *Treasury Board of Canada Secretariat's Canadian Cost-Benefit Analysis Guide: Regulatory Proposals* found at <http://www.tbs-sct.gc.ca/rtrap-parfa/analys/analystb-eng.asp>.

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

Flyvbjerg, Bent. 2009. Survival of the Unfittest: Why the Worst Infrastructure Gets Built--And What We Can Do about It. *Oxford Review of Economic Policy* 25(3): 344-67.

SUPPLEMENTARY READINGS

- Murray Fulton. 2010. Class Notes. Electronic version on PAWS.
- 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]
- Chang, Ha-Joon. 2014. *Economics: The User's Guide*. London, UK: Pelican Books. ISBN: 978-0-718-19703-2
- Collins, Denis. 1988. Adam Smith's Social Contract: The Proper Role of Individual Liberty and Government Intervention in 18th Century Society. *Business and Professional Ethics Journal* 7(3/4): 119-46.
- 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
- Dalby, B. 2005. A Framework for Evaluating Provincial R&D Tax Subsidies. *Canadian Public Policy* 31(1): 45-58.
- 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.
- 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.

RECOMMENDED RESOURCES

- Kahn Academy (www.kahnacademy.org). Free, online tutorials, including lessons on economics (micro- and macro-).
- Coursera (www.coursera.org). Online courses (can be audited for free) including Microeconomics Principles; The Power of Microeconomics: Economic Principles in the Real World; and more.

EVALUATION

All assignments and exams will be graded out of 100, and will be worth the following towards the final grade:

Assignment 1	10%
Assignment 2	10%
Mid Term Exam	20%
Assignment 3	
Presentation and participation	10%
Hand-In assignment	15%
Final Exam	35%
Total	<u>100%</u>

LATE ASSIGNMENTS

Assignments must be submitted by the due date. Exceptions can only be made when there are documented medical reasons or extraordinary circumstances.

STUDENTS WITH SPECIAL NEEDS

University of Saskatchewan (U of S): Students in this course who, because of a disability, may have a need for accommodations are encouraged to discuss this need with the instructor and to contact Disability Services for Students (DSS) at 966-7273.

Students Experiencing Stress

University of Saskatchewan (U of S): Students in this course who are experiencing stress can seek assistance from the University of Saskatchewan Student Counselling Services. For more information, please visit this website: <https://students.usask.ca/health/centres/counselling-services.php>, or call (306) 966-4920 between 8:30 a.m. to 4:30 p.m. Monday to Friday.

ACADEMIC INTEGRITY AND CONDUCT

University of Saskatchewan (U of S): 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 (available at www.usask.ca/university_secretary/council/reports_forms/reports/guide_conduct.php). 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.