

School of Government

PUBL 203/ECON224 Introduction to Public Economics

Trimester One 2006

COURSE OUTLINE

Contact Details

Course Coordinator: Dr Antong Victorio, Rutherford House 807 (RH 807)
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Administrator: Francine McGee, RH 821, Phone 04 463 – 6599. Email: Francine.McGee@vuw.ac.nz

Class Times and Room Numbers

Lecture Timetable: Monday 13.40 – 14.30 LT4 – Gov't Building Lecture Theatre Four (GB LT4)
Wednesday 13.40 – 15.30 LT 4 – GB LT4

Tutor(s) and Tutorial Timetable: To be announced

Course Objectives

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 re-distributive justice.

This course is worth six credits and consists of three lecture hours per week. It represents one-sixth of a normal full-time load and students are expected to spend about five hours a week on course-related study. Attendance is strongly recommended because of the course-materials' heavy-reliance upon lecture topics. It is strongly recommended, but not required, that students also attend ONE tutorial hour each week, to be chosen from among two 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. 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.

The first terms test, consisting of 25% of the course mark, will be held in-class on Monday 27 March 2006. The second terms test also consisting of 25% of the course mark, will be held in-class on Monday 15 May 2006. 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, consisting of 50% of the course mark, is scheduled for sometime in June, will be three hours in length, and will be based upon material covered by the whole course.

Course Content and Readings

Topics and readings are listed below. 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*, 2nd 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 2006, 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, 27 February to 12 March 2005)

1.) The fundamental theorems of welfare economics:

Victorio, Andres G. (Antong) (2004), *Applied Models in Public Policy*, 2nd 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* 2nd edition, Chapt.3 (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, 13 March to 26 May 2005) Categories of market failure and economic instruments for intervention:

1.) Imperfect competition:

Victorio, Andres G. (Antong) (2004), *Applied Models in Public Policy*, 2nd 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*, 2nd 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 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, (2001), “Economics Focus: Fuelling Discontent,” 19 May 2001, p. 75 (strongly recommended, article accompanying first test 2001).
- Nicholson, Walter. (1990) *Microeconomic Theory, Fifth Edition*, “Externalities and Property Rights - Chapter 21”, The Dryden Press. (optional)
- Victorio, Andres G. (Antong) (2004), *Applied Models in Public Policy, 2nd ed.*, Chapt.6 - Public Goods. (strongly recommended).
- Landsburg, Steven E. (1991) *Price Theory and Applications*, “Common Property and Public Goods”, pp. 463-471. Dryden Press, New York. (strongly recommended, in readings packet.)

3.) Failures from imperfect information, such as in the market for insurance:

- Victorio, A. (2004) “Information Failures”, Chapter 6 in *Perspectives in Applied Economics*, draft of 2004, publisher not yet finalized. Copyrighted to the author. (strongly recommended, in readings packet).
- _____. (2002), “Non-Market Insurance and Intrafamily Transfers”, *Applied Economics Letters*, Vol. 9, No. 2, February 2002, pp. 99-102. (optional).
- ASB Bank New Zealand, (2000) “EasyLife Insurance: Information Booklet” (strongly recommended, product pamphlet accompanying second test 2001.)

4.) Other market failures - from inefficient strategic behaviour, superannuation and education:

- Victorio, A. (2004), *Applied Models in Public Policy 2nd ed.*, Chapt. 15, Game-Theoretic Models. (strongly recommended.)
- _____. (2005) “Contemporary Economic Games,” *Policy Quarterly* Vol. 1 No. 3, pp. 16-22 (strongly recommended, in readings packet).
- Rasmusen, E. (1989) *Games and Information: An Introduction to Game Theory*, “Chapt 1 - The Rules of the Game”, Basil Blackwell, New York (optional).
- Victorio, A. (1995), “Life-Cycle Savings and Market Failure,” Mimeo. (strongly recommended, in readings packet.)
- _____. (1996) “Macroeconomic Failure and the Theory of Overlapping Generations, Discussion Questions and Answers” (strongly recommended, in readings packet).

Part III: (One week, time permitting, 29 May to 4 June 2006): Problem Areas in Government Intervention (optional readings):

1.) Taxation inefficiency and the distribution of income:

- Hyman, David (1990), *Public Finance: A Contemporary Application of Theory to Policy*, “Taxation, Prices, Efficiency and the Distribution of Income – Chapt. 12,” pp. 384-425, Dryden Press (689 total pages). (optional.)

2.) Government failure and public expenditure growth:

- Cullis, John and Philip Jones (1992), *Public Finance and Public Choice*, “Public Failure and Public Expenditure Growth – Chapter 14,” pp. 370 – 395. McGraw-Hill UK (486 total pages). (optional).

3.) Intergovernmental relations:

- Boadway, Robin W. (1979), *Public Sector Economics*, “The Theory of Fiscal Federalism – Chapter 14,” pp. 405- 433. Winthrop Publishers USA (467 total pages). (optional).

4.) Other topics in public choice theory:

Borooah, Vani K. (1993), "Public Choice: An Introductory Survey," Chapter 6 in *Current Issues in Public Sector Economics*, edited by Peter M. Jackson, pp. 132-155. MacMillan Press London (305 total pages). (optional).

Assessment Requirements and Penalties

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

If a test or the final exam is missed, a provisional failing mark no higher than the numerical equivalent of an "E" will be awarded. The lecturer then decides on whether a substitute test or (final exam) will be given. Otherwise, the failing mark is retained. Official documentation must be provided if a test or the exam is missed, for example, a medical certificate indicating the nature of the illness. If a substitution 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 the tests and the final exam despite difficult circumstances.

Mandatory Course Requirements

In order for the course mark to be a pass, the weighted average mark for the two tests and the final exam must be an overall letter grade of C or better.

Communication of Additional Information

Any information concerning changes to class times or the like will be conveyed to students in class. Blackboard will not normally be used for such announcements and for course-related materials. Queries may be sent to the lecturer by email at antong.victorio@vuw.ac.nz or by leaving a phone message at the university number 463-5709.

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. To check for opening hours call the office on (04) 463 5376.

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 is available for 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 requests).
- Examinations-related information during the examination period.

Check with the Student Administration Office for opening times (04) 463 5376.

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. The policy on Staff Conduct can be found on the VUW website at: 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/AcademicGrievances.

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 Statute on Student Conduct (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.

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 an 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. 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/ or email 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.

Manaaki Pihipihinga Maori and Pacific Mentoring programme (Faculties of Humanities and Social sciences and Commerce and Administration).

- **What:** Academic Mentoring for Maori and Pacific students studying at all levels in the above faculties. Weekly sessions for an hour with a mentor to go over assignments and any questions from tutorials or lectures. Registered students can use the faculty's study rooms and computer suite at any time at Kelburn and Pipitea.
- Mature student and Post grad network

If you would like to register as a mentor or mentee please contact the coordinator.

Where:

Melissa Dunlop
Programme Coordinator
Room 109 D
14 Kelburn Parade: back courtyard
Ph: (04) 463 6015
Email: Maori-Pacific-Mentoring@vuw.ac.nz

Please Note: A mentoring room will also be running at Pipitea Campus starting January. Please contact the Programme Coordinator for details.