

## ECO336 Public Economics

### First Writing Assignment

#### Question:

This week, Australia's lower house of Parliament just passed legislation to introduce a carbon tax of A\$23 per tonne in 2012, with a twin goals of reducing greenhouse gas emissions and promoting innovation in alternative sources of energy.

Please answer the following questions:

- a) What is the most compelling economic argument for introducing a (similarly) modest carbon tax in Canada, and why? Set out the relevant logic clearly. [You should assume, as is appealing, that the tax policy is revenue-neutral. That is, all the revenue from the tax will be immediately recycled, with each Canadian getting  $1/N$  of the tax revenue, where  $N$  is the current population.]
- b) Do you see any potential problems with that economic argument in practice, briefly?
- c) Following on from your answer to part b), what aspect or aspects of the economy would you suggest carefully quantifying to help resolve uncertainties as to the likely effects of such a tax in Canada?
- d) Now provide a clear one-paragraph executive summary of your main argument. That is, summarize the essence of your arguments to parts a) to c).

#### Instructions:

- a. Please read the question carefully, and make sure you understand it. Then please also read the following instructions very carefully. If anything at all is unclear, have a word.
- b. Your answer must be typed clearly. Specifications: **1.5** line spacing; no less than 11-point font; and margins each at least one inch (or 2.54cm) wide.
- c. **Page length:** your answers to parts a) to c) above should together take no more than one and a half pages. The summary should be no more than half a page. Thus, in total, parts a) to d) should fit on two pages (or less).
- d. Your assignment must be turned in at the **start** of class (12:10pm) on Thursday October 27, 2011. There will be no exceptions to this rule (see syllabus).
- e. Your assignment must also be submitted to Turnitin.com. The deadline for that is also 12:10pm on Thursday October 27, 2011. The answers must be your own work, obviously. Having someone else write all or part of this assignment for you constitutes an academic offence, as would 'borrowing' text written by others in an unattributed way.

f. **References:** If you do use text written by others directly, it must be enclosed in “...” and cited accurately in a separate References section at the end of your paper. (References do not contribute to the page limit.) For example, if you quoted from the Stern Review directly, you should footnote that source (as “See Stern (2007), page n.”) and then add the reference at the end:

Stern, Nicholas (2007), *The Economics of Climate Change: the Stern Review*, Cambridge University Press.

g. Note: along with your answer, you must also hand in a typed **outline** that sets out the clear structure of your answer. The outline should make clear to the reader the progression of the argument you will make in answering each part of the question above. The outline will be graded. It will not contribute to the page limits described above.

h. Please write in grammatical sentences. Bad grammar will be penalized.

i. Please write in clear sentences. Unclear writing will be penalized.

### **Incentives:**

Your answer will be graded on the basis of the organization of your ideas (including the presentation in your outline), the quality of your economic reasoning, the clarity of your writing, and the correctness of your grammar.

This assignment will be graded, with comments, within a week of its being submitted. You will then have an opportunity to revise your answers, reflecting those comments, over the next two weeks (to be handed in the week after the term test). The first round (including your outline) is worth up to 5 percent of the overall grade, while the revision stage is worth up to 3 percent.

(Anyone getting a perfect score on the first round would have no revisions to make, and so get 3 percent on the second round. This is to say that there are no perverse incentives to do a bad job on the first round in order to earn more credit on the second round.)

Please let me know if you have any questions.

Robert McMillan