

School of Government

**PUBL 203**  
**INTRODUCTION TO PUBLIC ECONOMICS**

Trimester One 2009

**COURSE OUTLINE**

**Names and Contact Details**

Course Co-ordinator: Dr Antong Victorio  
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**Trimester Dates**

Monday 2 March to Wednesday 1 July 2009.

**Class Times and Room Numbers**

Lecture Timetable:  
Wednesday 14.40 – 16.30 Railway West Wing 413 (RWW 413)  
Friday 14.40 – 15.30 Railway West Wing 413 (RWW 413)

Tutor(s) and Tutorial Timetable: To be announced

**Withdrawal dates:** Information available via  
<http://www.victoria.ac.nz/home/admisenrol/payments/withdrawalsrefunds.aspx>

**Course Objectives and Expected Workload**

This course examines the role of government in a modern economy. Emphasis is placed upon contemporary market failures such as imperfect competition, externalities, missing information, destructive strategic behaviour and inefficient saving. Other topics may include how decisions are made in the public sector, the incentive effects of taxation and income distribution.

The course is worth 22 points 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 three 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.

## Learning Objectives

By the end of the course, students should be able to:

- a) Analyse the market-failure aspects of public policy; (Major Attribute [MA] 5)
- b) Apply economic analysis to problems that do not seem initially to be economic in nature; (MA 9)
- c) Compare altruism and social responsibility as complementary motivators to self-interest; (MA 8)
- d) Analyse property rights in the context of mutually-beneficial agreements; (MA 5)
- e) Demonstrate an ability to measure inefficiency in models of micro-economic behaviour; (MA 3)
- f) Identify some common policies governments use to correct economic inefficiencies; (MA 5)
- g) Illustrate some unintended consequences to economic policies; (MA 9)
- h) Identify some common policies governments use to correct economic inequalities; (MA 5)
- i) Describe the trade-off between making economic outcomes more efficient and making them more equitable. (MA 5)

<b>Major Attributes: PUBL majors will be able to</b>	
MA1	Judge the defining features of good policy analysis and advice and appraise how they are best produced
MA2	Demonstrate an understanding of the influence of political ideas and philosophies, and of constitutional and political institutions on public policy
MA3	Demonstrate an understanding of the contribution of quantitative and qualitative methods in policy analysis
MA4	Identify the nature and respective roles of state and civil society in the development, implementation and evaluation of public policy, and demonstrate an understanding of the distinction between government and governance
MA5	Appraise different disciplinary contributions to the development, implementation and evaluation of public policy
MA6	Judge the relevance and importance of evidence in policymaking
MA7	Apply the comparative method to policy analysis, and identify insights that might be drawn from other policy jurisdictions
MA8	Judge and articulate the relevant criteria that might be used in assessing the advantages and disadvantages of particular policy options
MA9	Analyse complex policy issues from multiple perspectives and identify opportunities for innovation
MA10	Express ideas succinctly and persuasively both in written form and orally
MA11	Construct and articulate rationales for public policy intervention
MA12	Demonstrate an understanding of the significance of ethics and accountability in the study and practice of public policy
MA13	Interpret the significance of the Treaty of Waitangi (Te Tiriti o Waitangi) in the study and practice of public policy in New Zealand

## Assessment Requirements

Course grades are determined by one in-class test which counts as 25%, one take-home essay (or test) which counts as another 25%, and a final exam which counts as 50%. If any of the required assessments is missed, a fail grade (D, E or K) will be awarded. The purpose of the assessments is to measure the attainment of the learning objectives, especially the ones for (a) to (f) set forth above.

The in-class test will be held on Wednesday, 1 April 2009. The take-home essay/test questions will be assigned in-class on Friday, 22 May and will be due for in-class submission five days later, on Wednesday, 27 May 2009. The take-home essay/test will only pertain to the material after the in-class test. 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.

Students who enrol in courses with examinations are obliged to attend an examination at the University at any time during the formal examination period, Friday 12 June to Wednesday 1 July 2009 inclusive.

## Penalties

In exceptional cases, and only when official documentation is provided (for example, a medical certificate indicating the nature of the illness), the Course Co-ordinator may allow a student to sit a substitute test or (exam), which may be harder than the regular one. This is to be fair to other students who may have undertaken greater pains to overcome undocumented circumstances. Also, in exceptional circumstances an extension may be granted for the take-home essay/test, subject to marking penalties.

## Mandatory Course Requirements

In addition to achieving a course mark of 50% or better, to pass this course students must sit the test, submit the take-home essay and sit the exam.

Students who fail to satisfy the mandatory requirements for passing this course, other than the requirement to obtain a C grade overall, will not receive a graded result, and their records will show a “K” (fail due to not satisfying mandatory course requirements, even though the student’s course requirements reached the level specified for a pass).

## 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 that copies of the textbook are available at the library.) 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 VicBooks, and at the library on three-day loan and closed reserve:

Victorio, Andres G. (Antong), 2004, *Applied Models in Public Policy*, 2<sup>nd</sup> edition, Ateneo de Manila University (Philippines) and Macklev Books International (USA). The first edition (1996) is also suitable but has slightly different examples in some chapters.

Other strongly-recommended readings are available at VicBooks, Student Book Centre, Pipitea, as a readings packet labelled “PUBL 203 – Introduction to Public Economics, Trimester One 2009, 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. Copies of it are NOT available at the library.

Readings listed below as “optional” will not be distributed. The weeks indicated are for a Monday start and a Sunday end.

### Part I: The fundamental theorems of welfare economics: (2 lecture weeks, 2 to 15 March)

Victorio, Andres G. (Antong) (2004), *Applied Models in Public Policy*, 2<sup>nd</sup> edition, Chaps. 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* 2<sup>nd</sup> edition, Chapt. 3 (Perfect Competition). (strongly recommended)

The Economist (2002), “Economics Focus: Never the Twain Shall Meet,” 2 February, p. 70 (strongly recommended, in readings packet)

\_\_\_\_\_ (2005), “Human Evolution: Homo Economicus?” 9 April, p. 65 (strongly recommended, in readings packet)

\_\_\_\_\_ (2000), “One True Model?”, 8 April, p. 92 (strongly recommended, in readings packet)

\_\_\_\_\_ (2000), “Barriers Real and Imagined,” 9 December, p. 95 (strongly recommended, in readings packet)

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: Categories of market failure and economic instruments for intervention:  
(8 lecture weeks, 16 March to 24 May)**

**1) Imperfect competition:**

Victorio, Andres G. (Antong) (2004), *Applied Models in Public Policy, 2<sup>nd</sup> edition*, Chapt. 4 – Imperfect Competition. (strongly recommended)  
The Dominion Post (2006), "Home Fees to Fall as MP's Axe Monopoly," 15 March, p. A5 (strongly recommended, in readings packet)  
Sunday Times of London (1995), "American Tourists Get Half-Price Car Hire," 15 January, p. 5 (strongly recommended, in readings packet)  
The Economist (1998), "Indiscriminate Pricing," 1 August, p. 70 (strongly recommended, in readings packet)  
\_\_\_\_\_ (2000), "Divide and Rule", 20 May, p. 104. (strongly recommended, in readings packet)  
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, 2<sup>nd</sup> edition*, Chapt. 5 – Economic Externalities. (strongly recommended)  
\_\_\_\_\_ (1994), Rubbish Disposal: Council v. Evaders. *The Evening Post*, Wellington, 27 May. (strongly recommended, in readings packet)  
The Dominion (1995), February 16, p. 2, "More Might Die if Speed Limit Rises, MP's Told" and "Speedcam Below Expectations". (strongly recommended, in readings packet)  
\_\_\_\_\_ (1995), February 24, p. 17, "Move to Get Foresters to Pay for Road Damage". (strongly recommended, in readings packet)  
The Economist (2001), "Economics Focus: Fuelling Discontent," 19 May, p. 75. (strongly recommended, in readings packet)  
\_\_\_\_\_ (2001), "Do Guns Mean Crime?" 13 January, p. 80 (strongly recommended, in readings packet)  
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, 2<sup>nd</sup> edition*, 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)  
The Economist (2000), "The Problems Stack Up," 9 December, p. 67. (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, copyrighted to the author. (strongly recommended, in readings packet)  
\_\_\_\_\_ (2002), "Non-Market Insurance and Intrafamily Transfers", *Applied Economics Letters*, Vol. 9, No. 2, February, pp. 99 – 102. (optional)  
The Economist (1995), "An Insurer's Worst Nightmare," 29 July, p. 66. (strongly recommended, in readings packet)  
ASB Bank New Zealand (2000), "EasyLife Insurance: Information Booklet" (strongly recommended, in readings packet)

**4) Other market failures – from inefficient strategic behaviour, superannuation and education:**

Victorio, A. (2004), *Applied Models in Public Policy 2<sup>nd</sup> edition*, 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)  
\_\_\_\_\_ (2003), "U.S. Life-Cycle Savings and Social Security," copyright to the author, previously published in the *Journal of Business and Governance*, June 2003. (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)

### **Part III: Problem Areas in Government Intervention (two weeks, time-permitting, 25 May to 7 June):**

#### **1) Taxation inefficiency and the distribution of income:**

Hyman, David (1996), *Public Finance: A Contemporary Application of Theory to Policy 5<sup>th</sup> edition*, “Taxation, Prices, Efficiency and the Distribution of Income – Chapt. 11”, pp. 363 – 393, Dryden Press.

#### **2) Political decision-making:**

Hyman, David (1996), *Public Finance: A Contemporary Application of Theory to Policy 5<sup>th</sup> edition*, “Public Choice and the Political Process – Chapt. 5,” pp. 150 – 185, Dryden Press.

### **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 Course Co-ordinator by email at [antong.victorio@vuw.ac.nz](mailto:antong.victorio@vuw.ac.nz) or by leaving a phone message on 463 5709.

### **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 misreferencing, 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](http://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](http://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](http://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](mailto:manaaki-pihipihinga-programme@vuw.ac.nz) or phone (04) 463 6015. To contact the Pacific Support Coordinator, email [pacific-support-coord@vuw.ac.nz](mailto:pacific-support-coord@vuw.ac.nz)