ECON 7073
Microeconomic Principles for Policy

The course examines how individuals and firms make decisions by weighing up costs and benefits, and how the interaction of their decisions leads to market and social outcomes. The model of market supply and demand is employed to examine the effects of taxes, subsidies, and other government interventions in market activity. The implications of different market structures, including perfect competition and monopoly, are examined. Public goods, externalities and common resources are key examples of cases in which private markets may yield socially sub-optimal outcomes. Such cases are examined and the role of government policy in correcting for these is discussed.

<table>
<thead>
<tr>
<th>Mode of Delivery</th>
<th>On campus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prerequisites</td>
<td>None</td>
</tr>
<tr>
<td>Incompatible Courses</td>
<td>ECON 1101, ECON 8069</td>
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<tr>
<td>Course Convener:</td>
<td>Dr Damien Eldridge</td>
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<td>6125 1178</td>
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<td><a href="mailto:Damien.Eldridge@anu.edu.au">Damien.Eldridge@anu.edu.au</a></td>
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<tr>
<td>Office hours for student consultation:</td>
<td>TBA</td>
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<tr>
<td>Research Interests</td>
<td>Microeconomics, Mathematical Economics, Industrial Economics, Public Economics.</td>
</tr>
<tr>
<td>Relevant administrator</td>
<td>Karissa Carkeet</td>
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SEMESTER ONE
2016

http://programsandcourses.anu.edu.au/course/ECON7073
COURSE OVERVIEW

Course Description (optional)

The course examines how individuals and firms make decisions by weighing up costs and benefits, and how the interaction of their decisions leads to market and social outcomes. The model of market supply and demand is employed to examine the effects of taxes, subsidies, and other government interventions in market activity. The implications of different market structures, including perfect competition and monopoly, are examined. Public goods, externalities and common resources are key examples of cases in which private markets may yield socially sub-optimal outcomes. Such cases are examined and the role of government policy in correcting for these is discussed.

Learning Outcomes

On satisfying the requirements for this course, students will:

1. understand the economic principles that underpin modern economics;

2. have a basic understanding of the way budget constrained individuals make optimising choices and the way resources are allocated in private markets;

3. understand the role of different trading arrangements in markets and their impact on prices and the quantities traded;

4. use basic economic principles to evaluate the effects of government interventions and other exogenous changes in markets;

5. be able to evaluate the effects of government interventions in markets; and

6. present clearly written analysis of economic issues and problems.

Assessment Summary

<table>
<thead>
<tr>
<th>Assessment Task</th>
<th>Value</th>
<th>Due Date</th>
<th>Date for Return of Assessment</th>
<th>Linked Learning Outcomes (optional)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Complete all required assessment tasks for ECON 1101.</td>
<td>85 %</td>
<td>Various.</td>
<td>See ECON 1101 course outline.</td>
<td>All learning outcomes.</td>
</tr>
</tbody>
</table>
Feedback

Staff Feedback

Students will be provided with written feedback on their microeconomic policy brief assignment. The ECON 1101 course outline should be consulted for information about the feedback methods for other assessment items.

Student Feedback

ANU is committed to the demonstration of educational excellence and regularly seeks feedback from students. One of the key formal ways students have to provide feedback is through Student Experience of Learning Support (SELS) surveys. The feedback given in these surveys is anonymous and provides the Colleges, University Education Committee and Academic Board with opportunities to recognise excellent teaching, and opportunities for improvement.

For more information on student surveys at ANU and reports on the feedback provided on ANU courses, go to
http://unistats.anu.edu.au/surveys/selt/students/ and
http://unistats.anu.edu.au/surveys/selt/results/learning/

Policies

ANU has educational policies, procedures and guidelines, which are designed to ensure that staff and students are aware of the University’s academic standards, and implement them. You can find the University’s education policies and an explanatory glossary at:
http://policies.anu.edu.au/

Students are expected to have read the Student Academic Integrity Policy before the commencement of their course.

Other key policies include:
• Student Assessment (Coursework)
• Student Surveys and Evaluations

Recommended Resources

There is no required textbook for this unit. A reading guide is provided at the end of this course outline. The readings in that guide will, wherever possible, be made available online through links from the Wattle site for this course or in hardcopy through short-loan at the Chifley Library at ANU.
COURSE SCHEDULE

<table>
<thead>
<tr>
<th>Week</th>
<th>Tentative Summary of Activities</th>
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</table>
| 2 to 7 | Non-Technical Overview of Welfare Economics.  
Non-technical means a combination of diagrams, logic and basic algebra. No calculus will be required. Topics might include: Marshallian consumer surplus, producer surplus, diagrammatic derivation of Marshallian and Hicksian Demand Curves, equivalent variation, compensating variation, Pareto improvements and the potential gains from trade, Pareto efficiency, Kaldor-Hicks efficiency, distribution and equity, the first and second fundamental theorems of welfare economics, market failures, Arrow’s impossibility theorem, Sen’s impossibility theorem, the Condorcet paradox, and the median voter theorem. |
| 8 to 13 | Addressing Externalities.  
The nature of externalities, the various types of externalities, Pigouvian taxation, the Coase Theorem, incomplete information and arbitrary standards, emission taxes, tradable emission permits, possible applications to climate change policy, air pollution, water allocation and fisheries management. |

ASSESSMENT REQUIREMENTS

The ANU is using Turnitin to enhance student citation and referencing techniques, and to assess assignment submissions as a component of the University’s approach to managing Academic Integrity. For additional information regarding Turnitin please visit the ANU Online website.

Students may choose not to submit assessment items through Turnitin. In this instance you will be required to submit, alongside the assessment item itself, copies of all references included in the assessment item.

Assessment Tasks

**Assessment Task 1: Microeconomic Policy Brief Assignment**

**Details of task:**
Choose a microeconomic policy issue and write a “policy brief” on this issue. The policy brief should identify the problem that might need addressing, examine the causes of this problem, assess the significance of the problem, suggest some potential solutions to the problem, and discuss the advantages and disadvantages of those solutions. You might consider the applied topics that are covered in ECON 1101 and in this supplementary set of classes for ECON 7073 when choosing the topic of your policy brief, but you are not restricted to just those topics. **You should confirm with Dr Eldridge that your proposed topic is appropriate before beginning work on it.**
<table>
<thead>
<tr>
<th>Word limit:</th>
<th>No fixed limit, but approximately 2000 words is suggested as a guideline.</th>
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</thead>
<tbody>
<tr>
<td>Value:</td>
<td>15 %.</td>
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<tr>
<td>Due date:</td>
<td>Friday 27 May 2016 at 5:00 pm.</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Assessment Task 2:</th>
<th>The assessment tasks for ECON 1101.</th>
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<tbody>
<tr>
<td>Details of task:</td>
<td>See the ECON 1101 course outline for details.</td>
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</table>

**Assignment submission**

**Online Submission:** Assignments are submitted using Turnitin in the course Wattle site. You will be required to electronically sign a declaration as part of the submission of your assignment. Please keep a copy of the assignment for your records.

**Extensions and penalties**

Extensions and late submission of assessment pieces are covered by the Student Assessment (Coursework) Policy and Procedure.

The Course Convener may grant extensions for assessment pieces that are not examinations or take-home examinations. If you need an extension, you must request it in writing on or before the due date. If you have documented and appropriate medical evidence that demonstrates you were not able to request an extension on or before the due date, you may be able to request it after the due date.

Late submission of assessment tasks without an extension are penalised at the rate of 5% of the possible marks available per working day or part thereof. Late submission of assessment tasks is not accepted after 10 working days after the due date, or on or after the date specified in the course outline for the return of the assessment item.

Late submission is not accepted for take-home examinations.

**Returning assignments**

The graded versions of the policy briefs that are written by students will be available for collection by appointment fourteen days after the submission deadline.

**Resubmission of assignments**

No resubmission of assignments is allowed in this course.

**Referencing requirements**

All sources should be cited appropriately according to a widely used convention.

**SUPPORT FOR STUDENTS**

The University offers a number of support services for students. Information on these is available online from [http://students.anu.edu.au/studentlife/](http://students.anu.edu.au/studentlife/)
READING GUIDE

Topic 1: A Non-Technical Overview of Welfare Economics

Core Readings


- Heyne, PR (1983), The economic way of thinking (fourth edition), Science Research Associates, USA: Chapters 1-6 (pp. 1-119).

- Hirshleifer, J (1988), Price theory and applications (fourth edition), Prentice-Hall, USA: Chapters 1-5, Chapter 7 (Section E) and Chapter 15 (pp. 1-157, 204-212 and 459-489).

- Johansson, P-O (1991), An introduction to modern welfare economics, Cambridge University Press, Great Britain: Chapters 1-5 Chapter 6 (Section 4), Chapter 7 (Section 6) and the Appendix (pp. 1-70, 79-81, 99-101 and 147-168).


Supplementary Readings


Topic 2: Addressing Externalities

Core Readings


Supplementary Readings


Advice on Writing for Economists


  - Or some other decent dictionary.


  - Note that EB White is the author of *Charlotte's web*.


  - Or some other decent thesaurus.