

School of Government and School of Economics and Finance

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

Trimester One 2007

**COURSE OUTLINE**

---

**Contact Details**

**Course Coordinator:** Associate Professor Robert Stephens  
Rutherford House 825  
(04) 463 - 5449  
[Bob.Stephens@vuw.ac.nz](mailto:Bob.Stephens@vuw.ac.nz)

<b>Administrators:</b>	Francine McGee	Suzanne Freear
	RH 821, Rutherford House (04) 463 – 6599 <a href="mailto:Francine.McGee@vuw.ac.nz">Francine.McGee@vuw.ac.nz</a>	RH 327, Rutherford House (04) 463 – 5380 <a href="mailto:Suzanne.Freear@vuw.ac.nz">Suzanne.Freear@vuw.ac.nz</a>

**Class Times and Room Numbers**

Wednesday: 9.30 am – 11.30 am.  
Pipitea Campus: RWW 414 (Railway West Wing)

Final Examination: June 2007

**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 examined. While optimal tax only considers the static analysis of income distribution, the dynamic analysis of income distribution and poverty must also be considered in the development of economic policy on income redistribution.

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**

- Optimal Taxation*
1. Public Finance versus Optimal Taxation February 28
  2. Tax: Revision and Efficiency Costs of Tax March 7
  3. Optimal Tax I March 14
  4. Optimal Tax II March 21
  5. Optimal Tax and Non-Welfarist Objectives March 28
- Public Finance*
6. The Tax – Benefit Interface April 4
- Mid Trimester Break** **April 9 - 23**
7. **ANZAC DAY** **April 25**
  8. Assistance to Families with Dependent Children May 2

*(Dr. Patrick Nolan will take this session)*

### *Parameters of Optimal Taxation*

9. Labour Supply Incentives May 9
10. Equity and Distributive Justice May 16
11. Income Inequality May 23
12. Poverty and Poverty Dynamics May 30

## **Expected Workload**

The course is one-quarter of a normal Honours workload. Students will be expected to attend each two-hour seminar/lecture and do, on average, a further 10 hours of work per week, covering reading, seminar preparation and essay preparation and writing.

## **Group Work**

There is no group work in this course.

## **Readings**

There is no 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.

## **Materials and Equipment**

Apart from the handbook of readings, there will be no additional costs for this course. Computers and calculators will not be required for the examination, and will not be permitted in the examination room.

## **Assessment Requirements**

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

Essay 1, due Monday April 9	20%
Essay 2, due Monday May 21	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 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 may help in borderline grade result determination.

## **Penalties**

Penalties will be incurred for last submission of work, or for work submitted that is excessively long. 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 excessively exceeding the word limit will have 3 marks deducted.

## **Mandatory Course Requirements**

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 excessively 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 a fail.

## **Communication of Additional Information**

Additional information will be provided through Blackboard, e-mail to all students, or written information provided in class.

## **Faculty of Commerce and Administration Offices**

Railway West Wing (RWW) - FCA Student and Academic Services Office

The Faculty's Student and Academic Services 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 Student and Academic Services Office on (04) 463 5376.

#### Easterfield (EA) - FCA/Education/Law Kelburn Office

The Kelburn Campus Office for the Faculties of Commerce and Administration, Education 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.
- Forms for FCA Student and Academic Services (e.g. application for academic transcripts, requests for degree audit, COP requests).
- Examinations-related information during the examination period.

To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

#### **General University Policies and Statutes**

Students should familiarise themselves with the University's policies and statutes, particularly the Assessment Statute, the Personal Courses of Study Statute, the Statute on Student Conduct and any statutes relating to the particular qualifications being studied; see the Victoria University Calendar or go to [www.vuw.ac.nz/policy](http://www.vuw.ac.nz/policy).

For information on the following topics, go to the Faculty's website [www.vuw.ac.nz/fca](http://www.vuw.ac.nz/fca) under Important Information for Students:

- Academic Grievances
- Academic Integrity and Plagiarism
- Student and Staff Conduct
- Meeting the Needs of Students with Impairments
- Student Support

#### **Manaaki Pihipihinga Programme**

Manaaki Pihipihinga is an academic mentoring programme for undergraduate Māori and Pacific students in the Faculties of Commerce and Administration, and Humanities and Social Sciences. Sessions are held at the Kelburn and Pipitea Campuses in the Mentoring Rooms, 14 Kelburn Parade (back courtyard), Room 109D, and Room 210, Level 2, Railway West Wing. There is also a Pacific Support Coordinator who assists Pacific students by linking them to the services and support they need while studying at Victoria. Another feature of the programme is a support network for Postgraduate students with links to Postgraduate workshops and activities around Campus.

For further information, or to register with the programme, email [manaaki-pihipihinga-programme@vuw.ac.nz](mailto:manaaki-pihipihinga-programme@vuw.ac.nz) or phone (04) 463 5233 ext. 8977. To contact the Pacific Support Coordinator, email [pacific-support-coord@vuw.ac.nz](mailto:pacific-support-coord@vuw.ac.nz) or phone (04) 463 5842.