

## CANADIAN ECONOMIC POLICY MPA 844: COURSE SYLLABUS 2016

### Instructor:

Bryne Purchase is an Adjunct Professor at the School of Policy Studies. He holds a Ph.d. in economics from the University of Toronto and is a former Chief Economist of Ontario and a former Deputy Minister of the Ontario Ministry of Finance, Ministry of Revenue and the Ontario Ministry of Energy, Science and Technology.

Dr. Purchase is also a former Chairman of the Board of the Ontario Financing Authority and the Ontario Electricity Financial Corporation as well as a former Director of OPG Ventures Inc., Ontario Genomics Institute, Ontario Super-Build Corporation and the Ontario Innovation Trust. He can be reached at 613-256-5816; e-mail [purchase@queensu.ca](mailto:purchase@queensu.ca); and, is available in person on the scheduled meeting days in non-class hours.

### Course Objectives and Requirements:

The Canadian Economic Policy Course is designed to:

- Review the underlying economic concepts governing most of Canadian economic policy at the federal and provincial level;
- Review several of the most important policies and programs at the federal and provincial level where economic analysis is useful;
- Examine the political institutions and their incentive structures within which economic policy decisions are made;
- Maximize the interaction with experienced policy advisers on current economic policy issues and options; and
- Provide a forum for student led discussion and debate on current policy questions.

I will lead several lectures, while a few others will be given by guest experts in the policy area under discussion (the dates and subjects indicated below are tentative). In addition, students will form groups and (with rotating responsibilities) prepare for and lead the last few lectures.

*This course does **not** require previous training in economic theory, but it is **recommended** that students have at least one prior course in economics.*

In general, the ability to understand or to provide advice on economic policy is an “applied art”. It requires much more than simply a knowledge of a few basic economic principles. In fact, it requires some knowledge of a wide variety of disciplines (from politics to accounting to science to psychology to sociology and some knowledge of history is important as well).

## Course Assignments and Grading:

- Class Participation – 10 percent. Marks will be given for perfect attendance *and* separately for active participation in all lectures. A number of external policy specialists as well as students will give presentations followed by Q & A's. Accordingly, all students are expected to participate actively in the discussions.
- Mid-term take-home exercise – 25 percent. In October, I will provide students with a few current topics on which they will write a short policy-oriented briefing note (750 to 1000 words), using some basic economic concepts. Two weeks will be given for the assignment.
- Group Project – 25 percent. Students will form groups of 3 to 5 students (depending on class size) and make a class presentation and lead a discussion based on their deliberations. These presentations will form the basis of the last three lectures and are due as scheduled below. Possible topics are indicated below. In addition, students may, with the instructor's prior approval, choose their own topic.
- Final Individual Assignment – 40 percent. Each student will write a short review essay of 3,000 to 3,500 words. Possible topics will be circulated. In addition, students may, with the instructor's prior approval, choose their own topic. Essays are due 10 days after the end of the last class.
- I would remind you of the School of Graduate Study's policy on academic integrity: [http://www.queensu.ca/calendars/sgsr/Academic\\_Integrity\\_Policy.html](http://www.queensu.ca/calendars/sgsr/Academic_Integrity_Policy.html)

## Preparation and Reading Assignments

I will assign one or two reference pieces and distribute my lecture notes by email before each class. Our guest speakers will typically supply their presentations, usually distributed by me and by email after the session. Otherwise students are encouraged to find their own reference materials if they have a further interest in a specific topic.

Most of what you need to know, you will hear in the meetings or read in the notes distributed to you. *Your major reading and research time should be spent on your mid-term assignment, personal essay and on preparing for your group presentation.*

I grade class participation, including emailed questions relating to specific economic policy issues which count equally to a question in class.

We are fortunate to have some of the most highly qualified people in the country agree to talk to us about their specialty. I expect you to engage our guests in an active discussion.

The “Student Led” sessions require that you form a small group (depends on class size, but probably 4 to 5 students per group). *This should be done as soon as possible after the first class.*

## **Canadian Economic Policy: Tentative Schedule (11 lectures)**

### Lecture 1 (Sept 15): Market Failure

- i. Perfect Governance – the foundation of all economic policy (markets, information and “market failure”).
- ii. How big should government be?

### Lecture 2. (Sept 22): Fiscal Policy

- i. Canadian macroeconomic stabilization policy
  - a. Theoretical debate: Keynes vs. Hayak
- ii. Canadian Fiscal policy
  - a. Practical considerations
  - b. Balanced Budget Objective: How much debt is too much?
  - c. Canadian federalism and fiscal transfers
  - d. Secular stagnation?
  - e. Why and when to contract out or privatize

### Lecture 3. (Sept 29) Money Matters:

- i. Fixed vs flexible exchange rates;
- ii. The loonie as a commodity currency
- iii. “Dutch disease“ and central Canada
- iv. Helicopter money as a solution to secular stagnation?

### Lecture 4 (Oct 6): Economic Growth

- i. The mystery of economic growth
  - a. The staples theory of growth and Canada’s National Policy history
  - b. Population growth and economic growth
- ii. Geography, the Gravity theory of trade and Ontario’s economic future;
- iii. Technological change and Canadian innovation policy:
  - a. The elusive Holy Grail of growth: productivity convergence on the US;

- b. Technology based clusters
- iv. Government “productivity”, an oxymoron or a source of competitive advantage?
- v. Could income redistribution be productivity enhancing?

Lecture 5 (Oct 13): Canada had a large post-war baby boom, large numbers of whom are just beginning to retire. Are they financially prepared? Are today’s young adults saving too little? Is Canadian Pension Policy in need of reform? (Malcolm Hamilton, actuary and expert on Canadian pension policy).

Lecture 6 (Oct. 20): Large scale access to post-secondary education has been a central pillar of Canadian economic policy for the past 50 years. It is also one of the most significant investments (next to buying a house or having children) that most people make. Is it efficiently supplied by our colleges and universities? Should we restructure them in some way? Should we have a policy of free post-secondary education? (Dr. David Trick, expert on education policy)

Lecture 7 (Oct. 27): Students travelling to Toronto with the School for briefings at Queen’s Park.

Lecture 8 (Nov 3.): Public policy toward Canadian chartered banks and other financial institutions (eg. Trust and insurance companies and credit unions) is central both to the stability of the economy and to financing its future economic growth. How do and should we regulate financial institutions? (Bryan Davies, Chair of the Board, Canada Deposit Insurance Corporation)

Lecture 9 (Nov 10): Can you take politics out of economics or economics out of politics?

- i. Economic policy debates: What you see depends on what you believe – in theory.
- ii. What is the true nature of the “political marketplace”? Voters’ motives, politicians’ motives, political “branding”, and centralized power.
- iii. The political incentive to “punt”.
- iv. Government by stealth: techniques of major economic policy change.

Lecture 10 (Nov 17): Student led: Is climate change is the single biggest public policy of our time? Did Ontario choose wisely in adopting a Cap and Trade program over a carbon tax?

Lecture 11 (Nov 24): Student led: Reforming health care delivery (supply) or reforming health insurance (demand). Should Ontario Privatize Hydro One (or the LCBO)? Or. Should Prostitution (or Marijuana) be legalized?

Lecture 12 (Dec 1): Student led: Social Policy: How should we redistribute income? Discuss GAI, Negative Income Tax and Minimum wage policies. What are the pros and cons of government funded and/or delivered day care? What are pros and cons of free college/university tuition.