Unit Convenor: Dr Pundarik Mukhopadhaya

Prerequisites/Co-requisites: ECON 203

Credit point: 3

Students in this unit should read this unit outline carefully at the start of semester. It contains important information about the unit. If anything in it is unclear, please consult the unit convenor.

ABOUT THIS UNIT

Unit Description

This course deals with the problems and prospects of government intervention in a market economy: concept of efficiency, equity, social welfare, public goods, externality, public expenditure, transfer payments and taxation. Government regulates almost every economic activity and most markets and government expenditure accounts for a third of gross national expenditure. Understanding the role of government in the economy is a fundamental part of the training of an economist. It is also part of the education of anyone who takes an active interest in the political conduct of the country.

Public Economics discusses how government should, and does establish the basic rules for the working of the economy and how resources are allocated and distributed. A theme of the course is the economic basis of public policies. The focus is on microeconomic issues and management rather than on macroeconomic policy. Thus ECON 203 is a compulsory prerequisite for doing this course.

ECON 210 is a demanding course. The course builds on the micro foundations of ECON 203 and deals with complex issues. It requires an understanding of concepts, mathematical applications and empirical methods.

Aims

The aims of this unit are to

1. Develop an analytical understanding of the economics of welfare and distributive justice
2. Provide a rationale and economic analysis of the spending, revenue-raising and regulation activities of the state in a mixed economy
3. Examine various roles and activities of the public sector and their impact on the private sector

Prior Knowledge
• Intermediate Microeconomics (ECON 203)
• Logical thinking and analytical skills

**TEACHING STAFF AND CONSULTATION TIMES**

<table>
<thead>
<tr>
<th>Name</th>
<th>Contact information</th>
<th>Consultation time during teaching weeks</th>
<th>Consultation during teaching weeks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr Pundarik Mukhopadhaya</td>
<td>Room: E4A-413</td>
<td>TBA</td>
<td>Unit convenor and Lecturer</td>
</tr>
<tr>
<td></td>
<td>Telephone: 9850-6476</td>
<td></td>
<td>and Lecturer Tutor TBA</td>
</tr>
<tr>
<td></td>
<td>email: <a href="mailto:pundarik.mukhopadhaya@mq.edu.au">pundarik.mukhopadhaya@mq.edu.au</a></td>
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<tr>
<td>TBA</td>
<td>Room: E4A</td>
<td>TBA</td>
<td>Tutor</td>
</tr>
<tr>
<td></td>
<td>Telephone: 9850-</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>email: @mq.edu.au</td>
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</tr>
</tbody>
</table>

Consultations: Please restrict consultations to the announced times whenever possible. Students need to contact staff requesting an appointment for all other times.

You are encouraged to seek help at a time that is convenient to you from a staff member teaching on this unit during their regular consultation hours. In special circumstances, an appointment may be made outside regular consultation hours. Staff will not conduct any consultations by email. You may, however, phone staff during their consultation hours.

In order to gain access to staff located at levels 1, 2 and 3 of building E4A during their consultation hours please ring the staff member from the phones available in the lobby (phone numbers of relevant staff members will be provided on Blackboard and are available next to the phones).

Students experiencing significant difficulties with any topic in the unit must seek assistance immediately.

Email: To maintain students’ privacy and confidentiality, students **should only use their Macquarie University email address** to correspond with staff. Emails emanating from other sources may not be responded to. It is essential that you check your university email on a regular basis as this is our primary means to contacting individual students.

The unit ‘Blackboard’ website can be entered via [http://learn.mq.edu.au](http://learn.mq.edu.au). To access the website, students will require their user name and password. You will find most, if not all, of the information about the course at this site.

**CLASSES**

The subject will be presented face to face (every **Monday 3-5 PM, Room: C5A 301**) via 12 weeks of two hour lecture sessions and eleven one hour tutorials (lecture/tutorial missed due to labour day holiday will not be adjusted) and will largely be based on printed material with
integrated assessment exercises. Blackboard will also be used extensively with e-learning tools (discussion forum) and the use of announcement board.

The timetable for lectures and tutorials can be found on the University website at: http://www.timetables.mq.edu.au

Lectures will start punctually. Students should arrive on time. Students may ask questions in lectures. However, it is disruptive and discourteous to arrive late or talk during lectures.

Attendance at lectures and tutorials will not be enforced, but is strongly recommended. Students who miss classes put themselves at a considerable disadvantage for several reasons, including:

1. Not all material in the text is covered in the unit, and not all the unit material is covered in the prescribed text. In some places the text deals with issues in greater depth than is necessary for the unit, and in other places it does not go far enough. The lectures contain all the unit material taught at the level that is required for successful completion of eleven tutorial exercises, and they are your guide to the content of the unit.
2. In some of the tutorials you will learn the techniques to solve quantitative problems, while lectures may not deal with these techniques, however, deals mainly with the underlying theory.
3. The approaches to some problems that are recommended by the lecturer are different to those in the text.
4. The lectures will include significant guidance about the style and content of the final exam and recommendation about the study techniques.
5. It is difficult and often impossible for lecturer to provide meaningful assistance to students outside class times on topics for which they did not attend the relevant lectures and tutorials.

Class attendance is only one part of university study. In addition to class attendance, students will need to spend around seven hours per week in private study in order to perform well in this unit.

**Required and Recommended Texts and/or Materials**

**Prescribed Text**

Public Sector Economics, Richard W. Tresch, Palgrave, 2008

**Some other useful texts**

Public Finance and Public Policy, Jonathan Gruber, Worth Publisher, 2010 (Third edition)


Microeconomics an Intuitive Approach with Calculus, Thomas Nechyba, South-Western, 2011

The references mentioned below with each topic are mere guide only.

**TECHNOLOGY USED AND REQUIRED**

- MS Office, Blackboard

**UNIT WEB PAGE**

The unit ‘Blackboard’ website can be entered via http://learn.mq.edu.au. To access the website, students will require their user name and password. You will find most, if not all, of the information about the course at this site.

**LEARNING OBJECTIVES AND OUTCOMES**

The learning objectives of this unit are:

- Examine critical issues and processes evolving in the economics of public sector
- Comprehend changing local and global government intervention issues, structures and policies
- Understand the working of the complex issues in the political economy and the democratic process

On successful completion of this unit, students should be able to:

- Understand the requirements and roles of public sector in a decentralized market economy
- Demonstrate that they are familiar with several important issues of public sector economics; that they understand the necessity and effects of government fiscal
decisions; that they can critically analyse public sector policy issues; and they can handle public sector statistics.

**TEACHING AND LEARNING STRATEGY**

There will be twelve two-hour lectures each week and eleven one hour tutorials (on selected weeks) held for various groups during the semester. Attendance at lectures and tutorials will not be enforced, but is strongly recommended.

**Topic 1: Introduction**

- Foundation of Public Sector Theory
- Market Efficiency
- Theorems of Welfare Economics

**Reference**

Tresch Chapter 1-3

Following references will also be helpful:

- Gruber Chapter 1 and 2
- Stiglitz Chapter 3
- Rosen Page 33-43
- Perloff Page 322-342
- Abelson Chapter 3
- [http://cepa.newschool.edu/het/essays/paretian/paretequil.htm](http://cepa.newschool.edu/het/essays/paretian/paretequil.htm)
- [http://cepa.newschool.edu/het/essays/paretian/paretoptimal.htm](http://cepa.newschool.edu/het/essays/paretian/paretoptimal.htm)

**Other advanced references**


**Topic 2: Social Welfare Function**

**Reference**

Tresch Chapter 4 and 5

Following references will also be helpful:

- Gruber Chapter 2
- Stiglitz Chapter 5
- Rosen pp 46-50; 146-153
- Perloff pp 344 - 348
- Abelson Chapter 6, 7, 28
- [http://cepa.newschool.edu/het/essays/paretian/paretosocial.htm](http://cepa.newschool.edu/het/essays/paretian/paretosocial.htm)

A historical perspective of theories of social welfare will be found in:
http://etext.lib.virginia.edu/cgi-local/DHI/dhi.cgi?id=dv4-36

**Some other advanced references**


**Topic 3: Externality**

**Reference**

Tresch Chapter 6 and 7

Following references will also be helpful:

Gruber Chapter 5
Stiglitz Chapter 9
Rosen Chapter 5
Abelson Chapter 13

**Topic 4: Public Goods**

**Reference**

Tresch Chapter 8

Following references will also be helpful:

Gruber Chapter 7 and 9
Stiglitz Chapter 6 and 7
Rosen Chapter 4 and 6
Abelson Chapter 11

**Other Reference**


**Topic 6: Issues related to Transfers to the Poor**

**Reference**

Tresch, Chapter 11
Browning and Browning, chapter 5, pp 139-73.
Gruber Chapter 10, 11
Stiglitz Chapter 10

**Topic 8: Economics of Taxation**
- Incidence of Taxation
- Efficiency of Taxation
- Optimal taxation

**Reference**
Tresch Chapter 13-18
Gruber Chapter 18-20
Stiglitz Chapter 17-20
Rosen Chapter 12-14
Abelson Chapter 20-23

**Calendar (Tentative)**

<table>
<thead>
<tr>
<th>Date/Week starting</th>
<th>Lecture Topic (tentative)</th>
<th>Tutorial etc.</th>
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</thead>
<tbody>
<tr>
<td>01/08</td>
<td>Introduction and concept of efficiency</td>
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<tr>
<td>08/08</td>
<td>Market efficiency and theorems of Welfare Economics</td>
<td>Tutorial 1</td>
</tr>
<tr>
<td>15/08</td>
<td>Social welfare Function</td>
<td>Tutorial 2</td>
</tr>
<tr>
<td>22/08</td>
<td>Social Welfare considerations</td>
<td>Tutorial 3</td>
</tr>
<tr>
<td>29/08</td>
<td>Externality</td>
<td>Tutorial 4</td>
</tr>
<tr>
<td></td>
<td>Class Test 1 (during the first hour of the lecture time)</td>
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<tr>
<td>05/09</td>
<td>More on Externality</td>
<td>Tutorial 5</td>
</tr>
<tr>
<td>12/09</td>
<td>Public goods</td>
<td>Tutorial 6</td>
</tr>
<tr>
<td></td>
<td>Class Test 2 (during the first hour of the lecture time)</td>
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</tr>
<tr>
<td>10/10</td>
<td>More on Public goods and Externality</td>
<td>Tutorial 7</td>
</tr>
<tr>
<td>17/10</td>
<td>Income redistribution</td>
<td>Tutorial 8</td>
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<tr>
<td>24/10</td>
<td>Economics of Transfer payment</td>
<td>Tutorial 9</td>
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<td></td>
<td>Submission of Research Assignment</td>
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<tr>
<td>31/10</td>
<td>Economics of Taxation</td>
<td>Tutorial 10</td>
</tr>
<tr>
<td>07/11</td>
<td>Recapitulation</td>
<td>Tutorial 11</td>
</tr>
</tbody>
</table>

*: Usually tutorials will cover topics from lectures of previous weeks
RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

Assessment comes in a variety of forms and wherever possible is used to reflect and enhance the learning and teaching process that occurs in the classroom. In this case assessment has been kept as an integral part of the teaching and learning process.

As this unit of study demonstrates, it is clear that no single type of assessment could provide an accurate measurement of learning outcome. Students will be given the best opportunity to demonstrate their understanding of the learning experience. Thus I have decided to use a variety of data gathering methods such as class room problem solving tests, take-home research assignment and end year closed book examination with a variety of questions for example multiple choice, short answer and numerical problem solving questions.

The format of assessment is designed to quantify the extents to which students have progressed towards desired learning outcomes. Feedback on any assessment task on learning performances will be provided within 21 days (individually during the consulting hours). The e-learning facilities in the Blackboard will be used extensively to provide opportunities to students for learning and self assessing the absolute and relative quality of their own work.

Assessment

Class test 1 (29/08/2011) 20%
Class test 2 (12/09/2011) 20%
Take-home research assignment (due 24/10/2011) 15%
Final Examination 45%

Compulsory within Semester Tests

(1) Class test 1, with multiple choice questions on 29/08 worth 20%
(2) Class test 2, with short answer (problem solving and descriptive) on 12/09 worth 20%
(3) Research assignment (due on 24/10) worth 15% of total marks.

Further details will be announced during the lectures. Those who perform unsatisfactorily in the Class test 1 are especially recommended to consult with the unit convenor for a study guide to do better in the next tests.

If you fail to attend the test you will be awarded a zero mark. Students who experience serious misadventure and are unable to attend the test should contact the unit convenor (phone 9850 6476; email: Pundarik.mukhopadhaya@mq.edu.au) and provide full documentation explaining their non-attendance. As a matter of justice to all students, flimsy excuses will be rejected outright. If the documented evidence is accepted, final exam mark will be converted to a higher percentage of the total marks.

Final Examination

A two hour closed book final examination for this unit will be held at the end of the semester. All course content is examinable.
The final examination will test how well students can perform in a stress situation (what they are expected to face in their ‘real life’ after graduation) and how well they can synthesize the material they learnt throughout the semester. The final grade will reflect the achieved mastery, competence and academic independence, utilization of feedback to improve performance and development of graduate capabilities.

**Final examination requirements:**

Students are expected to present themselves for examination at the time and place designated in the University Examination Timetable. The timetable will be available in Draft form approximately eight weeks before the commencement of the examinations and in Final form approximately four weeks before the commencement of the examinations. For details check: [http://www.timetables.mq.edu.au/exam](http://www.timetables.mq.edu.au/exam)

The only exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. In these circumstances you may wish to consider applying for Special Consideration. Information about unavoidable disruption and the special consideration process is available at [http://www.reg.mq.edu.au/Forms/APSCon.pdf](http://www.reg.mq.edu.au/Forms/APSCon.pdf)

If a Supplementary Examination is granted as a result of the Special Consideration process the examination will be scheduled after the conclusion of the official examination period. You are advised that it is Macquarie University policy not to set early examinations for individuals or groups of students. All students are expected to ensure that they are available until the end of the teaching semester, the final day of the official examination period.

As indicated in the event of documented adverse personal circumstances, such as accident, illness, etc., a supplementary exam may be granted. However, when a student has extra time to prepare while suffering only a minor ailment, a higher standard is expected in the deferred exam. Also, students who sit the regular final exam and then request a supplementary exam should know that, if a supplementary exam is granted, his/her performance in the supplementary exam may raise or lower the result obtained in the regular final exam.

<table>
<thead>
<tr>
<th>Name of Task</th>
<th>Assessment Task 1</th>
<th>Assessment Task 2</th>
<th>Assessment Task 3</th>
<th>Assessment Task 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description of Task</td>
<td>Class test 1</td>
<td>Class test 2</td>
<td>Research Assignment</td>
<td>Final Examination</td>
</tr>
<tr>
<td>29/08/2011 12/09/2011 24/10/2011 - By 5 PM at BESS</td>
<td>20 questions with four answers provided (one of them is right), to be answered in 30 minutes</td>
<td>2 to 3 short answer questions (involving problem solving and theoretical discussion) to be answered in 45 minutes</td>
<td>Take home assignment</td>
<td>Multiple choice and short answer questions (to be discussed more during lectures)</td>
</tr>
<tr>
<td>20% 20% 15% 45%</td>
<td>All topic up to and including</td>
<td>All topic up to and including</td>
<td>A 2000 word essay on the topic</td>
<td>All contents covered throughout the whole</td>
</tr>
<tr>
<td>Grading Method</td>
<td>previous week</td>
<td>TBA</td>
<td>semester</td>
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<tr>
<td>1 mark for right answer, 0 for wrong. Coverage: topics covered up to week 4.</td>
<td>Raw marks are given on each question. The scaled marks are then derived from raw marks.</td>
<td>The following range of standardized numerical grades applies as follows: HD 85-100, Distinction 75-84, Credit 65-74, Pass 50-64, Fail 0-49</td>
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<tr>
<td>Feedback</td>
<td>Within three weeks marks will be announced. Students are welcome to discuss the paper during consultation hours.</td>
<td>Within three weeks marks will be announced. Students are welcome to discuss the paper during consultation hours.</td>
<td>Students are welcome to discuss the paper after the publication of result by appointment</td>
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</tr>
<tr>
<td>Learning outcome assessed</td>
<td></td>
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</tr>
<tr>
<td>1</td>
<td>Ability to assess economic decisions under the light of formal principles of economic welfare and distributive justice</td>
<td>Ability to develop argument</td>
<td>Ability to assess economic decisions under the light of formal principles of economic welfare and distributive justice</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Precise use of concepts</td>
<td>Precise use of concepts and models</td>
<td>Ability to develop argument</td>
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<tr>
<td>3</td>
<td>Ability to develop and discuss an argument or statement</td>
<td>Ability to express and analyse real life economic decisions in terms of formal models</td>
<td>Precise use of concepts and mathematical models</td>
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</tr>
<tr>
<td>4</td>
<td>Ability to express and analyse practical economic decisions in terms of formal models</td>
<td>Ability to select, summarize and synthesize written information from multiple sources</td>
<td>Ability to express and analyse real life economic decisions in terms of formal models</td>
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</table>
Effective written communication

General Capabilities assessed

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<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Discipline specific knowledge and skills</td>
<td>Discipline specific knowledge and skills</td>
</tr>
<tr>
<td>2</td>
<td>Problem solving</td>
<td>Problem solving</td>
</tr>
<tr>
<td>3</td>
<td>Relate theory to policy</td>
<td>Relate theory to policy</td>
</tr>
<tr>
<td>4</td>
<td>Identify problem and analyse the main features</td>
<td>Inquisitive mind</td>
</tr>
<tr>
<td>5</td>
<td>Relate theory to policy</td>
<td>Critical and effective thinking to current issues</td>
</tr>
</tbody>
</table>

ACADEMIC HONESTY

The nature of scholarly endeavour, dependent as it is on the work of others, binds all members of the University community to abide by the principles of academic honesty. Its fundamental principle is that all staff and students act with integrity in the creation, development, application and use of ideas and information. This means that:

- all academic work claimed as original is the work of the author making the claim
- all academic collaborations are acknowledged
- academic work is not falsified in any way
- when the ideas of others are used, these ideas are acknowledged appropriately.

Further information on the academic honesty can be found in the Macquarie University Academic Honesty Policy at http://www.mq.edu.au/policy/docs/academic_honesty/policy.html

GRADES

Please refer to relevant Bachelor Degree rule in the Handbook of Undergraduate Studies.

GRADING APPEALS AND FINAL EXAMINATION SCRIPT VIEWING

If, at the conclusion of the unit, you have performed below expectations, and are considering lodging an appeal of grade and/or viewing your final exam script please refer to the following website which provides information about these processes and the cut off dates in the first instance. Please read the instructions provided concerning what constitutes a valid grounds for appeal before appealing your grade.

http://www.businessandeconomics.mq.edu.au/for/new_and_current_students/undergraduate/admin_central/grade_appeals
SPECIAL CONSIDERATION

The University is committed to equity and fairness in all aspects of its learning and teaching. In stating this commitment, the University recognises that there may be circumstances where a student is prevented by unavoidable disruption from performing in accordance with their ability. A special consideration policy exists to support students who experience serious and unavoidable disruption such that they do not reach their usual demonstrated performance level. The policy is available at:
http://www.mq.edu.au/policy/docs/special_consideration/procedure.html

STUDENT SUPPORT SERVICES

Macquarie University provides a range of Academic Student Support Services. Details of these services can be accessed at http://www.student.mq.edu.au.

IT CONDITIONS OF USE

Access to all student computing facilities within the Faculty of Business and Economics is restricted to authorized coursework for approved units. Student ID cards must be displayed in the locations provided at all times.

Students are expected to act responsibly when utilizing University IT facilities. The following regulations apply to the use of computing facilities and online services:

- Accessing inappropriate web sites or downloading inappropriate material is not permitted. Material that is not related to coursework for approved unit is deemed inappropriate.
- Downloading copyright material without permission from the copyright owner is illegal, and strictly prohibited. Students detected undertaking such activities will face disciplinary action, which may result in criminal proceedings.

Non-compliance with these conditions may result in disciplinary action without further notice.

Students must use their Macquarie University email addresses to communicate with staff as it is University policy that the University issued email account is used for official University communication.

(This outline is subject to change, if necessary)