

School of Government & School of Economics and Finance

**PUBL 410/ECON 410**  
**PUBLIC ECONOMICS (HONS) A**

Trimester 1 2006

**COURSE OUTLINE**

**Contact Details**

Course Co-ordinator: Associate Professor Bob Stephens RH 825  
04 463 – 5449  
[Bob.Stephens@vuw.ac.nz](mailto:Bob.Stephens@vuw.ac.nz)

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

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

**Class Times and Room Numbers**

Lectures: Monday 1.40pm – 3.30pm RWW414

**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 initially used is that of optimal taxation, while public finance is required for the detailed operation of the tax system. 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.

Optimal tax does not take account of the institutional details of the operation of the tax system. One approach has been to look at optimal tax systems, adjusting the efficiency objectives for administration and compliance costs. The other approach has been to revert to the less precise Public Finance approach to taxation, where horizontal equity (or comprehensive income) is the prime objective.

## **Course Content**

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

### *Optimal Taxation*

- |   |             |
|---|-------------|
| 1. Public Finance versus Optimal Taxation   | February 27 |
| 2. Tax revision and Efficiency Costs of Tax | March 6     |
| 3. Optimal Tax I                            | March 13    |
| 4. Optimal Tax II                           | March 20    |
| 5. Optimal Tax and Non-Welfarist Objectives | March 27    |

### *Public Finance*

- |                                |         |
|--------------------------------|---------|
| 6. The Tax – Benefit Interface | April 3 |
|--------------------------------|---------|

### **Mid Trimester Break**

- |   |          |
|---|----------|
| 7. Assistance to Families with Dependent Children | April 24 |
|---|----------|

### *Parameters of Optimal Taxation*

- |   |        |
|---|--------|
| 8. Labour Supply Incentives                   | May 1  |
| 9. Equity and Distributive Justice            | May 8  |
| 10. Income Inequality                         | May 15 |
| 11. Poverty and Social Exclusion              | May 22 |
| 12. Dynamics: Poverty and Income Distribution | May 29 |

## **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 Requirements

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

|                             |  |
|-----------------------------|--|
| Essay 1, due Friday April 7 | 20%  |
| Essay 2, due Friday May 19  | 20%  |
| Final Exam, June (2 hours)  | 60% [closed book, no calculators etc required] |
| <b>Total</b>                | <b>100%</b>                                    |

**In addition, each student will be expected to make a 15-20 minute presentation based on a course reading.** While the presentation 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. These presentations will commence from Session 6.

### ESSAY 1

Discuss the factors influencing the marginal efficiency cost of (personal income) taxation, both theoretically and empirically. Analyse how the marginal efficiency cost of taxation affects the structure of optimal (personal income) tax rates. Consider the impact that views on equity and the degree of economic inequality may have on the optimal structure of personal income tax rates.

|                |                              |
|----------------|------------------------------|
| <b>Length:</b> | <b>2500 words</b>            |
| <b>Due:</b>    | <b>5.00pm Friday April 7</b> |
| <b>Worth:</b>  | <b>20% of Final Grade</b>    |

### ESSAY 2

Discuss the factors influencing the labour supply of men and women at the extensive margin, with particular attention given to the value of in-work benefits for encouraging labour supply. Briefly consider 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?

|                |                             |
|----------------|-----------------------------|
| <b>Length:</b> | <b>2500 words</b>           |
| <b>Due:</b>    | <b>5.00pm Friday May 19</b> |
| <b>Worth:</b>  | <b>20% of Final Grade</b>   |

### Mandatory Course 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. 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](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 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](http://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](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 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](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 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).

### **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](mailto: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.