



## SCHOOL OF GOVERNMENT & SCHOOL OF ECONOMICS AND FINANCE

### PUBL 410/ECON 410 – Public Economics (Hons) A

#### 2005 COURSE OUTLINE (Second Trimester Paper)

**Course Coordinators:** Assoc Prof Bob Stephens  
Rutherford House 825  
(04) 463 - 5449  
[Bob.Stephens@vuw.ac.nz](mailto:Bob.Stephens@vuw.ac.nz)

**Administrators:** Francine McGee  
RH 821, Rutherford House  
04 463 – 6599  
[Francine.McGee@vuw.ac.nz](mailto:Francine.McGee@vuw.ac.nz)

Suzanne Freear  
RH 327, Rutherford House  
04 463 – 5380  
[Suzanne.Freear@vuw.ac.nz](mailto:Suzanne.Freear@vuw.ac.nz)

**Lecture Timetable:** Tuesday 3.40 – 5.30  
RH G02

#### COURSE OBJECTIVES

The course is concerned with the interface between efficiency and equity, with particular emphasis given to the interactions between the tax and benefit systems. The methodological framework used is that of optimal taxation, rather than public finance or public choice. In the analysis of optimal taxation, efficiency and equity are seen as a trade-off.

The optimal structure of taxation depends upon the definition of economic efficiency, society's evaluation of vertical equity, the efficiency effects of taxation and the distribution of income. However, none of these parameters can be easily specified, and the course investigates the considerable debate in the economics literature on each parameter. The optimal structure of personal income tax, and reliance on personal income or consumption as the tax base depend on judgments concerning the value of these parameters. The optimal structure also changes if the objectives alter – for instance, having poverty relief as the only distributional objective, rather than reducing income inequality. Each of the foundations of optimal tax is considered in some detail. While optimal tax only considers the static analysis of income distribution, the dynamic analysis of income distribution and poverty must also be considered.

## COURSE CONTENT AND DATES

**Note:** details are provided with the reading list.

### *Optimal Taxation*

- |   |          |
|---|----------|
| 1. Public Finance versus Optimal Taxation | July x   |
| 2. Labour Supply Incentives               | July y   |
| 3. Equity and Distributive Justice        | July z   |
| 4. Income Inequality                      | July a   |
| 5. Measuring Inequality                   | August ? |
| 6. Optimal Tax I (Tax revision)           | August ? |

### **Mid Trimester Break**

- |   |           |
|---|-----------|
| 7. Optimal Tax II                           | August    |
| 8. Optimal Tax and Non-Welfarist Objectives | September |

### *Aspects of the Welfare State*

- |  |           |
|--|-----------|
| 9. The Tax – Benefit Interface                     | September |
| 10. Assistance to Families with Dependent Children | September |
| 11. Poverty and Social Exclusion                   | September |
| 12. Dynamics: Poverty and Income Distribution      | October   |

## TEXT AND READINGS

There is not set text. A handbook of readings will be available from the Students Note Shop at the commencement of the course. A detailed reading guide will be provided at the start of the course.

## ASSESSMENT

Each student's final grade for the course will be based on the following:

|                                  |  |
|----------------------------------|--|
| Essay 1, due Friday August 5     | 20%  |
| Essay 2, due Friday September 23 | 20%  |
| Final Exam, Oct/Nov (2 hours)    | 60% [closed book, no calculators etc required] |
| <b>Total</b>                     | <b>100%</b>                                    |

**In addition, each student will be expected to present a 15-20 minute seminar based on a course reading.** While the seminar will not be marked, it is part of the mandatory (terms) course requirements, and the quality of the presentation will help in borderline grade result determination. **The course readings forming the basis for the seminar presentation will be highlighted in the reading guide.**

### **ESSAY 1**

Discuss the factors influencing the labour supply of men and women at the intensive margin. Discuss whether the empirical results on labour supply elasticities are sufficiently robust to make policy changes on the level of benefits and benefit abatement rates as people enter work? **Note:** Particular attention should be given to the value of in-work benefits for encouraging labour supply.

**Length:** 2500 words  
**Due:** 5.00pm Friday August 5  
**Worth:** 20% of Final Grade

### **ESSAY 2**

Analyse the factors influencing the structure of optimal tax rates, including assistance to reduce income inequality. Discuss the implications for the structure of an optimal personal income tax system when:

- a) the equity objective is changed from 'reducing the degree of income inequality' to 'poverty relief', and
- b) 'leisure time' of the unemployed is given limited economic value.

**Length:** 2500 words  
**Due:** 5.00pm Friday September 23  
**Worth:** 20% of Final Grade

### **MANDATORY PAPER REQUIREMENTS (Terms)**

To fulfil the mandatory paper requirements for this paper you must:

1. Give an adequate seminar presentation.
2. Submit all assignments by the due date. Late assignments will have their mark reduced by 0.5 of a mark for each day it is overdue unless there is a very good reason why it was late. Assignments will not be accepted that are over a week late. Assignments exceeding the word limit will have 3 marks deducted.

Students who fail to satisfy the mandatory requirements for passing this paper, other than the requirement to obtain a C grade overall, will not receive a graded result, and their records will show an ungraded fail.

### **FACULTY OF COMMERCE AND ADMINISTRATION OFFICES**

Railway West Wing (RWW) – FCA Student Administration Office

The Student Administration Office is located on the ground and first floors of the Railway West Wing. The ground floor counter is the first point of contact for general enquiries and FCA forms. Student Administration Advisers are available to discuss course status and give further advice about FCA qualifications.

Easterfield (EA) – FCA/Law Kelburn Office

The Kelburn Campus Office for the Faculties of Commerce & Administration and Law is situated in the Easterfield Building – it includes the ground floor reception desk (EA005) and offices 125a to 131 (Level 1). The office, will be open from 9:00am to 5:00pm during Trimester 2, offers the following:

- Duty tutors for student contact and advice
- Information concerning administrative and academic matters
- FCA Student Administration forms (e.g. application for academic transcripts, requests for degree audit, COP requestions)
- Examinations-related information during the examination period.

Please note:

There will be a Student Administration Adviser, from the RWW office, based in EA005 from Monday 27 June to Friday 1 July (9:00am to 5:00pm) and from Monday 4 July to Friday 22 July (11:00am to 1:00pm).

## **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 Conduction 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 or, 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/AcadmicGrievances](http://www.vuw.ac.nz/policy/AcadmicGrievances).

## ACADEMIC INTEGRITY AND PLAGIARISM

Academic integrity is about honesty – put simply it means **no cheating**. All members of the University community are responsible for upholding academic integrity, which means staff and students are expected to behave honestly, fairly and with respect for others at all times.

Plagiarism is a form of cheating which undermines academic integrity. Plagiarism is **prohibited** at Victoria.

The University defines plagiarism as follows:

Plagiarism is presenting someone else's work as if it were your own, whether you mean to or not.

*'Someone else's work means anything that is not your own idea, even if it is presented in your own style. It includes material from books, journals or any other printed source, the work of other students or staff, information from the Internet, software programmes and other electronic material, designs and ideas. It also includes the organization or structuring of any such material.'*

### **Plagiarism is not worth the risk.**

Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statue on Student Conduct ([www.vuw.ac.nz/policy/StudentConduct](http://www.vuw.ac.nz/policy/StudentConduct)) and may be penalized severely. Consequences of being found guilty of plagiarism can include:

- an oral or written warning
- suspension from class or university
- cancellation of your mark for an assessment or a fail grade for the course.

Find out more about plagiarism and how to avoid it, on the University's website at:

[www.vuw.ac.nz/home/studying/plagiarism.html](http://www.vuw.ac.nz/home/studying/plagiarism.html).

## STUDENTS WITH DISABILITIES

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 students' learning experiences at the University to be positive. If your academic progress is causing you concern, please contact the relevant Course Co-ordinator, or Associate Dean who will either help you directly or put you in contact with someone who can.

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 Co-ordinators 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).

## MAORI AND PACIFIC MENTORING PROGRAMME (MANAAKI PIHIPIHINGA)

This is a free programme of mentoring for Maori and Pacific students doing first year courses within the Faculty of Commerce and Administration. Weekly one hour mentoring sessions: drafting and editing assignments/discussing any questions that you might have from tutorials or lectures and going over every aspect of essay writing, either in small group sessions or on a one-to-one basis.

This includes:

- A computer suite hooked up to cyber commons for students to use to produce their assignments
- Regular skill-based workshops with a learning adviser from Student Learning Support Services
- Networking with other Maori and Pacific support groups throughout the university.

For more information please contact:

Melissa Dunlop, Programme Coordinator

Ph: 463 6015 or Email: [Maori-Pacific-Mentoring@vuw.ac.nz](mailto:Maori-Pacific-Mentoring@vuw.ac.nz)