In Canada, our provincial and federal governments face daily demands to “do something” about many important issues, including:

1. Post-Secondary Education Funding – Who should pay for it? Why, How and How Much?
2. Population Aging – How Large should Public Pensions for the Elderly be? How Financed?
3. Climate Change – Carbon Tax or Cap-and-Trade or Regulation or Nothing at All?
4. Economic Inequality – How Much Tax for the Top 1%? Basic Income for All?

These issues are important in the economic policy debates of 2019 but times do change. Thirty years ago, Post-Secondary Funding and Population Aging were recognized as important public policy issues, but Climate Change and Increasing Inequality were then just starting to be discussed. Meanwhile, some of the issues that dominated economic policy debates then – such as the economic implications of Quebec separatism – have receded in importance. We can reasonably expect that change will never stop – new problems, and new evidence, will become important for Canadians over the next thirty years.

As well, thirty years ago economic policy debates in Canada tended to be very local in scope – inter-provincial comparisons were common but international comparisons were rare. But although all countries, everywhere in the world, have to deal with issues (1) to (4) above, they have often made very different policy choices. Thirty years ago it was hard to acquire good comparative international evidence and to learn from rigorous comparisons of international experiences. But the Internet now makes it easy.

Because the economic policy choices of the future are the ones which you, as citizens, will need to analyze, this course has two major themes:

1. the development of some general tools needed for economic policy analysis, both conceptual (e.g. the present value of lifetime earnings or the utility gains from risk-pooling), and practical, (such as the ability
to use software like Excel or databases from Statistics Canada\(^1\) or the OECD\(^2\)). This course will therefore have four real world assignments to help you develop such skills.

(2) Comparison of the advantages and disadvantages of alternative policy models now in use in specific other jurisdictions around the world.

We will be making comparisons within and between four main groups of jurisdictions:

1. the different states within the U.S.;
2. the “Anglosphere” – Australia, New Zealand, England, Scotland, Ireland, South Africa, etc.
3. the continental member nations of the European Union.
4. the rest of the world – e.g. China, Brazil, Chile, Argentina, Philippines, Indonesia, etc.

In our first class, students will be assigned to join one of four teams – labelled A, B, C and D below. Each broad topic area will be covered in a series of lectures, followed by a class in which each team of students leads a discussion of the advantages and disadvantages of the policies now in use in specific jurisdictions within their group of jurisdictions.

<table>
<thead>
<tr>
<th></th>
<th>Post-Sec Funding</th>
<th>Pension Policy</th>
<th>Climate Change</th>
<th>Economic Inequality</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>A</td>
<td>D</td>
<td>C</td>
<td>B</td>
</tr>
<tr>
<td>Anglo</td>
<td>B</td>
<td>A</td>
<td>D</td>
<td>C</td>
</tr>
<tr>
<td>EU</td>
<td>C</td>
<td>B</td>
<td>A</td>
<td>D</td>
</tr>
<tr>
<td>Other</td>
<td>D</td>
<td>C</td>
<td>B</td>
<td>A</td>
</tr>
</tbody>
</table>

In Canada, civil servants prepare “briefing notes” on the advantages and disadvantages of policy options, for presentation to a Cabinet minister, who then suggests a policy to Cabinet. These policy choices are debated privately within government and then subject to public critique by the opposition and by other interested parties. To mimic this process a little bit, students should think of their team as being asked by the relevant minister: “How do they do it in the USA? in other Anglo nations? in the EU? elsewhere? What are the advantages and disadvantages? What can Canada learn from their experiences?” Each student is therefore expected to prepare a briefing note which outlines the advantages and disadvantages of a particular jurisdiction’s way of dealing with a policy issue.

For example, Team B will start by discuss how post-secondary education is funded in the “Anglosphere”. The post-secondary funding system is quite different within the U.K., in England and Scotland, while Australia has an interesting model of its own – but all three jurisdictions have quite a lot in common compared to the tuition and funding models now operating within the EU or the U.S. So each person in team B will choose one jurisdiction in the Anglo group to analyze. Similarly, there are differences within the EU. The German, French and Swedish systems have important differences with each other, but their zero tuition approach is fundamentally different from the systems in U.S. states – so the students in team C looking at an EU country of their choice or in team A focusing on different states within the U.S. will examine different nations and different states, respectively. Team C will then go on to examine pension policies in other nations, climate change policies in different US states and income distribution policies in different Anglo nations.

Cabinet ministers are busy people, so presentations have to skip the campaign rhetoric. Briefing notes need to be short, factual and focussed. To mimic somewhat the actual policy formation process in government, each student will make a presentation to class and circulate to the class a 2 or 3 page

---

\(^1\) See [https://www150.statcan.gc.ca/n1/en/type/data](https://www150.statcan.gc.ca/n1/en/type/data)

summary of how the issue was addressed in the jurisdiction of their choice. The class as a whole will then debate the merits of the different alternatives now in use in specific jurisdictions.

As well, each student is responsible for an individual assignment on each topic (see outlines below). There are no exams in this course. Marks will be assigned on the basis of 10% for each of four assignments and 15% for each of four presentations.

<table>
<thead>
<tr>
<th>Due Date</th>
<th>Marks</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 4-23</td>
<td></td>
</tr>
<tr>
<td>Post-Secondary Education Funding</td>
<td></td>
</tr>
<tr>
<td>Assignment - Calculation of your personal rate of return</td>
<td>18-Sep</td>
</tr>
<tr>
<td>Presentations on post secondary financing</td>
<td>-Sep 18 &amp; 23</td>
</tr>
<tr>
<td>September 25 - October 16</td>
<td></td>
</tr>
<tr>
<td>Old Age, Risk Pooling and the Welfare State</td>
<td></td>
</tr>
<tr>
<td>Assignment: a real person's retirement income</td>
<td>15-Oct</td>
</tr>
<tr>
<td>Presentations on old age security</td>
<td>-Oct 9 &amp; 16</td>
</tr>
<tr>
<td>October 21 - November 6</td>
<td></td>
</tr>
<tr>
<td>Climate change</td>
<td></td>
</tr>
<tr>
<td>Assignment: calculation of own carbon footprint</td>
<td>4-Nov</td>
</tr>
<tr>
<td>Presentations on climate change policies</td>
<td>-Nov 4 &amp; 6</td>
</tr>
<tr>
<td>November 18 - December 3</td>
<td></td>
</tr>
<tr>
<td>Inequality</td>
<td></td>
</tr>
<tr>
<td>Assignment: Inequality and Poverty where I live</td>
<td>2-Dec</td>
</tr>
<tr>
<td>Presentations on policies to reduce inequality and poverty</td>
<td>-Dec 2 &amp; 3</td>
</tr>
</tbody>
</table>

At the start of each module, a list of relevant readings will be posted on Brightspace. The grading scheme for presentations is included below. Grading rubrics for each assignment will be posted on Brightspace.

The objectives of this course are:

1. To increase your useful knowledge – both empirical and analytical – about some of big issues of Canadian public policy.
2. To develop general skills that are useful in a wide variety of contexts later in life - specifically: team work, library and internet research, critical thinking, written and oral presentation, and the ability to give and receive constructive criticism.
3. To foster the habit of thinking through the long term implications of current decisions and to develop some of the necessary tools.
4. To provide some sense of the fun and importance of rigorous thinking about issues that really matter.
Economics 2218

Assignment A

Due: September 18\textsuperscript{th}, 2019

This assignment is to specify and evaluate the costs and benefits of your own investment in higher education. You should...

1. Write a page or two describing what you think your most likely lifetime career path:
   a) would have been if you had not attended university;
   b) will be if you complete your present educational plans.

2. Use your best guess to forecast your earnings until age 65 and the costs of your education under each assumption. Distinguish between out of pocket costs and opportunity costs and discuss the basis for your forecasts.

3. Using your forecasts, and a spreadsheet programme such as Excel, calculate the net present-value at 5\% discount and the internal rate of return of your planned investment in university education.

4. Would it make a difference to your educational plans if university tuition fees were abolished and post-secondary education were entirely financed from taxation?
Aging and Retirement in the Real World

The percentage of Canada’s population who are over 65 years of age is forecast to increase significantly in coming decades. How much income can they expect? Assignment A asked you to forecast your earnings until the age of 65. The purpose of this assignment is to illustrate the actual factors which determine the income level and the uncertainties of spending of real people over the age of 65.

The “real person” whose retirement income you will be calculating can be you (i.e. the hypothetical you whose career path and earnings you forecast in Assignment A) or it can be a real person whom you interview (such as a parent or grandparent or neighbour).

The income of people over 65 depends on (1) any earnings they receive from continued employment; (2) any CPP/QPP benefits they receive from past employment; (3) any other transfer payments from government which they may receive; (4) any private pension plan retirement benefits for which they are eligible; (5) drawing down any savings they may have accumulated in earlier years; (6) income transfers they receive from other households (e.g. from other family members); (7) “in kind” income (such as rent-free housing or vegetables grown at home) and (8) taxes paid.

Your assignment is to specify the amount of each type of income [i.e. (1) to (7) above] which your real person can expect to receive, how long they can expect to receive it and any uncertainties which are associated with that income source. Add up the expected incomes from each source. Be specific about the assumptions and calculations which underlie your forecasts – for example, show the calculations on which any forecast of pension income is made.

How adequate is the anticipated stream of income for the needs of this person? What are the main income and expenditure risks which this person can anticipate?

http://www.oecd.org/pensions/
The Carbon Footprint of Personal Transportation

Canada is a big country and some people have argued that our large geographical distances are an important reason why Canadians have a relatively large carbon footprint, compared to other nations. Some then go on to argue that because Canada is so large, and people have to get around somehow, putting a price on carbon emissions would be an onerous, useless tax. The purpose of this assignment is to calculate the actual carbon footprint from personal transportation of a real person (who can be you, or a real person whom you interview, such as a parent or grandparent or sibling) and to estimate the financial and behavioural impacts of carbon pricing on the personal travel of this real person.

For this assignment you should itemize the total distance, over the past year, that this real person travelled, specify the mode of travel, and calculate the tons of CO\textsubscript{2} emissions associated with that travel. [For example, if the person is you and you commuted 25 Kilometres in a Ram Charger V8 diesel pickup to your summer job every day for 106 days, you could calculate 106 * 2 * 25 * (litres diesel consumed by a Ram Charger per kilometre travelled) * (CO\textsubscript{2} content per litre diesel) or you could specify how many litres of diesel you purchased every week and calculate the CO\textsubscript{2} content]. Be specific about your assumptions and explain why they are reasonable.

1. How large is this carbon footprint from personal travel compared to average CO\textsubscript{2} emissions per person in other rich countries (e.g. Germany or France) or in poor countries?
2. For this person, what would the financial impact of carbon pricing be (e.g. at $10 per tonne, $30, $50, $100, $200 or $300) if travel behaviour did not change? How large would this be as a fraction of this person's income?
3. What would you expect the behavioural impact of carbon pricing to be? If the carbon price were $10 per tonne, or $30, $50, $100, $200 or $300, would there be any change in this person’s travel behaviour? If so, what behaviour would change – how much do you think that behaviour would change and at what carbon price? What would the implications be for CO\textsubscript{2} emissions?
4. Taking into account any change in travel behaviour, how much revenue would carbon pricing generate from this person’s travel? What do you think should be done with that revenue? Why?
Inequality and Poverty where I live

How much inequality and poverty is there where you live? Compare the level and trend of economic inequality and poverty in the area in which you live with the level and trend of inequality and poverty [1] in Canada as a whole and [2] in other rich countries.

Note that although Statistics Canada reports consistently use the term “low income” instead of “poverty”, Statistics Canada does collect a great deal of data on income and poverty trends. This data can very often be obtained on specific census districts and urban areas, as well as for provinces and the nation as a whole and can be accessed at https://www.statcan.gc.ca/eng/topics-start/poverty or https://www150.statcan.gc.ca/n1/en/type/data. OECD data can be accessed at https://data.oecd.org/. Be sure to footnote your data sources exactly.

Other useful web sites are:
https://www.wider.unu.edu/project/wiid-world-income-inequality-database
https://ourworldindata.org/incomes-across-the-distribution
http://povertydata.worldbank.org/poverty/home/
http://www.oecd.org/social/inequality.htm
http://inequality.org/
http://www.lisdatacenter.org/
Grading of ECON2218A Presentations

The prospectus for this course states: “Each student is therefore expected to prepare a briefing note which outlines the advantages and disadvantages of a particular jurisdiction’s way of dealing with a policy issue. (e.g. how post-secondary education is funded).” Students are asked to think of their team as being asked: “How do they do it in the USA? in other Anglo nations? in the EU? elsewhere? What are the advantages and disadvantages? What can Canada learn from their experiences?”

Hence, the briefing note should:
1. Outline how your particular jurisdiction actually now deals with this policy issue;
2. Outline the advantages of this policy stance;
3. Outline the disadvantages of this policy stance.
4. State clearly what Canada can learn from this jurisdiction’s experiences.

Grading (1) – 6 marks:
Has the briefing note
- missed important aspects of the policy context or delivery?
- adequately summarized policy delivery?
- provided valid, relevant evidence, preferably numerical and contextualized?
- used credible and attributed sources, supporting all assertions made?
- avoided extraneous, irrelevant issues and vacuous verbiage?
- focussed on the facts, avoiding ideology and/or political rhetoric?

Grading (2), (3) and (4) – When the briefing note discusses advantages, disadvantages, and lessons for Canada, does it address:
- Efficiency impacts: i.e. How large are possible impacts on aggregate output?
- Equity impacts: i.e. do particular groups in society disproportionately receive benefits or incur losses? Who are they? How unequal are such benefits and costs?

Total of 6 marks, spread over 3 questions.

+ maximum 3 marks for delivery
– total graded out of 15