THE ECONOMICS OF PUBLIC POLICY

Professor Sean Barrett

This course examines the extent, nature and significance of public expenditure. It deals with the interventions of government in the allocation of resources and the distribution of income. The course will examine the conditions under which a market system would achieve an optimum allocation of resources and the consequences when these conditions are not met. Cost benefit analysis and the evaluation of non-market factors are examined. Programme Budgeting (PPBS) is also treated in this section. The income distribution policies of government are examined and work on the Grants Economy reviewed. We also examine the economics of government intervention in areas such as housing, health, education, transport, income redistribution and labour markets. The economics of taxation is also examined (It pays for the above). The current Irish crises in banking and the public finances will also be examined. It is recommended that you take the Scholarship examination this year.

READING

Mulreany, M., Cost-Benefit Analysis Readings, IPA, 2002.
Mishan, E.J., Elements of Cost Benefit Analysis, Unwin, 1988
Mishan, E.J., Cost Benefit Analysis, 1990
Culyer, A.J., The Economics of Social Policy, Robertson, 1973
Barrett, S., Transport Policy in Ireland, IMI, 1982


Wagner, R., *Deficits, Debt and Democracy*, Elgar 2012.

*P.S. Sign up for the special student deal for the Economist – Recent Assistant Editor, Margaret Doyle, is a graduate of the course.*

**Debt, Democracy and Public Finance**

The Tanzi Checklist

Beneficiaries, entitlements, lobbyists, public goods and bads, reduced multipliers and openness, financial crises and bailouts, decline of do nothing options, asset bubbles, regulation and capture, exit strategy and debt, fiscal termites and complexity.

**SOCIAL EXPENDITURE IN IRELAND AND OECD**


**THE SOCIAL SECTOR IN ECONOMIC THEORY**

**(i) Public and Private Goods:**

Culyer, op. cit., Part 1 and ch. 6

Allan, op. cit., ch. 1

(ii) **Public Expenditure Appraisal**

Musgrave, op. cit., ch. 3


(iii) **The Theory of Economic Policy**

Johansen, L., Public Economics, North Holland, 1968, ch. 1


**TECHNIQUES OF EVALUATION**

(i) **Planning Programming Budgeting Systems (PPBS)**

Schultze, op. cit.

Merewitz, L. and Sosnick, S., *The Budget's New Clothes*, Markham, 1973

Culyer, op. cit., ch. 9


Le Grand, J., op. cit.


Barrett, S., "Recent Developments in Evaluating Public Expenditure", *Irish Banking Review*, June 1984

An Bord Sníp Nua, op. cit.

(ii) **Cost Benefit Analysis**

Mishan, op. cit., ch. 1


Little I. and Mirlees, J., *Project Appraisal and Planning for Developing Countries*, Heinemann, 1974

**Externalities:** Mishan, op. cit., Part III  
Dasgupta, ch. 5

**Opportunity Cost:** Mishan, op. cit., chs. 9 and 10  
Mishan, *Cost Benefit Analysis*, ch. 11

**Shadow Pricing:** Mishan, chs. 12 and 13  
McKean, R., *The Use of Shadow Prices in Chase Problems in Public Expenditure Analysis*

**Social Time Preference:** Mishan, op. cit., Part IV  
Dasgupta, ch. 6

**The Rate of Return:** Mishan, ch. 24,  
Dasgupta, ch. 7

Barrett, op. cit., ch. 3

**ECONOMIC ASPECTS OF HEALTH SERVICES**


(i) *The Nature of Health Care*

Perlman, M., *The Economics of Health and Medical Care*, International Economics Associatton, Macmillan, 1974

(ii) **Medical Services and Health Status**
Culyer, A., *Need and the National Health Service*, Robertson, 1976, ch. 4
Perlman, op. cit., chs. 1 and 2

(iii) **The Demand for Medical Care**
Cullis, J. and West, P., *The Economics of Health*, Robertson, 1979, chs. 4 and 5
Culyer, A., op. cit., 1976, chs. 6, 7 and 8

(iv) **The Supply of Medical Care**
Tussing, D., "Physician-Induced Demand for Medical Care", *Economic and Social Review*, April 1983
Cullis and West, op. cit., pp. 89-92, 105-8, ch. 6
Maynard, A., "Privatizing the National Health Service", *Lloyds Bank Review*, April 1983

(v) **Health Service Costs in Ireland**
NESC Reports 29, 62 (pp. 56-58, 43-46) and 73
Tussing, D. *Irish Medical Care Resources: An Economic Analysis*, ESRI, 1985
Report of the Commission on Health Funding, 1989


**THE BUDGET (December 2012)**

(i) *The Role of the Budget in Resource Allocation*

   James, S. and Nobes, C., The Economics of Taxation, Allan, 1978

   Allan, C., The Theory of Taxation, Penguin, ch. 1

   Eckstein, O. Public Finance, Prentice Hall, ch. 1

(ii) *The Budget and Income Distribution*

   James, op. cit., ch. 5

   Allan, op. cit., ch. 11

   Eckstein, op. cit., ch. 5

   Murphy, D. "The Impact of State Taxes and Benefits on Irish Household Incomes", Journal of Statistical and Social Inquiry Society of Ireland, 1983/84

   The Economic and Social Review, July 1989

   ESRI Quarterly Economic Commentary, Annual Budget Analysis.

(iii) *The Budget in Ireland*

   Framework for the Budget, Government Publications Exchequer Returns

   The Estimates for Public Services

   The Quarterly Economic Commentary of the ESRI

   The Central Bank Quarterly Reviews

   The Department of Finance Review of the Economy

(iv) *The Efficiency of Taxation*

   James, op. cit., ch. 3
Allan, op. cit., ch. 3

(v) **The Efficiency of Subsidies**


(vi) **The Grants Economy**


(vii) **Higher Education - a Case Study in the Grants Economy**


OECD Report on Tertiary Education in Ireland, 2004


(viii) **Farm Subsidies**

Schultz, C., "The Distribution of Farm Subsidies", in Boulding and Pfaff, op. cit.

(ix) **The implicit grants economy**


(x) **Negative income tax**

Townsend, P., "The Difficulties of Negative Income Tax", *Social Services for All*, the Fabian Society

James, op. cit., pp.180-6

HOUSING POLICY

Aaron, H., *Shelter and Subsidies*, Brookings, 1972
Baker, T.J., "Housing - Market or Social Service", in *Public Social Expenditure - Value for Money*, ESRI, November 1984
The Economist International House Price Index

THE ECONOMICS OF EDUCATION


(i) Investment in Human Capital
Schultz, T.W., "Investment in Human Capital", *AER* 1961*
Shaffler, H.G., "A Critique of the Concept of Human Capital", *AER* 1961*
Schultz, T.W., "The Concept of Human Capital; A Reply", *AER* 1961*

(ii) The Rate of Return on Investment in Education
Blaug, M., *The Rate of Return on Investment in Education*, Manchester School, 1965*

(iii) Education and Economic Growth
Harbison, F.H., and Myers, C.A., Strategies of Human Resource Development*
Bowman, M., "An Assessment of the Work of Harbison and Myers", *JPE* 1966*
Sheehan, op. cit., ch. 7.

(iv) Education Finance
Sheehan, op. cit., ch. 11.
Wiseman, J., "Vouchers for Education", SJPE 1959* with reply and counter-reply.
Blaug, M. Education Vouchers - It all Depends on what You Mean in Le Grand and Robinson, op. cit.

(v) Education Expenditure in Ireland

(vi) Education and Income Distribution

Professor Sean D. Barrett
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