

**School of Government**

**MAPP 522 / MMPM 503**  
**ECONOMICS AND PUBLIC POLICY / ECONOMIC**  
**POLICY CHALLENGES FOR PUBLIC MANAGERS**  
(15 Points)

**Trimester 2 / 2009**

**COURSE OUTLINE**

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**Names and Contact Details**

**Course Coordinator:**

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**Office Hours:**

8.30am to 5.00pm, Monday to Friday

## Trimester Dates

**Trimester Dates:** Monday 13 July to Saturday 14 November 2009

**Teaching Period:** Monday 6 July to Saturday 24 October 2009

## Class Times and Room Numbers

<b>Module One:</b>	Thursday 9 July 2009	8.30am – 6.00pm
<b>Module Two:</b>	Thursday 3 September 2009	8.30am – 6.00pm
<b>Module Three:</b>	Thursday 22 October 2009	8.30am – 6.00pm

**Locations:** Classes will be held on the Pipitea Campus of Victoria University in Wellington and you will be advised of your classroom one week prior to each module by email.

## Withdrawal Dates

Students giving notice of withdrawal from this course after **Monday 20 July 2009** will NOT receive a refund of fees.

Students giving notice of withdrawal from this course after **Monday 12 October 2009** are regarded as having failed the course, unless the Associate Dean subsequently gives approval to withdraw.

Notice of withdrawal must be in writing / emailed to the Masters Administrator. Ceasing to attend or verbally advising a member of staff will NOT be accepted as a notice of withdrawal.

*Economists don't know very much about the economy; other people, including politicians who make economic policy, know even less*

Herbert Stein

## Course Learning Objectives

This course brings to bear the fundamental tools of economics on complex or “wicked” policy issues. It aims to apply economic frameworks to scope the issues and develop policy options. In many instances, a purely economic approach may not necessarily encompass all the relevant dimensions of a comprehensive policy analysis. Hence the course will recognise the role of other frameworks which can complement the use of economic paradigms to support the development of policy options that encompass economic, social, environmental and cultural outcomes.

By the end of the course, participants will:

1. Develop an enhanced understanding of fundamental elements of economics and their application to policy issues;
2. Gain insights into other frameworks that can complement an economic approach to complex policy issues; and
3. Demonstrate skills in economic reasoning and communication as applied to complex policy issues.

## **Course Content**

The course is designed for those involved in the development of public policy. It has three overarching themes:

- a strong foundation of economic principles that underpin much of public policy;
- an appreciation of other paradigms that can complement economic frameworks; and
- an emphasis on bringing both sets of frameworks to bear on contemporary but challenging areas of public policy through a series of selected case studies.

The case studies form a central part of the course. They provide an opportunity for reading and analysis of important but difficult areas of policy. More importantly, while economic principles will underpin the analysis of these problems, they will almost inevitably require the use of other frameworks to enrich understanding and provide a broader perspective for the development of policy approaches. Finally, the case studies will provide students with an opportunity to further hone their communication skills through class workshops and discussions. In three instances, the case studies will be led by experts in the respective fields.

## **Course Structure: An Overview**

Session	Day 1 Thursday 9 July 2009	Day 2 Thursday 3 September 2009	Day 3 Thursday 22 October 2009
	Dr Veronica Jacobsen	Dr Grant Scobie	Dr Grant Scobie
8.30am-10.30am	<b>Economic Principles and their Application to Policy Issues</b>  <b>1.1 How the Market Works</b>	<b>2.1 Widening the Net</b> ➤ Behavioural Economics ➤ Institutional Economics ➤ Rights Based Models ➤ Social Capital	<b>3.1 Case Study</b> ➤ Housing Affordability  Led by Dr Andrew Coleman
10.30am-10.45am	<i>Morning Tea</i>		
10.45am-12.45pm	<b>1.2 When the Market Fails</b>	<b>2.2 Case Study:</b> ➤ Savings and Retirement	<b>3.2 Case Study</b> ➤ Globalisation

12.45pm-1.45pm	<i>Lunch</i>		
1.45pm-3.45pm	<b>1.3 When Government Fails</b>	<b>2.3 Case Study</b> ➤ Education	<b>3.3 Case Study</b> ➤ Financial Crisis
3.45pm-4.00pm	<i>Afternoon Tea</i>		
4.00pm-6.00pm	<b>1.4 Case Study</b> ➤ Criminal Justice	<b>2.4 Case Study</b> ➤ Obesity: A Public Health Issue? Led by Dr Bronwyn Croxson	<b>3.4. Case Study</b> ➤ NZ's Economic Growth

## **Course Delivery**

This course is delivered in a modular format, which includes a minimum of 24 hours contact. The 24 hours are broken up into three separate days of eight hours each (a 'module'). There are three modules in the course with approximately five to six weeks between each module. Attendance is required at all three modular teaching days (8.30am – 6.00pm).

## **Expected Workload**

The learning objectives set for each course are demanding and, to achieve them, candidates must make a significant commitment in time and effort to reading, studying, thinking, and completion of assessment items outside of contact time. Courses vary in design but all require preparation and learning before the first module. Regular learning is necessary between modules (students who leave everything to the last moment rarely achieve at a high level). Expressed in input terms, the time commitment required usually translates to 65-95 hours (excluding class contact time) per course.

## **Group Work**

Students will engage in group discussion and work during the course; however assessments in the course will be based on individual assignments.

## **Course Materials**

### **Textbooks**

The following book is required for the course. It comprises of short chapters on a wide range of public policy issues. It is, however, focussed on economic issues; so as to gain an appreciation of other approaches you will need to rely on the readings and your own research.

Miller, Roger LeRoy, Daniel K Benjamin and Douglass C North (2007) *The Economics of Public Issues*. 15<sup>th</sup> ed. (Addison Wesley).

### **Other books that you could find useful**

The first is an excellent economics text that is true to its title and provides examples of an economic approach to problems.

Heyne, Paul, Peter J. Boettke and David L. Prychitko (2005) *The Economic Way of Thinking*. 11<sup>th</sup> ed. (Prentice Hall).

The next book is also a really good economics text. It combines the basics of microeconomics with a whole raft of examples in which the author applies the framework to policy issues - pollution, voting, plea bargaining, religious broadcasting....

Friedman, David D. (1990) *Price Theory: An Intermediate Text*. (South-Western).

But wait ... there is more ... the book is online:

[http://www.daviddfriedman.com/Academic/Price\\_Theory/PThy\\_ToC.html](http://www.daviddfriedman.com/Academic/Price_Theory/PThy_ToC.html)

And for some lighter reading, any of the following will stimulate your thinking about policy issues and are entertaining reading at the same time - great for the bed-side table:

Levitt, Steven D. and Stephen J. Dubner (2006) *Freakonomics: A Rogue Economist Explores the Hidden Side of Everything*. (William Morrow)

Harford, Tim (2006) *The Undercover Economist: Exposing why the rich are rich, the poor are poor and why you can never buy a decent used car*. (New York: Oxford University Press).

Ormerod, Paul (2007) *Why Everything Fail: Evolution, Extinction and Economics* (Wiley).

Hamermesh, Daniel S. (2004) *Economics is Everywhere*. (New York: McGraw Hill).

Coyne, Diane (2002) *Sex, Drugs and Economics: An Unconventional View* (New York: Texere).

### **Useful Websites**

- New Palgrave Dictionary of Economics  
<http://www.dictionaryofeconomics.com/dictionary>
- Australian Policy Online (APO): <http://www.apo.org.au/> This is an excellent source for current (Australian) policy reports.
- National Center for Policy Analysis: <http://www.ncpa.org/>, a similar site for the USA.
- For a wide range of papers in economics see: <http://ideas.repec.org/>
- Mercatus Center, George Mason University: <http://www.mercatus.org/> for a range of material under the Economics and Public Policy tab.
- Martin Wolf: Associate Editor and Chief Economics Correspondent for the *Financial Times* : <http://blogs.ft.com/wolfforum/>
- The blogosphere is full of the musings of good economists on public policy issues: among my favourites are:
  - <http://www.marginalrevolution.com/>
  - <http://delong.typepad.com/>
  - <http://krugman.blogs.nytimes.com/>
  - <http://freakonomics.blogs.nytimes.com/>
  - <http://gregmankiw.blogspot.com/>
  - <http://www.economicthinking.org/>

- <http://offsettingbehaviour.blogspot.com/>
- <http://www.adamsmith.org/blog/>
- Centre for Economics Policy Research (ANU): <http://cepr.anu.edu.au/discussionpapers.htm>
- Centre for Independent Studies: <http://www.cis.org.au/>
- The Australia Institute: <https://www.tai.org.au/>
- Institute for Public Policy Research (UK): <http://www.ippr.org.uk/>
- Policy Studies Institute (UK): <http://www.psi.org.uk/>
- International Policy Network: <http://www.policynetwork.net/main/index.php>

### **Readings**

Participants in this course are supplied with a set of readings, which may be supplemented by further materials distributed throughout the course. Priority should be given to the required readings, but time spent in the supplementary readings will enhance your learning outcomes from the course.

### **Introduction to the Course**

Many of the problems we will address in the course are sometimes referred to as *wicked problems*. The following readings that you should do *prior to the start of the course* are intended to give you an appreciation of wicked problems in the context of public policy making.

#### **Required Reading**

Batie, Sandra S. (2008) "Wicked Problems and Applied Economics"

<http://www.allbusiness.com/environment-natural-resources/natural-resources-management/11710337-1.html>

Australian Public Service Commission (2007) "Tackling Wicked Problems: A Public Policy Perspective." Canberra. <http://www.apsc.gov.au/publications07/wickedproblems.htm>

Conklin, E. Jeffrey (2005) "Wicked Problems and Social Complexity." *Dialogue Mapping: Building Shared Understanding of Wicked Problems*, (New Jersey: Wiley): Chapter 1. [http://www.cognexus.org/id26.htm#wicked\\_problems\\_and\\_fragmentation](http://www.cognexus.org/id26.htm#wicked_problems_and_fragmentation)

#### **Supplementary Reading**

Roberts, Nancy (2000) "Wicked Problems and Network Approaches to Resolution." *International Public Management Review* 1(1):1-19.

<http://www.idt.unisg.ch/org/idt/ipmr.nsf/>

New Zealand Business Roundtable (2007) "Public Policy: An Introduction." New Zealand Business Roundtable, Wellington.

<http://www.nzbr.org.nz/topic.asp?Topic=PublicSectorLocalGovtPolicy>

## **Module 1: Economic Principles and their Application to Policy Issues**

### **1.1 How the Market Works**

#### Required Reading

Lazear, Edward P. (2000) "Economic Imperialism."

<http://www.nber.org/papers/w7300.pdf>

Varian, Hal (1989) "What use is Economic Theory?"

<http://www.ischool.berkeley.edu/%7Ehal/Papers/theory.pdf>

Varuhas, Jason, Lindy Fursman and Veronica Jacobsen (2003) "Work and Family Balance: An Economic View." Working Paper 03/26, New Zealand Treasury, Wellington.

<http://www.treasury.govt.nz/publications/research-policy/wp/2003/03-26/>

#### Supplementary Reading

Reed, W. Robert and Max Schanzbach (1996) *Prices and Information: A Simple Framework for Understanding Economics*.

<http://www.ou.edu/class/econ3003/area1b.htm>

Friedman, David D (1990) *Price Theory: An Intermediate Text*. South-Western: Chapters 1-2.

[http://www.daviddfriedman.com/Academic/Price\\_Theory/PThy\\_Chapter\\_1/PThy\\_CH\\_AP\\_1.html](http://www.daviddfriedman.com/Academic/Price_Theory/PThy_Chapter_1/PThy_CH_AP_1.html)

[http://www.daviddfriedman.com/Academic/Price\\_Theory/PThy\\_Chapter\\_2/PThy\\_CH\\_AP\\_2.html](http://www.daviddfriedman.com/Academic/Price_Theory/PThy_Chapter_2/PThy_CH_AP_2.html)

Batie, Sandra (2008) "Wicked problems and applied economics."

<http://www.allbusiness.com/environment-natural-resources/natural-resources-management/11710337-1.html>

#### Key Questions

1. What are the advantages and disadvantages of economic analysis in addressing wicked policy problems?
2. What are the functions of price mechanism in a free market economy?
3. Should there be a market for human organs?

### **1.2 When the Market Fails**

#### Required Reading

Caplan, Bryan (2008) "Externalities." *The Concise Encyclopaedia of Economics*.

<http://www.econlib.org/library/Enc/Externalities.html>

Cowen, Tyler (2008) "Public Goods." *The Concise Encyclopaedia of Economics*.

<http://www.econlib.org/library/Enc/PublicGoods.html>

Crampton, Eric (2007) "Market Failure" *Encyclopaedia of Law and Society*.

[http://www.econ.canterbury.ac.nz/personal\\_pages/eric\\_crampton/MktFailure.pdf](http://www.econ.canterbury.ac.nz/personal_pages/eric_crampton/MktFailure.pdf)

#### Supplementary Reading

Feldman, Allan M. (2008) "Welfare economics." *The New Palgrave Dictionary of Economics Online*. [http://www.dictionaryofeconomics.com/article?id=pde2008\\_W000050](http://www.dictionaryofeconomics.com/article?id=pde2008_W000050)

NZIER (2004) "Sustainable infrastructure: A policy framework" Report to the Ministry of Economic Development, May, New Zealand Institute of Economic Research, Wellington: Chapter 3. <http://www.med.govt.nz/upload/18061/nzier.pdf>

Reed, Lawrence W. (1980) "Witch-hunting For Robber Barons: The Standard Oil Story" *Ideas on Liberty* (March).  
<http://www.dadyer.com/Economic%20Readings/witchhunting%20for%20robber%20barons.htm>

#### Key Questions

1. Does market failure justify redistribution?
2. Is there market failure in global warming, and if so, what is it?
3. Is there market failure in education?

### **1.3 When Government Fails**

#### Required Reading

Hausman, Daniel M (2008) "Market Failure, Government Failure, and the Hard Problems of Co-operation." *Ethics and Economics* 6(1):1-5.  
<http://ethique-economique.net/IMG/pdf/HAUSMAN.pdf>

Myddelton, D. R. (2001) "They Meant Well: Government Project Disasters." Hobart Paper No. 160, Institute of Economic Affairs, London: Chapter 10.  
<http://ssrn.com/abstract=1021302>

Shughart II, William F (2008) "Public Choice." *The Concise Encyclopaedia of Economics*.  
<http://www.econlib.org/library/Enc/PublicChoice.html>

#### Supplementary Reading

Ambler, Tim (2009) "The Financial Crisis: Is Regulation Cure or Cause?" ASI Briefing Paper, Adam Smith Institute, London.  
<http://www.adamsmith.org/images/pdf/financial-crisis.pdf>

Eiras, Ana Isabel (2003) "Ethics, Corruption, and Economic Freedom." Heritage Lecture No. 813, Heritage Institute, Washington.  
<http://www.heritage.org/research/tradeandeconomicfreedom/hl813.cfm>

Horwitz, Steven (2008) "An Open Letter to my Friends on the Left" Department of Economics, St. Lawrence University.  
[http://myslu.stlawu.edu/~shorwitz/open\\_letter.htm](http://myslu.stlawu.edu/~shorwitz/open_letter.htm)

Viscusi, W. Kip (2006) "Regulation of Health, Safety, and Environmental Risks." Harvard Law and Economics Discussion Paper No. 544, Harvard Law School, Cambridge MA.  
[http://www.law.harvard.edu/programs/olin\\_center/papers/pdf/Viscusi\\_544.pdf](http://www.law.harvard.edu/programs/olin_center/papers/pdf/Viscusi_544.pdf)

#### Key Questions

1. What is the impact of banning the sale of human organs?
2. What instruments can be used to improve the quality of regulation?
3. How can corruption in government be addressed?



## **1.4 Case Study: Criminal Justice**

### Required Reading

Friedman, David D. (2002) "Crime." *The Concise Encyclopaedia of Economics*.

<http://www.econlib.org/LIBRARY/Enc/Crime.html>

Weatherburn, Don (2001) "What Causes Crime" Crime and Justice Bulletin No 51, NSW Bureau of Crime Statistics and Research, Canberra.

[http://www.cso.nsw.gov.au/lawlink/bocsar/ll\\_bocsar.nsf/vwFiles/CJB54.pdf/\\$file/CJB54.pdf](http://www.cso.nsw.gov.au/lawlink/bocsar/ll_bocsar.nsf/vwFiles/CJB54.pdf/$file/CJB54.pdf)

Levitt, Steven D (2004) "Understanding Why Crime Fell in the 1990s: Four Factors that Explain the Decline and Six that Do Not."

<http://pricetheory.uchicago.edu/levitt/papers.html>

### Supplementary Reading

Aos, Steve, Miller, Marne and Elizabeth Drake (2006) "Evidence-Based Public Policy Options to Reduce Future Prison Construction, Criminal Justice Costs, and Crime Rates." Washington State Institute for Public Policy, Olympia.

<http://www.wsipp.wa.gov/rptfiles/06-10-1201.pdf>

Austin, James, Todd Clear, Troy Duster, David F. Greenberg, John Irwin, Candace McCoy, Alan Mobley, Barbara Owen, Joshua Page (2007) "Unlocking America: Why and How To Reduce America's Prison Population." JFA Institute.

<http://www.jfa-associates.com/publications/srs/UnlockingAmerica.pdf>

Ormerod, Paul (2005) "Crime: Economic incentives and social networks." Institute of Economic Affairs, London. <http://www.iea.org.uk/files/upld-publication277pdf?.pdf>

### Key questions

1. What are the limitations of the economic approach to crime?
2. What is the impact of imprisonment on crime?
3. What is the most effective way of reducing crime?

## **Module 2**

### **2.1 Widening the Net: A Synopsis of Complementary Frameworks**

*(Note: There are rather more readings in this section as it covers a wide range of complementary approaches to public policy issues)*

#### Required Reading

Jacobsen, Veronica, Lindy Fursman, John Bryant, Megan Claridge and Benedikte Jensen (2004) Theories of the Family and Policy. Working Paper 04/02, New Zealand Treasury, Wellington

<http://www.treasury.govt.nz/publications/research-policy/wp/2004/04-02/>

Dixit, Avinash K. (1996) *The Making of Economic Policy: A Transaction-Cost Politics Perspective*. (Cambridge MA: MIT Press): Chapter 1.

Thaler, Richard H. and Sendhil Mullainathan. "How Behavioral Economics Differs from Traditional Economics." *Concise Encyclopaedia of Economics*.

<http://www.econlib.org/library/Enc/BehavioralEconomics.html>

Bernheim, B. Douglas and Antonio Rangel (2008) "Behavioral public economics." *New Palgrave Dictionary of Economics Online*

[http://www.dictionaryofeconomics.com/article?id=pde2008\\_B000331](http://www.dictionaryofeconomics.com/article?id=pde2008_B000331)

Alston, L. J. (2008) "New Institutional Economics." *The New Palgrave Dictionary of Economics Online*.

[http://www.dictionaryofeconomics.com/article?id=pde2008\\_N000170](http://www.dictionaryofeconomics.com/article?id=pde2008_N000170)

Wilkinson, B. (2001) "Why Reform is so Difficult – Public Choice Theory." in *Constraining Government Regulation*. (Wellington: New Zealand Business Roundtable): Chapter 5.

[http://www.nzbr.org.nz/documents/publications/publications-2001/constraining\\_govt.pdf](http://www.nzbr.org.nz/documents/publications/publications-2001/constraining_govt.pdf)

#### Supplementary Reading

de Soto, Hernando (2001) "The Hidden Architecture of Capital." Institute for Liberty and Democracy, Lima. <http://ild.org.pe/en/articles/hidden>

Sauvage, P. (1996) *Reconciling Economy and Society: Towards a Plural Economy*. (Paris: OECD): Summary.

Tullock, Gordon (2008) "Public Choice." *The New Palgrave Dictionary of Economics Online*. [http://www.dictionaryofeconomics.com/article?id=pde2008\\_P000240](http://www.dictionaryofeconomics.com/article?id=pde2008_P000240)

Thaler, Richard H. and Cass R. Sunstein (2008) "Economic policy for humans." *Boston Globe* April 17.

[http://www.boston.com/bostonglobe/editorial\\_opinion/oped/articles/2008/04/17/economic\\_policy\\_for\\_humans/](http://www.boston.com/bostonglobe/editorial_opinion/oped/articles/2008/04/17/economic_policy_for_humans/)

Caplan, Bryan (2008) "Economic Policy for Humans? What Thaler and Sunstein Miss."

[http://econlog.econlib.org/archives/2008/04/economic\\_policy\\_3.html](http://econlog.econlib.org/archives/2008/04/economic_policy_3.html)

Shughart II, William F. "Public Choice." *Concise Encyclopaedia of Economics*

<http://www.econlib.org/library/Enc/PublicChoice.html>

#### Key Questions

1. What is meant by the "new institutional economics"? Why does it matter? How does that differ from neo-classical economics?
2. What is the essence of behavioral economics? What does it add to a neo-classical view?
3. How does public choice theory help us in understanding the development of public policy?

## **2.2 Case Study: Savings and Retirement**

### Required Reading

Chung, Woojen, Richard Disney, Carl Emmerson and Matthew Wakefield (2008) "Public policy and retirement saving incentives in the UK."

[http://www.nottingham.ac.uk/economics/staff/details/richard\\_disney.html](http://www.nottingham.ac.uk/economics/staff/details/richard_disney.html)

Barr, Nicholas and Peter Diamond (2008) "Reforming pensions." CRR WP 2008-26, Center for Retirement Research at Boston College, December.

[http://crr.bc.edu/working\\_papers/reforming\\_pensions.html](http://crr.bc.edu/working_papers/reforming_pensions.html)

Bernheim, B.D. and A. Rangel (2005) "Behavioral Public Economics: Welfare and Policy Analysis with Non-Standard Decision-Makers." NBER Working Paper No. 11518, National Bureau of Economic Research, Cambridge MA.

<http://www.nber.org/papers/w11518>

### Supplementary Reading

Gibson, John and Trinh Le (2008) "How Much New Saving Will KiwiSaver Produce?" Working Paper 08/03, Department of Economics, University of Waikato.

<http://ideas.repec.org/p/wai/econwp/08-03.html>

Scobie, Grant M., John Gibson and Trinh Le (2004) "Saving for Retirement: New Evidence for New Zealand." Working Paper 04/12, New Zealand Treasury, Wellington.

<http://www.treasury.govt.nz/publications/research-policy/wp/2004/04-12>

Scobie, Grant M., Trinh Le and John Gibson (2007) "Housing in the Household Portfolio and Implications for Retirement Saving: Some Initial Finding from SOFIE." Working Paper 07/04, New Zealand Treasury, Wellington.

<http://www.treasury.govt.nz/publications/research-policy/wp/2007/07-04/>

For a recent (2008) set of papers on retirement income issues in New Zealand, see: *Retirement income policies in New Zealand: looking back and looking forward*. All background materials, papers, and speaker details are available at <http://www.symposium.ac.nz/>

### Key Questions

1. Left to make their own decisions would most people inevitably under-invest in retirement savings?
2. Should New Zealand make retirement saving compulsory?
3. Will KiwiSaver increase net retirement wealth?

## **2.3 Case Study: Education**

### Required Reading

Hattie, J. (2005) "The paradox of reducing class size and improved learning outcomes." *International Journal of Educational Research*. 43:387-425.

<http://dx.doi.org/10.1016/j.ijer.2006.07.002>

Maani, S.A. (1996) "Private and Social Rates of Return to Secondary and Higher Education in New Zealand: Evidence from the 1991 Census." *Australian Economic Review* 29 (1): 82-100.

Hoxby, Caroline M. (2002) "School Choice and School Productivity (or Could School Choice be a Tide that Lifts All Boats?)" NBER Working Paper No. 8873, National Bureau of Economic Research, Cambridge MA. <http://www.nber.org/papers/w8873>

### Supplementary Reading

Alchian, Armen A. (1968) "The Economic and Social Impact of Free Tuition". *New Individualist Review* 5(1): 42-52. Reprinted in Alchian, Armen A. (1977) *Economic Forces at Work* (Indianapolis: Liberty Fund): 203-226

Harrison, Mark (2004) "Education Matters: Government, Markets and New Zealand Schools." Education Forum, Wellington.

<http://www.educationforum.org.nz/library/publications.asp?DocType=publication>

Todd, J. (1994). "Funding growth in tertiary education and training: Report of the Ministerial Consultative Group." Wellington, Government Printer.

### Key Questions

1. Why should the government own public schools?
2. Would reducing class size improve educational outcomes?
3. Should university education be provided without fees to students?

## **2.4 Case Study: Obesity: A Public Health Issue?**

### Required Reading

- Sunstein, Cass R and Thaler, Richard H. (2003) “Libertarian Paternalism is not an Oxymoron.” University of Chicago Law Review 70 (4) 1159 – 1202.  
<http://faculty.chicagobooth.edu/richard.thaler/research/LibpatLaw.pdf>
- Sacks, G, Swinburn, BA and Lawrence, MA. “A systematic policy approach to changing the food system and physical activity environments to prevent obesity”, Australia and New Zealand Health Policy, 5 (13) doi: 10.1186/1743-8462-5-13  
<http://www.anzhealthpolicy.com/content/5/1/13>
- Kuchler, F and Golan, E. (2004) “Is there a role for government in reducing the prevalence of overweight and obesity?” Choices Fall: 41-45.  
<http://www.choicesmagazine.org/2004-3/obesity/index.htm>

### Supplementary Reading

- Philipson, T and Posner, R. (2008) “Is the obesity epidemic a public health problem? A decade of research on the economics of obesity.” NBER Working Paper No. 14010, National Bureau of Economic Research, Cambridge MA.  
[www.nber.org/papers/w14010](http://www.nber.org/papers/w14010)
- Mello, MM, Studdert, DM and Brennan, TA. (2009) “Obesity – The New Frontier of Public Health Law.” The New England Journal of Medicine 354 (24):2601-261.  
<http://nejm.highwire.org/cgi/content/extract/354/24/2601>
- Ministry of Health (2008) “A Portrait of Health. Key results of the 2006/07 New Zealand Health Survey.” Chapter 2.  
<http://www.moh.govt.nz/moh.nsf/indexmh/portrait-of-health?Open>
- or any material on the relevant Ministry of Health webpage:  
<http://www.moh.govt.nz/moh.nsf/indexmh/obesity-publications>

### Key Questions

1. What are the determinants of obesity?
2. Does government have a role (or responsibility) to intervene in mitigating the ‘obesity epidemic’?
3. What are the similarities and differences between obesity and other health issues?
4. What levers are available to government when intervening to mitigate obesity – and what is likely to be effective (and cost-effective)? What are the political risks of intervention?

## **Module 3**

### **3.1 Case Study: Housing Affordability**

#### Required Reading

- Quigley, J.M. and Raphael, S. (2006) “Is housing unaffordable? Why isn’t it more affordable?” Berkeley Program on Housing and Urban Policy, Working Paper Series No. 1047, University of California, Berkeley.  
<http://ideas.repec.org/p/cdl/bphupl/1047.html>
- Rohe, W.M., Van Zandt, S and McCarthy, GM. (2001). “The social benefits and costs of homeownership: a critical assessment of the research.” Joint Center for Housing studies at Harvard University, LIHO-01.12, Cambridge, MA.  
<http://www.jchs.harvard.edu/publications/homeownership/index.html>
- Coleman, A., and Scobie, G. (2008) “A simple model of housing rental and ownership with policy simulations.” Mimeo, New Zealand Treasury, Wellington.

Quigley, J.M and Rosenthal, J. (2005) The effects of land use regulation on the price of housing: what do we know? What can we learn? Berkeley Program on Housing and Urban Policy, Working Paper Series No. 1052, University of California, Berkeley.  
<http://ideas.repec.org/p/cdl/bphupl/1052.html>

#### Supplementary Reading

Coleman, A. (2008) A note on the measurement of saving and housing affordability. Mimeo, Motu Economic and Public Policy Research, Wellington.

Department of Prime Minister and Cabinet. (2008) Final Report of the House Prices Unit: House price Increases and Housing in New Zealand (Wellington: Department of Prime Minister and Cabinet, March)

<https://www.dPMC.govt.nz/dPMC/publications/hpr-report/index.html>

Statistics New Zealand Statistics on Housing Affordability

[www.stats.govt.nz/analytical-reports/housing-affordability-report/default.htm](http://www.stats.govt.nz/analytical-reports/housing-affordability-report/default.htm)

Wilkinson, D. 1999. "Poor Housing and Ill Health: A Summary of the Research Evidence." (Edinburgh: The Scottish Office)

<http://www.scotland.gov.uk/Publications/1999/05/2763/File-1>

#### Key Questions

1. Why should governments care about housing affordability?
2. What are key differences between housing markets and the markets for other goods (e.g. food or cars)?
3. How can one measure housing costs and housing affordability?
4. If Governments wish to ensure that people have inexpensive housing, what policies are available, and which policies are likely to be most effective?
5. In what circumstances are changes in land use regulation likely to improve housing affordability?

### **3.2 Case Study: Globalisation**

#### Required Reading

Easterly, W. (2008) "Globalization." *The New Palgrave Dictionary of Economics Online*.

[http://www.dictionaryofeconomics.com/article?id=pde2008\\_G000178](http://www.dictionaryofeconomics.com/article?id=pde2008_G000178)

Rodrick, Dani (2007) "How to Save Globalization from its Cheerleaders". Department of Economics, Harvard University.

<http://ksghome.harvard.edu/~drodrik/papers.html>

The Treasury (2009) "International Connections and Productivity: Making Globalisation Work for New Zealand." Productivity Paper 9/01, Wellington.

<http://www.treasury.govt.nz/publications/research-policy/tp/09-01>

#### Supplementary Reading

Deardorff, Alan V. (2002) "What Might Globalization's Critics Believe?" Discussion Paper No. 492. Gerald R. Ford School of Public Policy, The University of Michigan, Ann Arbor MI. <http://ideas.repec.org/p/mie/wpaper/492.html>

Bastiat, Frederic (1996) "A Petition" and "Differential Tariffs" in *Economic Sophisms* (New York: The Foundation for Economic Education): 56-62).

Bhagwati, J. "Protectionism." *Concise Encyclopaedia of Economics*.

<http://www.econlib.org/library/Enc/Protectionism.html>

### Key Questions

1. Globalisation has contributed to economic growth?
2. Globalisation has increased inequality within and between countries?
3. Globalisation has undermined the role of the nation state?
4. What public policies might New Zealand pursue in the face of increased globalisation?

### **3.3 Case Study: Financial Crisis**

*(Note: This is a fast moving area and by October 2009 there will undoubtedly be more up to date articles to look out for)*

#### Required Reading

- Bedford, Paul (2008) "The global financial crisis and its transmission to New Zealand – an external balance sheet analysis" Reserve Bank of New Zealand: Bulletin 71(4):18-28.  
[http://www.rbnz.govt.nz/research/bulletin/2007\\_2011/2008dec71\\_4Bedford.pdf](http://www.rbnz.govt.nz/research/bulletin/2007_2011/2008dec71_4Bedford.pdf)
- Elmendorf, Douglas W., Jason Furman (2008) "If, When, How: A Primer on Fiscal Stimulus." The Brookings Institution, Washington, DC.  
[http://www.brookings.edu/papers/2008/0110\\_fiscal\\_stimulus\\_elmendorf\\_furman.aspx](http://www.brookings.edu/papers/2008/0110_fiscal_stimulus_elmendorf_furman.aspx)
- Freedman, Charles, Michael Kumhof, Douglas Laxton and Jaewoo Lee (2009) "The Case for Global Fiscal Stimulus" IMF Staff Position Paper SPN/09/03. International Monetary Fund, Washington, DC. <http://www.imf.org/external/pubs/ft/spn/2009/spn0903.pdf>
- Horwitz, Steven (2008) "An Open Letter to my Friends on the Left" Department of Economics, St. Lawrence University.  
[http://myslu.stlawu.edu/~shorwitz/open\\_letter.htm](http://myslu.stlawu.edu/~shorwitz/open_letter.htm)

#### Supplementary Reading

- Reinhart, Carmen M. and Kenneth S. Rogoff (2009) "The Aftermath of Financial Crises". Paper prepared for presentation at the American Economic Association meetings in San Francisco, Saturday, January 3.  
[http://www.economics.harvard.edu/faculty/rogoff/Recent\\_Papers\\_Rogoff](http://www.economics.harvard.edu/faculty/rogoff/Recent_Papers_Rogoff)
- Stacey, Bill and Julian Morris (2009) "How Not to Solve a Crisis", Policy, Centre for Independent Studies. Autumn.  
<http://www.cis.org.au/POLICY/autumn09/autumn09.html>
- Cochrane, John H. (2009) "Fiscal Stimulus, Fiscal Inflation, or Fiscal Fallacies?" University of Chicago Booth School of Business.  
<http://faculty.chicagobooth.edu/john.cochrane/research/Papers/fiscal2.htm>
- Taylor, John B. (2009) "The Financial Crisis and Policy Responses: An Empirical Analysis of What Went Wrong". NBER Working Paper No. 14010, National Bureau of Economic Research, Cambridge MA. <http://www.nber.org/papers/w1406361>

### Key Questions

1. What are the origins of the crisis? Was it crisis brought on simply by the greed of those running financial institutions?
2. How effective are fiscal stimulus packages likely to be in fostering economic recovery?
3. Should expenditure under these programmes be directed to helping firms or helping workers?
4. Should the packages promote consumption (e.g. tax cuts) or investment (e.g. in infrastructure)?

### 3.4 Case Study: New Zealand’s Economic Growth

#### Required Reading

Easterly, W. (2003) “National Policies and Economic Growth: A Reappraisal”. Working Paper No. 27. Center for Global Development, Washington, DC.

<http://www.cgdev.org/content/publications/detail/2763>

New Zealand Treasury. Budget Statement May 2009. Available on the Treasury Website

<http://www.treasury.govt.nz/>

The Treasury (2004) “New Zealand Economic Growth: An Analysis of Performance and Policy.” Wellington.

<http://www.treasury.govt.nz/publications/research-policy/tp/economicgrowth>

#### Supplementary Reading

The Treasury (2008) “New Zealand’s Productivity Performance.” Wellington.

<http://www.treasury.govt.nz/publications/research-policy/tprp/08-02>

Romer, Paul M. “Economic Growth: Compound Rates of Growth”. Concise Encyclopaedia of Economics <http://www.econlib.org/library/Enc/EconomicGrowth.html>

Bates, Winton (1996) “The links between economic growth and social cohesion.” New Zealand Business Roundtable, Wellington.

<http://www.nzbr.org.nz/documents/publications/word-publications/social-cohesion.doc.htm>

#### Key Questions

1. What factors can you identify as helping to explain New Zealand’s economic growth performance?
2. Will the current policy settings improve our economic growth rate?
3. Can public policies really accelerate the rate of growth?

### Assessment Requirements

#### Assignments

There are three required assignments in this course. Each in turn relates to one of the three broad learning objectives of the course.

<i>Assignment</i>	<i>Due Date</i>	<i>Weight</i>	<i>Guidelines</i>
1. Applying economic reasoning	Thursday 13 August 2009	30%	1,500 words max
2. Using complementary perspectives	Thursday 1 October 2009	40%	2,500 words max
3. Preparing a policy paper	Thursday 5 November 2009	30%	2,000 words max

Please submit ALL assignments by email attachment to [sog-assignments@vuw.ac.nz](mailto:sog-assignments@vuw.ac.nz) and make sure to **keep a copy** of everything that you send. The assignments will be marked electronically, using the ‘track changes’ function in Word, and then returned by email. Please send your papers in a format that is compatible with Word (no pdf’s, thanks) and make sure that the university has a current email address for you on file. Indicate your document’s word length on the cover sheet of each assignment and don’t forget your name.

### **Assignment 1: Applying Economic Reasoning**

Select one of the following topics:

1. *Fishing in international waters*
2. *Water rights*
3. *Illegal drugs*
4. *Sale and supply of liquor*
5. *Sale of human organs for transplantation*

Your paper should:

- Define the problem
- Identify the key economic issues
- Draw on ( and cite) both New Zealand and international literature and case studies
- Discuss public policy options based solely on economic analysis and criteria
- Identify the strengths and limitations of an economic approach to your topic

The purpose of this exercise is to (1) deepen your understanding of applying economic reasoning to public policy questions; (2) stimulate reflection on both the strengths and shortcomings of this approach, and (3) prepare for the application of complementary perspectives in the second assignment

### **Assignment 2: Using Complementary Perspectives**

Choose one policy issue. It may be from the list in Assignment 1, and you may wish to continue with the issue you chose in that assignment and develop it further. Alternatively you may wish to choose a new area.

Suggestions include:

- *Gambling*
- *Early childhood education*
- *Provision of legal aid*
- *Social welfare benefits*

Based on readings from Section 2.1 and your own wider research, analyse the contribution that both economics and alternative perspectives can bring to public policy formation in the context of the particular issue you chose.

The purpose of this exercise is to (1) enhance your understanding of alternative approaches; (2) illustrate how these can be used to complement an economic analysis of a public policy issue, and (3) prepare for the third assignment.

### **Assignment 3: Preparing a Policy Paper**

Prepare a substantial background paper on the following topic:

*New Zealand's foreign aid programme should be refocused toward economic development rather than poverty elimination.*



The purpose of this exercise is to (1) provide an opportunity to integrate your understanding of economic and complementary frameworks in analysing a complex policy issue, and (2) develop your written communication skills.

*Note: Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning objectives as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of FCA programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.*

## **Mandatory Course Requirements**

Submit or participate in all pieces of assessment required for this course.

## **Class Attendance**

The School expects you to attend all three modules for the course. If, before enrolment for a course, you are aware that you will not be able to attend a module, you must notify the Director of Master's Programmes when you enrol explaining why you will not be able to attend. The Director of Master's Programmes will consult with the relevant course coordinator. In such circumstances, you may be declined entry into a course.

If you become aware after a course starts that you will be unable to attend a module or a significant part of a module (i.e. more than two hours in any given day), you must advise the course coordinator before the module explaining why you will be unable to attend. The course coordinator may excuse you from attendance and may also require you to complete compensatory work relating to the course content covered during your absence.

## **Deadlines and Failure to Meet Due Dates**

The ability to plan for and meet deadlines is a core competency of both advanced study and public management. Failure to meet deadlines disrupts course planning and is unfair on students who do submit their work on time. It is expected therefore that you will complete and hand in assignments by the due date. Marks will be deducted at the rate of five per cent for every day by which the assignment is late and no assignments will be accepted after five working days beyond the date they are due. For example, if you get 65% for an assignment, but you handed it in on Monday when it was due the previous Friday, you will get a mark of 50%.

If ill-health, family bereavement or other personal circumstances beyond your control prevent you from meeting the deadline for submitting a piece of written work or from attending class to make a presentation, you can apply for and may be granted an extension to the due date. You should let your course coordinator know as soon as possible in advance of the deadline (if circumstances permit) if you are seeking an extension. Where an extension is sought, evidence, by way of a medical certificate or similar, may be required by the course coordinator.

## **Communication of Additional Information**

Additional information or information on changes will be conveyed to students by email.

## **Other Information**

For the following important information follow the links provided:

### **Academic Integrity and Plagiarism**

<http://www.victoria.ac.nz/home/study/plagiarism.aspx>

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

<http://www.victoria.ac.nz/home/about/policy/academic.aspx>

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

<http://www.victoria.ac.nz/fca/studenthelp/Contactus.aspx>

### **Manaaki Pihipihinga Programme**

[http://www.victoria.ac.nz/st\\_services/mentoring/](http://www.victoria.ac.nz/st_services/mentoring/)