



## SCHOOL OF GOVERNMENT

### INTRODUCTION TO PUBLIC ECONOMICS – PUBL 203 / ECON 224

#### 2005 PAPER OUTLINE (First Trimester Paper – 22 points)

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<b>Lecture Timetable:</b>	Mon 2.40 – 4.30 – GB LT4 Thu 2.40 – 3.30 – GB LT4		

#### BACKGROUND

This course provides an introduction to the public sector from a micro-economic perspective. The role of government and its taxation are examined for contemporary market failures, such as may arise from imperfect competition, externalities, missing information, destructive strategic behaviour and inefficient saving. The functions of government may also be examined in reference to public choice and redistributive justice.

This course is worth six credits and consists of three lecture hours per week. Attendance is strongly recommended because of the course-materials' heavy-reliance upon lecture topics.

#### WORKLOAD GUIDELINES AND TERMS REQUIREMENTS

This course represents one sixth of a normal full-time load. It is assumed that students will attend lectures and tutorials and in addition, spend about five hours per week on course-related work. Terms are the minimum course requirements which must be satisfied in order to earn the right to sit the final examination and to be assessed for a final grade. For this course, terms will be conditional on having sat the two terms tests even though the resulting mark for either one may have been a failure.

A provisional failing mark no higher than the numerical equivalent of "E" is awarded if a test is missed. The lecturer then decides on whether a substitute test – written or oral – will be given. Otherwise, the failing mark is retained. Official documentation must be provided if a test is missed, for example, a medical certificate indicating the nature of the illness. If a substitute test is granted, it may have to be harder than the regular one. This is to be fair to other students who may have undertaken greater pains to overcome undocumented circumstances. For this reason, it is advantageous to sit a test despite difficult circumstances.

## SCHEDULE/TIMETABLES (see page 1)

It is strongly recommended, but not required, that students also attend **ONE** tutorial hour each week. To be chosen from among three to four sessions made available. During the tutorials, discussions of course material and previous-years' test questions help prepare for assessment. Unless advised, students may change their chosen tutorial without having to inform the lecturer.

Course grades are determined by two in-class terms tests, each of which counts as 25% and a final exam which counts as 50%.

The first terms test will be held in-class on Monday 21 March 2005. The second terms test will be held in-class on Monday 9 May 2005. The second test will only pertain to the material after the first test. Each test can normally be finished within 50 minutes and will consist of between 1-3 short essay-type questions. The final exam is scheduled for sometime in June, will be three hours in length, and will be based upon material covered by the whole course.

## LECTURE OUTLINE AND READING ASSIGNMENTS

The importance of a reading is designated as either **strongly recommended or optional**. ("Required is not used, and is replaced by "strongly recommended" in order to recognize the tight course-material budgets of many students). Course requirements can be satisfied by reading only those listed below as **strongly recommended, and practicing upon the test questions of previous years**. Those listed as **optional** are useful for more advanced study.

The following textbook – useful for the first half of the course – is strongly recommended. It is available at the Victoria University bookstore, and at the library on three-day loan and closed reserve:

Victorio, Andres G. (Antong) 2004. *Applied Models in Public Policy, 2<sup>nd</sup> edition*, Ateneo de Manila University (Philippines) and Macklev Books International (USA). The first edition (1996), is also suitable but has slightly different examples for some chapters.

Other strongly-recommended readings are available at the student notes distribution centre as a readings packet labelled "Publ 203/Econ 224 – Introduction to Public Economics 2005, Readings and Practice Problems". This packet contains short applied-economics articles, and excerpts from international textbooks. It also contains copies and sample answers of previous years' tests and final examinations. Readings listed below as "optional" will not be distributed. Some of them are in the main library on a first-come first-served basis.

**Part I: (2 lecture weeks, 21 February to 6 March 2005) The fundamental theorems of welfare economics:**

Victorio, Andres G. (Antong) (2004), *Applied Models in Public Policy, 2<sup>nd</sup> edition*, Chapt. 1 and 2, (Introduction) and (Economics and Pareto Efficiency), Ateneo de Manila University (Philippines) and Macklev Books International (USA). (strongly recommended).

\_\_\_\_\_ (1995), *Applied Models in Public Policy 2<sup>nd</sup> edition*, Chapt. 2 (Perfect Competition). (strongly recommended).

The Economist, (2000), "One True Model?" 8 April 2000, p. 92 (strongly recommended, article accompanying first test 2000)

\_\_\_\_\_ (2001), "Barriers Real and Imagined," 9 December 2000, p. 95 (Strongly recommended, article accompanying first test 2001)

Friedman, Milton (1980), "The Power of the Market" In-class video (optional, time-permitting)

Stiglitz, J (1988), *Economics of the Public Sector*, "The Economic Rationale for Government – Chapter 3", W W Norton (optional)

**Part II: (9 lecture weeks, 7 March to 22 May 2005) Categories of market failure and economic instruments for intervention:**

**1.) Imperfect competition:**

- Victorio, Andres G. (Antong) (2004), *Applied Models in Public Policy*, 2<sup>nd</sup> ed., Chapt. 4 – Imperfect Competition. (strongly recommended).
- Sunday Times of London, (1995), “American Tourists Get Half-Price Car Hire” 15 January 1995, p.5 (strongly recommended, in readings packet; article accompanying first test 1997)
- Australian Financial Review, (1998), “BA Launches Airfare Blitz,” 10 August 1998, p. 12 (strongly recommended, in readings packet; article accompanying first test 1998)
- The Economist, (1998), “Indiscriminate Pricing,” 1 August 1998, p. 70 (strongly recommended, in readings packet)
- \_\_\_\_\_, (2000), “Divide and Rule”, 20 May 2000, p. 104 (strongly recommended, in readings packet; article accompanying first test 2000)
- Landsburg, Steven e. (1991) *Price Theory and Applications*, “Monopoly – Chapt. 10” The Dryden Press, new York. (optional)

**2.) Market failures from externalities and public goods:**

- Victorio, Andres G. (Antong) (2004), *Applied Models in Public Policy*, 2<sup>nd</sup> ed., Chapt. 5 – Economic Externalities. (strongly recommended)
- \_\_\_\_\_, (1994) Rubbish Disposal: Council v. Evaders. *The Evening Post*, Wellington, New Zealand, 27 May 1994. (strongly recommended, in readings packet)
- The Dominion, February 16, 1995, p. 2 “More Might Die if Speed Limit Rises, MP’s Told” and “Speedcam Below Expectations” (strongly recommended, in the readings packet)
- \_\_\_\_\_, February 24, 1995, p. 17, “Move to Get Foresters to Pay for Road Damage” (strongly recommended, in readings packet)
- \_\_\_\_\_, (1997), “Ministry to Talk with School Over Threat to Close Down,” 5 Aug 1997, p. 3 (strongly recommended, in readings packet)
- The Economist,

**GENERAL UNIVERSITY POLICIES AND STATUTES**

Students should familiarise themselves with the University’s policies and statutes, particularly those regarding assessment and course of study requirements, and formal academic grievance procedures.

**STUDENT CONDUCT AND STAFF CONDUCT**

The Statute on Student Conduct together with the Policy on Staff Conduct ensure that members of the University community are able to work, learn, study and participate in the academic and social aspects of the University’s life in an atmosphere of safety and respect. The Statute on Student Conduct contains information on what conduct is prohibited and what steps can be taken if there is a complaint. For queries about complaint procedures under the Statute on Student Conduct, contact the Facilitator and Disputes Advisor. This Statute is available in the Faculty Student Administration Office or on the website at: [www.vuw.ac.nz/policy/StudentConduct](http://www.vuw.ac.nz/policy/StudentConduct).

The policy on Staff Conduct can be found on the VUW website at: [www.vuw.ac.nz/policy/StaffConduct](http://www.vuw.ac.nz/policy/StaffConduct).

**ACADEMIC GRIEVANCES**

If you have any academic problems with your course you should talk to the tutor or lecturer concerned of, if you are not satisfied with the result of that meeting, see the Head of School or the Associate Dean (Students) of your Faculty. Class representatives are available to assist you with this process. If, after trying the above channels, you are still unsatisfied, formal grievance procedures can be invoked. These are set out in the Academic Grievances Policy which is published on the VUW website: [www.vuw.ac.nz/policy/AcademicGrievances](http://www.vuw.ac.nz/policy/AcademicGrievances).

## PLAGIARISM

Victoria University defines plagiarism as the copying of ideas, organisation, wording or anything else from another source without appropriate reference or acknowledgement so that it appears to be one's own work. This includes published and unpublished work, the Internet and the work of other students and staff. Plagiarism is an example of misconduct in the Statute of Student Conduct. Students who have plagiarised are subject to a range of penalties under the Statute. See the website: [www.vuw.ac.nz/policy/StudentConduct](http://www.vuw.ac.nz/policy/StudentConduct).

## STUDENTS WITH DISABILITES

The University has a policy of reasonable accommodation of the needs of students with disabilities. The policy aims to give students with disabilities and equal opportunity with all other students to demonstrate their abilities. If you have a disability, impairment or chronic medical condition (temporary, permanent or recurring) that may impact on your ability to participate, learn and/or achieve in lectures and tutorials or in meeting the course requirements, then please contact the Course Coordinator as early in the course as possible. Alternatively you may wish to approach a Student Adviser from Disability Support Services to confidentially discuss your individual needs and the options and support that are available. Disability Support Services are located on Level 1, Robert Stout Building, or phoning 463 – 6070, email: [disability@vuw.ac.nz](mailto:disability@vuw.ac.nz). The name of your School's Disability Liaison Person can be obtained from the Administrative Assistant or the School Prospectus.

## STUDENT SUPPORT

Staff at Victoria want student's learning experiences at the University to be positive. If you academic progress is causing you concern, the following staff members will either help you directly or quickly put you in contact with someone who can.

<b>Staff</b>	<b>Faculty</b>	<b>Room number</b>
Sue Dover	Student Support Coordinator, FHSS	2 Wai-te-ata Road
Kirstin Harvey	Law	Old Gvt Building room 103
Liz Richardson	Science and Architecture and Design	Cotton Building room 150

The Student Services Group is also available to provide a variety of support and services. Find out more at [www.vuw.ac.nz/st\\_services/](http://www.vuw.ac.nz/st_services/) or email [student-services@vuw.ac.nz](mailto:student-services@vuw.ac.nz).

VUWSA employs two Education Coordinators who deal with academic problems and provide support, advice and advocacy services, as well as organising class representatives and faculty delegates. The Education Office is located on the ground floor, Student Union Building, phone 463 6983 or 463 6984, email [education@vuwsa.org.nz](mailto:education@vuwsa.org.nz)