

The Institute of Commercial Management

SUBJECT SYLLABUS



PUBLIC SECTOR ECONOMICS

(0706)

22 June 2006

PART A: MARKET FAILURE

Economic Rationales for the State

- Competitive Equilibrium
- Efficiency
- Pareto Principle
- Interpretations
- Further Rationales

Equity and Efficiency

- Equality and Efficiency
- Social Choice
- Social Welfare Functions
- Consequentialism
- Marginal Cost of Public Funds

Public Goods

- What are Public Goods
- Optimal Provision
- Market Failure
- Government Intervention
- Government Provision of Public Goods

Externalities

- Externalities and Market Failure
- Solutions to the Externality Problem
- Commons and Congestion

Asymmetric Information

- The Value of Insurance
- Principal and Agent
- Agency and Government

Cost Benefit Analysis

- Potential Pareto Improvements
- Opportunity Costs and CBA Fundamentals
- Risk o Estimating Benefits
- Cost-Benefit Analysis in Practice
- Cost-Effectiveness Analysis

PART B: PUBLIC CHOICE

Public Choice

- Democratic Process
- Public Choice Mechanisms
- Inefficiency with Majority Rule

Government Failure

- Agency Problems
- Monopoly Bureaucracy
- Rent Seeking
- Comparing Institutions
- The Political Marketplace

PART C: TAXATION**Taxation**

- Tax Systems
- Taxes in Countries
- Current Issues
- Budgetary Process

Tax Incidence and Efficiency

- Incidence and Partial Equilibrium
- General Equilibrium Incidence
- The Costs of Taxation
- Optimal Taxation

Intertemporal Issues

- Intertemporal Choice and Taxes
- Debt and Government Budget Constraint
- Long-term Consequences of Tax Policy

Taxes on Labour

- Modelling Labour Supply
- Income Tax and Inefficiency
- Transfer Payments and Labour Supply

PART D: THE WELFARE STATE**Income Inequality**

- Measuring Inequality
- Practical Issues
- International Comparisons and Recent Trends
- Explaining the Trends
- Fundamental Causes

Poverty

- Defining Poverty
- Measuring Poverty
- Recent Trends in Poverty
- Changing Nature of Poverty

Social Insurance and Welfare State

- Social Insurance
- Market Failure and Social Insurance
- Welfare State and Social Insurance in Practice
- Crisis in the Welfare State

Social Policy

- Policies to Combat Poverty
- Welfare State in the UK
- Welfare Reform
- Current Welfare System
- Citizenship and the Welfare State

Pensions and Ageing

- Pensions
- Market Failure and Equity
- Demographic Time Bomb
- Pensioner Poverty
- Changing Face of Society
- Care and the Elderly

Healthcare

- Economics of Healthcare
- Market Failure and Healthcare
- Healthcare Systems and their Weakness
- Health Expenditure Escalation
- Quasi markets and the Reform of Healthcare Systems

Education and Training

- Optimal Investment
- Market Failure
- Reform of Education
- Student Finance

PART E: REGULATION AND THE BOUNDARIES OF THE STATE

Privatisation and Social Ownership

- Public or Private Ownership
- Ownership
- Incentives and Efficiency
- Privatisation Process
- Impact of Privatisation

Regulation and Competition Policy

- Theory of Regulation
- Regulation and Privatisation
- Regulatory Bodies
- Regulation of Privatised Industries in Practice

The Environment

- Equity and Environment
- Market-based Instruments and Environmental Policy
- Roads and the Environment
- Transboundary Pollution and the Global Commons
- Global Warming

Federal Issues and the European Union

- Why Have Layers of Government
- The European Union
- The Assignment Problem

Reading List

Main Text:

Sara Connolly and Alistair Munro, Economics of the Public Sector (Pearson Education, 1999, ISBN 013096641X)