

CANADIAN ECONOMIC POLICY MPA 844: COURSE SYLLABUS, FALL 2018

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 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; 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;
- Provide a forum for student led discussion and debate about current policy issues; and,
- Encourage the interaction with experienced policy advisers on current economic policy issues and options.

I will lead several lectures, while at least one other will be given by a guest expert in Canadian economic policy. This year, Michael McNair, Director of Policy in the Prime Minister's Office will be our guest lecturer.

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 economics, but it is **recommended** that students have at least one prior course in economics.*

In general, the ability to provide advice on economic policy is a kind of "applied art". It requires 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 physical sciences to psychology to sociology and even some history as well). And, as

with all advice, economic policy advice requires an understanding of its target audience (that is political decision makers) if it is to have a greater chance of being effective.

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 850 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 two or 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 2,500 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 14 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

Preparation and Reading Assignments

I will assign one or two reference pieces and distribute my lecture notes by email before each class. 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, which includes emailed questions relating to specific economic policy issues (and which count equally to a question in class).

Guest speakers are among the most highly qualified people in the country in their specialty. I expect you to engage them 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: **Is government too small or too big?** Introduces the key concepts that inform much of current Canadian economic policy debate around such issues as climate change, trade, education and health care policy.

- a) Government from cradle to grave: from child care to education to retraining to health care to pensions and everything in between
- b) Market failure rationales
 - i. Lack of competition
 - ii. Negative or Positive Externalities
 - iii. Information Asymmetries
 - iv. Public Goods

Lecture 2: **Is government too small or too big?**

- a) The special case of income redistribution
- b) Government failure
 - i. Lack of information and unintended consequences
 - ii. Rent seeking
 - iii. Moral hazard of politicians and bureaucrats
 - iv. Regulatory capture
- c) The biological basis for never ending policy debates.

Lecture 3 and 4: **Can Governments Make the Canadian Economy More Stable?**

- a. Introduction to Gross Domestic Product, its Components and their Cyclical Nature
- b. What caused the Great Depression of the 1930's and why did it end?
 - i. The basics of Macroeconomic policy: Keynes vs. Hayak

Lectures 4 and 5: **Bank of Canada: Inflation fighter**

- a. Fine tuning the economy through interest rates;
- b. Zero Lower bound problem
- c. Canadian indebtedness and vulnerability
- d. Secular stagnation and why global interest rates are so low
- e. Should Canada adopt the US dollar: Fixed vs flexible exchange rates;
- f. Optimal currency areas
 - a. The loonie as a commodity currency
 - b. Spiking oil prices: “Dutch disease“ and central Canada

Lecture 5 and 6: **Fiscal Policy**

1. Canadian Fiscal policy
 - a. Does fiscal stabilization policy work in Canada?
 - i. Should the budget be balanced?
 - ii. Practical considerations on federal and provincial fiscal stabilization initiatives
 - b. Fiscal restraint policy
 - i. Good debt/bad debt and how much debt is too much?
 - ii. Debt to GDP targets
 - iii. Infrastructure spending and productivity
 - c. Who should provide government services?
 - i. Which level of government?
 1. Canadian federalism and fed-prov. fiscal transfers
 - ii. Public or Private delivery?
 1. Public sector wage determination
 2. Why and when to contract out or privatize

Lecture 7: What is the current Government of Canada’s economic policy? (**Michael McNair**, Director of Policy, Prime Minister’s Office, Government of Canada)

Lecture 8: **Students travelling to Toronto with the School for briefings at Queen’s Park.**

Lecture 9: **Economic Growth and Canadian Economic Policy**

- i. The political priority for economic growth
 - a. The elusive Canadian Holy Grail of growth: productivity convergence on the US.
- ii. Institutions and economic growth
 - a. Why the West suddenly grew rich

- b. Paradoxes of economic growth
- iii. Geography and economic growth;
 - a. The staples theory of growth and Canada's National Policy history
 - b. The gravity theory of trade and Ontario's future
- iv. Population and economic growth
 - a. Fertility and immigration
 - b. Education
- v. Energy and economic growth
 - a. Tools are us: but, without energy nothing works
- vi. Technology and economic growth:
 - a. Wither innovation?
 - i. Patents and other subsidy to science and technology
 - ii. Technology based clusters
 - iii. Barriers to dominance
- vii. Will economic growth end?
 - a. Yes – “limits to growth”
 - b. No – technological optimists
 - c. Maybe: Secular stagnation (short and long term)
 - i. Could income redistribution be productivity enhancing?

Lecture 10: Can you take politics out of economics or economics out of politics? While economic theory provides the raw basis for many policy prescriptions, the economic policy that we actually experience is the final product of our political institutions and reflects the incentives and constraints imposed by those institutions.

- i. What is the true nature of the “political marketplace”? Voters’ motives, politician’s motives, political “branding”, and centralized power.
- ii. The political incentive to “punt” and the inability to act before there is a “clear and present” danger.
- iii. Government by stealth: techniques of major economic policy change.
- iv. The decline of “trust” in government.

Lectures 11 and 12: Student led. Groups of students (4 to 5) will choose **one** of the following topics, make a presentation and lead a discussion:

- i. Why is climate change the single biggest public policy problem of our time?
- ii. Compare “cap and trade” with a carbon tax as a mechanism to price GHG emissions.
- iii. Should there be a heavy tax on sugar? Why or why not?
- iv. How would you reform health care delivery and why?

- v. How would you reform health insurance and why?
- vi. What are the pros and cons of a national pharma care program?
- vii. If you were rewriting the legislation on compulsory interest arbitration (covering police, firefighters and physicians) what would it look like and why?
- viii. 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 further reform? Discuss.
- ix. Should Ontario have privatized 60 percent of Hydro One?
- x. Should Ontario privatize the LCBO?
- xi. Should prostitution be legalized? Why or why not and if so, how?
- xii. What is the case for and against legalized marijuana sales and how should its sale be handled in Ontario?
- xiii. Discuss the multiple mechanisms of government involvement in residential housing and the pros and cons of that involvement;
- xiv. A post-secondary education is one of the most significant investments (next to buying a house or having children) that most people will ever make. Is post-secondary education an investment or luxury consumption? Is it a good investment – for individuals or governments? What are the pros and cons of “free” college/university tuition?
- xv. Do we pay too much for post-secondary education – that is, is it efficiently supplied by our colleges and universities? Should we restructure them in some way?
- xvi. Who should raise your children? What are the pros and cons of government funded and/or delivered day care?
- xvii. Economic growth is slowing in the Western world. What can be done about it.
- xviii. Should we redistribute income and if so, how and how much? (GAI, Refundable employment tax credits, Negative income tax and Minimum wage policies)?
- xix. What, if anything, can/should governments do about robots (artificial intelligence) – i.e. machines replacing humans in employment?
- xx. Review the main issues and options facing Canada in its NAFTA negotiations with the United States and Mexico.
- xxi. Did former Ontario Premier Wynne make the right decision in refusing to allow the City of Toronto to impose user fees on the Gardiner Expressway and Don Valley Parkway as a way to raise revenue for the city government?