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 (Building E4A Room 438, phone extn. 8474). The other academic staff members involved in the unit are Dr Sean Turnell (E4A-426, phone extn. 8493), Associate Professor Tony Bryant (E4A-407, phone extn 8465) and Dr W. Kathy Tannous (ktannous@efs.mq.edu.au). Administrative enquiries can be directed to Laura Billington (E4A-440, phone extn. 8474).

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:

Topic 1 Education
Topic 2 Foreign Student Flows
Topic 3 The Environment and Sustainable Development
Topic 4 Climate Change
Topic 5 Labour Standards and Trade
Topic 6 Financial Institutions
Topic 7 The Voluntary Nonprofit Sector
Topic 8 Tourism
Topic 9 Creative Industries
Topic 10 The Economics of Efficiency, Fairness and Equity
Topic 11 Limits to Redistribution
Topic 12 Cultural Heritage

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>30 July</td>
<td>1</td>
<td>Education</td>
<td>Professor Throsby</td>
</tr>
<tr>
<td>2</td>
<td>6 August</td>
<td>2</td>
<td>Foreign students</td>
<td>Professor Throsby</td>
</tr>
<tr>
<td>3</td>
<td>13 August</td>
<td>3</td>
<td>Environment and sustainable development</td>
<td>Professor Throsby</td>
</tr>
<tr>
<td>4</td>
<td>20 August</td>
<td>4</td>
<td>Climate change</td>
<td>Professor Throsby</td>
</tr>
<tr>
<td>5</td>
<td>27 August</td>
<td>5</td>
<td>Labour standards</td>
<td>Dr Turnell</td>
</tr>
<tr>
<td>6</td>
<td>3 September</td>
<td>6</td>
<td>Financial institutions</td>
<td>Dr Turnell</td>
</tr>
<tr>
<td>7</td>
<td>10 September</td>
<td>7</td>
<td>Nonprofit sector</td>
<td>Dr Tannous</td>
</tr>
</tbody>
</table>

**MID-SEMESTER BREAK**

<table>
<thead>
<tr>
<th>8</th>
<th>1 October</th>
<th>Public Holiday - No Class</th>
<th>Professor Throsby</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>8 October</td>
<td>8</td>
<td>Tourism</td>
</tr>
<tr>
<td>10</td>
<td>15 October</td>
<td>9</td>
<td>Creative industries</td>
</tr>
<tr>
<td>11</td>
<td>22 October</td>
<td>10</td>
<td>Efficiency, fairness and equity</td>
</tr>
<tr>
<td>12</td>
<td>29 October</td>
<td>11</td>
<td>Limits to redistribution</td>
</tr>
<tr>
<td>13</td>
<td>5 November</td>
<td>12</td>
<td>Cultural heritage</td>
</tr>
</tbody>
</table>

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 three assignments, an occasional “10-minute test” given in class, 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>
</tr>
</thead>
<tbody>
<tr>
<td>Assignments (30 marks each)</td>
<td>90</td>
</tr>
<tr>
<td>Class tests, 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 calculated as percentages corresponding to the Macquarie University grading system of HD, D, Cr, P, PC, F.

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 20 August</td>
<td>Monday 10 September</td>
</tr>
<tr>
<td>2</td>
<td>5 - 8</td>
<td>Monday 8 October</td>
<td>Monday 29 October</td>
</tr>
<tr>
<td>3</td>
<td>9 - 12</td>
<td>Monday 5 November</td>
<td>Monday 26 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 or eReserve on the Library’s website. 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 and Sustainable Development

Environmental problems as externalities
Economics of natural resources
Natural capital and ecological economics
Principles of sustainable development
Ecologically sustainable development: the Australian experience

References


Ecologically Sustainable Development Working Groups (1991), Final Report Executive Summaries, Canberra: AGPS.


Neumayer, Eric (2003), Weak versus Strong Sustainability: Exploring the Limits of Two Opposing Paradigms, Cheltenham: Elgar.

Topic 4  The Economics of Climate Change

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

References

Ecologically Sustainable Development Working Group Chairs (1992), Greenhouse Report, Canberra: AGPS.


Australian Government (2007), Australia’s Climate Change Policy: Our Economy, Our Environment, Our Future, Canberra: Department of Prime Minister and Cabinet.
Topic 5  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 6  

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 7  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 8  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


Ryan, Chris and Michelle Aicken (eds.) (2005), Indigenous Tourism: the Commodification and Management of Culture, Amsterdam: Elsevier.


Topic 9  The Economics of the Creative Industries

Definition of cultural goods
Structure of the creative industries
Public policy and the cultural sector

References

Throsby, C.D. and G.A. Withers (1979), The Economics of the Performing Arts, New York: St Martin's Press.


Topic 10   The Economics of Efficiency, Fairness and Equity

Characterising efficient allocations
The Second Welfare Theorem
Envy free allocations
Fair Allocations
Applications to Mechanism Design

References


*Brams Steven J. and Alan D. Taylor (1996), Fair Division: From Cake Cutting to Dispute Resolution, Cambridge: Cambridge University Press.


(Note: * = More advanced material, probably for the enthusiast only).
**Topic 11  Limits to Redistribution**

*Motivation for redistribution*

*Effects of redistribution*

*Theoretical, social and political limits to redistribution*


**Topic 12  The Economics of Cultural Heritage**

*What is cultural heritage?*

*Cultural capital and sustainability*

*Heritage policy*

**References**


