Public Economics: A Practitioner's Guide

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Course Description

The purpose of this course is to introduce students to the topics and perspectives used by public servants and politicians in making policy. I have worked in the public sector for over 5 years, and this course is based on my own experiences and interpretations of what is important for future public servants to know.

Public economics is the study of the government's relationship to the economy. In general it is a normative science, concerned with how the government should behave. This course splits this question into four separate perspectives:

- Classical: based on the welfare theorems and tends to see the government as distortionary
- Redistributive: concerned with redistribution, for example through progressive income taxation
- Keynesian: concerned with issues of employment and unemployment
- Developmental: concerned with economic growth and industrial policy.

Often public servants must consider all of these perspectives. For each perspective, we will examine the theory underlying it and the kinds of policy questions it seeks to answer.

After taking this course, students should have a firm grounding in economics necessary for work in a public policy institution like the Department of Finance.

Learning Outcomes

After taking this course, students should have a good theoretical and practical grounding in the issues and concepts which make up work in a public policy institution like the Department of Finance. They should understand current policy issues and how these relate to the economic theorems underlying them.

Topics Covered

Theoretical Topics Covered	**Policy Issues Covered**
Perspective 1: Classical • Welfare theorems - The case for the free-market • The deadweight loss of taxation • Labour supply effects of taxation • Externalities	• The Working Income Tax Benefit/Canadian Worker's Benefit • The Scientific Research and Experimental Development (SR&ED) tax credit • Tax reform • Competition policy

Perspective 2: Redistributive • Utilitarian argument for redistribution • How effective is the tax system at redistribution? • "Predistribution"	 • Wealth taxation • Equality arguments for public provision of goods • Economic vs. Statutory burdens of taxation
Perspective 3: Keynesian • Keynesian arguments about demand and unemployment • Crowding in/crowding out	 • Stimulus cheques • Keynesian theories of taxation
Perspective 4: Developmental • Industrial policy • Theories of "the big push" • Theories of infant industries	 • Modern industrial policy (e.g. CHIPS act) • Trade policy and tariffs • Critical industries and supply chains • Science and tech policy

Assignment - Briefing Note

One of the main tools of the public servant is the briefing note, used to brief Ministers about a policy and to provide recommendation. At the Department of Finance, these were misleadingly called "two-pagers", even though they could run to well over 30 pages.[1] Still the intention was admirable: the point was to be as clear and concise as possible. Ministers receive so much material to read, as well as their many other responsibilities, so the longer is a document, the less likely they are to read it.

Therefore, your goal is to craft a briefing note on a current economic policy topic of your choosing. A list of possible topics is provided at the end.

The intended audience is the Minister of Finance, who is busy and not necessarily well-versed in economics. Thus, you must be clear, concise, and to the best of your ability explain concepts in an easy to understand manner.

Your note should be structured in the following way:

(1) Describe the policy issue:

- What is the problem this policy is intended to solve?
- How does this policy issue impact Canadian households or firms?
- Is the government doing anything now? How is the government's current policy insufficient to address the issue?

[1] One deputy minister implemented a change to having "one-pagers", which attempted to cut the length of the final product in half — as far as I know, these still ran well over what their name would suggest!

(2) Describe the policy being recommended:

- How does the policy work?
- What are the intended outcomes?
- Is there evidence about the intended outcomes? (This can be just theoretical if there is no empirical evidence)

(3) Describe any alternative recommendations:

- Often, the Department knows that its recommended policy may not be palatable to the government. Therefore, it will offer a second option. Sometimes this is just a "toned-down" version of the first. For example, a tax credit at a lower rate than the recommended policy.
- You should describe how this second option differs, why its intended consequences are different, and why it is less beneficial than the first.

(4) Risks:

- Are there risks to this policy?
- These can be both economic and political risks. For example, "this certain demographic will be unhappy or will think this policy is unfair."

Possible Policy Issues:

- The gap in standard of living between Canada-U.S.
- Canada's relatively low rate of economic growth.
- High house prices.
- Youth unemployment.
- Tax reform.
- High fiscal debt/deficits.
- Economic dependence on the United States.

- Other — must be cleared with the professor!