
GOVERNMENT IN A MARKET ECONOMY

Subject Outline

1. SUBJECT OBJECTIVES

This subject seeks to provide a public manager's guide to key economic principles and their application to public sector activities.

To do this the subject will

- **First, enable participants to understand the nature of markets.** This is done by providing a primer/refresher on basic economic principles, in the form of an introduction to the basic language, methods, concepts and frameworks that underpin the economic way of thinking. This will also cover supply and demand, consumer and firm behaviour (microeconomics), plus measurement, growth and operation of the aggregate economy (macroeconomics).
- **Second, enable participants to understand the economic role of government.** This will be achieved by providing a framework for understanding the limits to markets as a form of social organization and for identifying the precise nature of market failure, the objectives of associated collective intervention and forms of intervention including regulation, service provision, redistribution and promoting growth.
- **Third, enable participants to understand the economic way of thinking, through developing frameworks for market, state and growth.** This will be done by way of providing particular economic problems as illustrations and by conveying the nature of the tool-kit that the economic profession brings to examination of issues, both economic and beyond economics. This may be as much critical as supportive.

Participants will then be able to:

- **understand** the world views and tool boxes that economists bring to the study of the economy and its role in human activity
- **employ** the work of economists when specialist knowledge and technique of this kind is called for in public administration and policy
- **appreciate** both the strengths and weaknesses of this influential discipline.

In sum, participants will develop an understanding of the merits and the limitations of economics in the collective domain and the ability to use positive (“objective”) and normative (“subjective”) models to guide and inform efficient and effective government decision-making.

The course has an applied focus using examples from the Australian and New Zealand economies, though opportunities for considering other nations are incorporated in the subject, as are state and regional perspectives. Applied policy problems may be presented, as far as time permits, from a wide range of areas such as defence, health, wage-fixing, law and order, education, the business cycle, tariffs, arts, environment, immigration, natural resource projects and infrastructure provision.

The ambit of the subject is wide. In standard university undergraduate curricula this material requires three separate semester length subjects in each of principles of microeconomics, principles of macroeconomics, and principles of public economics, plus elements of specialized subjects in welfare economics and growth economics.