MACQUARIE UNIVERSITY

Division of Economic and Financial Studies
Department of Economics

STUDY GUIDE

ECON853 ECONOMICS OF PUBLIC ISSUES

2005
OBJECTIVES AND STRUCTURE OF THE UNIT

The aim of this unit is to study the role of economic theory and analysis in informing decision-making on matters of public policy. Appropriate theory and analytical methods will be outlined and discussed, and their use in considering particular issues will be explored. The unit is structured partly around particular theories or methods of importance to the analysis of public policy, and partly around specific policy issues themselves.

The staff member in charge of this unit is Professor David Throsby (Room C5C313, phone extn. 8474). The other staff members involved in the unit are Associate Professor Ronald Ripple (Room C5C-364, phone extn. 7063), Dr W. Kathy Tannous (Room C5C-341, phone extn. 8496) and Dr Sean Turnell (Room C5C-380, phone extn. 8493).

The unit will comprise 12 three-hour sessions, given on Mondays from 6.00pm-9.00pm in room W5A-101.

The unit will cover economic aspects of the following 12 topics:

<table>
<thead>
<tr>
<th>Topic</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>Topic 1</td>
<td>Education</td>
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<tr>
<td>Topic 2</td>
<td>Foreign Student Flows</td>
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<tr>
<td>Topic 3</td>
<td>The Environment</td>
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<tr>
<td>Topic 4</td>
<td>Sustainable Development</td>
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<tr>
<td>Topic 5</td>
<td>Climate Change</td>
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<tr>
<td>Topic 6</td>
<td>Labour Standards and Trade</td>
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<tr>
<td>Topic 7</td>
<td>Financial Institutions</td>
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<tr>
<td>Topic 8</td>
<td>The Voluntary Nonprofit Sector</td>
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<td>Topic 9</td>
<td>Security and Defence</td>
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<tr>
<td>Topic 10</td>
<td>Tourism</td>
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<tr>
<td>Topic 11</td>
<td>Cultural Heritage</td>
</tr>
<tr>
<td>Topic 12</td>
<td>Energy Resource Development</td>
</tr>
</tbody>
</table>

The precise dates for each topic are shown in the table overleaf.
Dates and topics are as follows.

<table>
<thead>
<tr>
<th>WEEK NO.</th>
<th>DATE</th>
<th>TOPIC NO.</th>
<th>TOPIC</th>
<th>LECTURER</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1 August</td>
<td>1</td>
<td>Education</td>
<td>Professor Throsby</td>
</tr>
<tr>
<td>2</td>
<td>8 August</td>
<td>2</td>
<td>Foreign students</td>
<td>Professor Throsby</td>
</tr>
<tr>
<td>3</td>
<td>15 August</td>
<td>3</td>
<td>Environment</td>
<td>Professor Throsby</td>
</tr>
<tr>
<td>4</td>
<td>22 August</td>
<td>4</td>
<td>Sustainable development</td>
<td>Professor Throsby</td>
</tr>
<tr>
<td>5</td>
<td>29 August</td>
<td>5</td>
<td>Climate change</td>
<td>Professor Throsby</td>
</tr>
<tr>
<td>6</td>
<td>5 September</td>
<td>6</td>
<td>Labour standards</td>
<td>Dr Turnell</td>
</tr>
<tr>
<td>7</td>
<td>12 September</td>
<td>7</td>
<td>Financial institutions</td>
<td>Dr Turnell</td>
</tr>
</tbody>
</table>

MID-SEMESTER BREAK

| 18 | 3 October | Public Holiday - No Class |
| 9  | 10 October| Nonprofit sector          |
| 10 | 17 October| Security and Defence      |
| 11 | 24 October| Tourism                   |
| 12 | 31 October| Cultural heritage         |
| 13 | 7 November| Energy                    |
| 14 | 8 November| Assoc. Prof. Ripple       |

Sessions will begin promptly at 6.05pm. Generally each session will comprise a mixture of lecture time, progress reviews and class discussion. There will be ample scope for student questions, participation and interaction.

ASSESSMENT

Assessment in this unit will be on the basis of the three assignments, plus class attendance and participation. **There will be no final exam.**

It is very much in your own interests to attend all lecture sessions in this unit. The nature of the unit is such that the material covered cannot be adequately comprehended simply by reading the references set. Attending to the lecturers’ syntheses of the material and participating in class discussion are important components of the learning process.

The weightings used in the assessment process will be:

<table>
<thead>
<tr>
<th>Marks</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Assignments (30 marks each)</td>
<td>90</td>
</tr>
<tr>
<td>Class attendance and participation</td>
<td>10</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100</td>
</tr>
</tbody>
</table>

It should be noted that students are required to achieve a satisfactory mark in both of the above components of the assessment.
Final grades will be awarded according to the Macquarie University grading system of HD, D, Cr, P, PC, F. Note that the indicative grades given in the Guide to the Submission of Assignments handout are a rough guide only, and do not necessarily correspond precisely with cut-off points that may be used in determining the overall final grades in the unit.

ASSIGNMENTS

Three written assignments of 2,000 words each are required. For each assignment you will be asked to choose ONE out of three or four specific questions. Instructions for submission are provided in a separate handout. Topics covered and due dates are as follows:

<table>
<thead>
<tr>
<th>Assignment No.</th>
<th>Covering Topics Nos.</th>
<th>Will be given out on:</th>
<th>FINAL date for submission is 6 pm on</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1 - 4</td>
<td>Monday 22 August</td>
<td>Monday 12 September</td>
</tr>
<tr>
<td>2</td>
<td>5 - 8</td>
<td>Monday 10 October</td>
<td>Monday 31 October</td>
</tr>
<tr>
<td>3</td>
<td>9 - 12</td>
<td>Monday 7 November</td>
<td>Monday 28 November</td>
</tr>
</tbody>
</table>

UNIT OUTLINE AND READING GUIDE

The outline below provides a detailed reading list for the topics covered. Further references may be provided as the unit proceeds. Students are not expected to read all the references given. Students should, however, be prepared to seek out at least some readings under each topic. Many of the readings for this unit are held in Special Reserve in the Library. A more detailed outline of the subject matter covered under each topic will be handed out each week, together with several Review Questions to help students monitor their progress in the topic.
Topic 1  The Economics of Education

Nature of education as a mixed good
Private benefits of education
Education as a social investment
Financing education in Australia

References


Topic 2 The Economics of Foreign Student Flows

Foreign student flows in higher education
Cost-benefit analysis of foreign students

References


Topic 3 The Economics of the Environment

Environmental problems as externalities
Economics of natural resources
Natural capital and ecological economics
Measuring the value of environmental amenity

References


**Topic 4 The Economics of Sustainable Development**

*The origins of sustainability*

*Principles of sustainable development*

*Ecologically sustainable development: the Australian experience*

**References**


Daly, Herman E. and John B. Cobb, Jr., (1989) *For the Common Good: Redirecting the Economy toward Community, the Environment, and a Sustainable Future*, Boston: Beacon Press.


Topic 5 The Economics of Climate Change

What is the enhanced greenhouse effect?
Targets for emissions reductions
Economic instruments

References


Topic 6    Labour Standards and Trade

Globalisation, a ‘race to the bottom’ for labour?
Core labour standards as solution, or as disguised protectionism?
Hostility of many economists to a ‘social clause’ in trade agreements
Unrecognised economic benefits from standards enforcement
Institutional framework

References


Topic 7  The Broader Role of Financial Institutions

Financial institutions in the economy, society and development
Recent thinking in information economics
Evidence of history
The growing consensus on an "ideal" financial system

References


Topic 8  The Nonprofit Sector and Healthcare Services

Definitions and size of the nonprofit sector
Rationale for existence of nonprofit enterprise
Government policy towards the nonprofit sector in Australia
The nonprofit sector in the provision of healthcare services

References


Topic 9       The Economics of Security and Defence

Measures of global security
Determinants of defence expenditure
Disarmament and the “peace dividend”

References


**Topic 10  The Economics of Tourism**

*Definitions and dimensions of tourism*
*Role of tourism in the Australian economy*
*Economic models of tourism demand*
*Environmental and cultural issues*
*Policy towards tourism industry development*

**References**


**Topic 11**  **The Economics of Cultural Heritage**

*What is cultural heritage?*

*Cultural capital and sustainability*

*Heritage policy*

**References**


Topic 12 The Economics of Energy Resource Development and Substitution

Definitions and dimensions of energy resources
Economics of exploration for petroleum and other energy resources
Scarcity and energy prices
Are we running out of oil?

References


Websites

U.S. Department of Energy, Energy Information Administration: [www.eia.doe.gov](http://www.eia.doe.gov); this is the site for the U.S. Department of Energy, and it contains vast material on energy in general, as well as extensive publicly available data on all aspects of energy.

Peak Oil: [www.peakoil.net](http://www.peakoil.net); this site is dedicated to the coverage of material focusing on the supposed peak in oil production.