



School of Government and School of Economics and Finance

ECON 410 /PUBL 410
PUBLIC ECONOMICS (HONS A)

Trimester One 2009

COURSE OUTLINE

Names and Contact Details

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Trimester Dates

Monday March 2 to Friday June 5 2009

Exam Period: Friday June 12 to Saturday June 27, 2009

Class Times and Room Numbers

Lectures: Monday 9.30 - 11.20

Room: RWW 127.

Course Content

Optimal Taxation

	MONDAY
1. Public Finance versus Optimal Taxation	March 2
2. Tax: Revision and Efficiency Costs of Tax	March 9
3. Optimal Tax I	March 16
4. Optimal Tax II	March 23
5. Optimal Tax and Non-Welfarist Objectives	March 30
6. The Tax – Benefit Interface and Assistance to Families with Dependent Children	April 6

Mid Trimester Break (and Easter)

April 10 - 26

Parameters of Optimal Taxation

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|---|----------|
| 7. Labour Supply Incentives | April 27 |
| 8. Equity and Distributive Justice | May 4 |
| 9. Theories of Income Inequality | May 11 |
| 10. Poverty and Living Standards | May 18 |
| 11. Dynamics: Poverty and Income Distribution | May 25 |
| 12. NO LECTURE - QUEEN'S BIRTHDAY | June 1 |

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.

Learning Objectives:

Students passing this 400 level course in Public Economics should be able to:

1. Understand the how the approach used in optimal taxation compares to public finance as a mechanism for policy development.
2. Evaluate how the component aspects of optimal tax influence the structure of personal income tax rates.

3. Discuss the extent to which there is a trade-off between equity and efficiency in the design of tax systems.
4. Evaluate how changes in policy objectives influence the optimal tax structure.
5. Appraise how the optimal tax approach to each parameter of tax design is a realistic representation of each parameter in respect of the wider literature on each parameter.
6. Understand and evaluate the economic policy impacts arising from static and dynamic analysis of income distribution and poverty.

Assessment 1 will relate to the first three objectives listed above.

Assessment 2 will relate to a component part of objective 5 listed above.

Final exam will concentrate on all objectives, especially objectives 4 and 6, along with detailed consideration of each parameter listed in objective 5.

Student presentations are likely to cover all aspects of the objectives above, with each student concentrating upon one or two aspects depending on topic and class size.

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 will be no group work.

Readings

A set of Course Notes should be purchased from the University Bookshop. A more detailed set of readings for each lecture session will be provided at the start of the course.

Materials and Equipment

The exam will be a closed book exam.

Assessment Requirements

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

Essay 1, due Thursday April 9	20%	Length 2500 words
Essay 2, due Friday May 15	20%	Length 2500 words
Final Exam, June (2 hours)	<u>60%</u>	[closed book, no calculators etc required]
TOTAL	100%	

In addition, each student will be expected to make a 15 minute presentation, probably 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.

Essay topics will be given in the first lecture.

Students who enrol in this course should be able to attend an examination at the University at any time during the formal examination period.

Examination dates for Trimester one: Friday June 12 to Saturday June 27, 2009.

Penalties

Penalties will be incurred for late 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 at least 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.

Students who fail to satisfy the mandatory requirements of work for this paper, other than the requirement to obtain a C grade or better overall, will receive a K Grade.

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 on the ground floor (EA005). This counter is the first point of contact for :

- 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.

Use of Turnitin

Student work provided for assessment in this course may be checked for academic integrity by the electronic search engine <<http://www.turnitin.com>>. Turnitin is an on-line plagiarism prevention tool which identifies material that may have been copied from other sources including the Internet, books, journals, periodicals or the work of other students. Turnitin is

used to assist academic staff in detecting mis-referencing, misquotation, and the inclusion of unattributed material, which may be forms of cheating or plagiarism. *At the discretion of the Head of School, handwritten work may be copy-typed by the School and subject to checking by Turnitin.* You are strongly advised to check with your tutor or the course coordinator if you are uncertain about how to use and cite material from other sources. Turnitin will retain a copy of submitted materials on behalf of the University for detection of future plagiarism, but access to the full text of submissions will not be made available to any other party.

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.victoria.ac.nz/home/about/policy/students.aspx

For information on the following topics, go to the Faculty's website www.victoria.ac.nz/fca under Important Information for Students:

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

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. The University defines plagiarism as follows:

The presentation of the work of another person or other persons as if it were one's own, whether intended or not. This includes published or unpublished work, material on the Internet and the work of other students or staff.

It is still plagiarism even if you re-structure the material or present it in your own style or words.

Note: including the work of others will not be considered plagiarism as long as the work is acknowledged by appropriate referencing.

Plagiarism is prohibited at Victoria and is not worth the risk. Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct and may be penalised severely. Consequences of being found guilty of plagiarism can include:

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

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

www.victoria.ac.nz/home/studying/plagiarism.html

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 or phone (04) 463 6015. To contact the Pacific Support Coordinator, email pacific-support-coord@vuw.ac.nz or phone (04) 463 5842.