

Junior Sophister 2016

EC3060 ECONOMICS OF POLICY ISSUES (Module A)

Introduction

The marks for module A are divided between a test in week 8 (20%), group presentations (10%), An individual policy analysis paper (20%) and the final examination (50%). Module A and Module B are equally weighted when an overall grade for the course is generated. If you are here for

Test in Week 8 (20%)

The Michaelmas Term Test (duration 90 minutes) will be held in Week 8 (time and location to be arranged). There will be three questions on the paper, all of which should be answered. Below are sample questions that will closely resemble the questions on the test. Scripts will be handed back at the first lecture in Week 11 (possibly earlier).

1. Examine the role played by the median voter under a system of majority voting in deciding the level of public goods and redistribution in society.
2. In public policy decisions on alternative proposals, does the outcome of pair-wise majority voting (Condorcet winner) satisfy the cost-benefit rule for efficiency? Discuss how logrolling and a market in votes might lead to alternative outcomes?
3. What are the relative merits of the various voting systems? Please make reference to the outcome for the Condorcet winner, and examples were possible.
4. Discuss the potential for the achievement of social justice in the absence of government and insurance markets. How might a donor's charitable intentions be exploited and how might they overcome such exploitation?
5. a) Explain why risk aversion might result in a voluntary insurance contract when individuals are behind the veil of ignorance. Why might voluntary insurance not work in practice? and
b) In choosing the optimal insurance contract behind the veil of ignorance, society faces a decision on how to value ex-post equality. Describe in detail the two limiting cases of the social welfare function and comment on the likely form of the social welfare a society might choose.
6. Discuss the impact of moral hazard on social insurance contracts. Examine the role of public policy in overcoming the effects of moral hazard.

Group Presentations (10%)

Students will be assigned randomly into groups of 4 to prepare a presentation on a policy paper assigned to them. In weeks 11 and 12 students will present their findings in tutorials as a team. Due to the higher number of students taking the module this year, two groups of 7 students will instead be involved in US presidential debates on economics issues in week 6.

Policy Analysis Paper (20%)

This policy analysis paper accounts for 20 cent of the final mark for Module A. The essay is due at 5pm on Friday January 20th (Week 1 HT) and should be submitted online to www.turnitin.com. To log into turnitin you will require your email address and a password that will be provided in advance. The policy analysis paper will be between 2,500 and 3,000 words in total and should be single-spaced. Penalties will be applied for every day the assignment is late. Detailed advice on how to write a policy analysis paper will be provided during the module.

Final Examination (50%)

The summer examination will consist of two sections, one for each Module. Two questions must be answered on each module, four in total. Questions in module B will be based on the guidelines provided below. The supplemental examination will take the same format. For module B three questions will appear on the summer examination and they will closely resemble one question from section A, one from section B and one from section C.

- A1 Discuss the outcome of political competition when voters consider one issue. How do the outcomes change when the number of issues increase, and expressive voting and absenteeism are considered?
- A2 a) Outline the concepts of efficiency and social justice in the context of optimal taxation. Can both objectives be achieved simultaneously?
b) Discuss the impact of mobile factors of production on the optimal tax rate.

- B1 Within the context of alternative social welfare functions, discuss the fundamental choice between social equality and efficiency faced in the pursuit of social justice. Outline the nature of the leaky bucket of redistribution and the Laffer curve in your answer.
- B2 Discuss the attributes of the intergenerational social contract, the potential for voluntary provision for retirement and the challenges faced in moving to a fully funded pension system. Make reference to illustrative examples where possible.
- C1 Discuss the attributes and consequences of the various forms of welfare entitlements. Do welfare entitlements achieve equal opportunity in practice?
- C2 Discuss the desirable attributes and weaknesses of free markets and outline in detail the role for government in modern democracies.

Term 1 only students are expected to prepare typed essays to answer two of A, B or C above (four essays in total). These essays are due on January 13th 2017, although students are encouraged to submit them before Christmas if possible.

Exam/Test Preparation Advice

Some students prefer to answer questions by relying on argument and discussion while others tend to focus on mechanically illustrating their point through models and algebra where possible. While excellent answers are possible following one or the other of these approaches, the highest marks will mostly likely go for answers that skillfully combine each approach.

High marks will be achieved by:

- Presenting clearly and explaining well the technical details through diagrams, algebra, including reference to assumptions.
- Enlightened discussion of relevant material that is precise, skillfully ties the material together, recognises alternative perspectives and makes reference to useful examples where possible.
- Each answer should have an introduction and a conclusion, and each paragraph should ideally have a specific theme, argument or purpose.
- Using all relevant material covered in class and in the core textbook to answer each question.

Voluntary Essay Submission

Students have the option to electronically submit a sample essay for review before Thursday 16th March at 5pm. I will provide feedback on how the essay might be improved as soon as possible. Late submissions will not be accepted.