

School of Government

**PUBL 203 (20 points) / PUBL 209 (15 points)**  
**INTRODUCTION TO PUBLIC ECONOMICS**

Trimester One 2010

**COURSE OUTLINE**

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**Names and Contact Details**

<u>Course Co-ordinator:</u>	Dr Antong Victorio
Room:	Rutherford House Level 8, Room 807
Phone:	04 463 5709
Email:	Antong.Victorio@vuw.ac.nz
<u>Administrator:</u>	Mara Robertson
Room:	Rutherford House Level 8, Room 821 (Reception)
Phone:	04 463 6599
Email:	Mara.Robertson@vuw.ac.nz

**Trimester Dates**

Teaching Period: Monday 1 March to Friday 4 June 2010  
End of Year Study Period: Monday 7 June to Thursday 10 June 2010  
Examination Period: Friday 11 June to Wednesday 30 June 2010 (inclusive)

**Class Times and Room Numbers**

Lecture Timetable:

Monday	11.30am – 12.20pm	Government Buildings Lecture Theatre 3 (GBLT3)
Wednesday	11.30am – 12.20pm	Government Buildings Lecture Theatre 3 (GBLT3)

Tutorial Timetable:

Wednesday	12.40pm – 1.30pm	Government Buildings Ground Floor Room 4 (GBG04)
Thursday	11.30am – 12.20pm	Government Buildings Ground Floor Room 4 (GBG04)
Friday	2.40pm – 3.30pm	Government Buildings Ground Floor Room 4 (GBG04)

Tutor(s): To be announced

**Withdrawal from Courses:**

Information available via

**Withdrawal dates: Late withdrawals with Associate Dean (Students) permission**  
(See Section 8: Withdrawals - from the Personal Courses of Study Statute)  
<http://policy.vuw.ac.nz/Amphora!~~policy.vuw.ac.nz~POLICY~000000001743.pdf>

**Withdrawal dates: refunds:**  
<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 20 points as PUBL 203 and 15 points as PUBL 209, 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' tests help prepare for assessment. Unless advised, students may change their chosen tutorial without having to inform the lecturer.

## Course Delivery

This course will be delivered through two one-hour lectures per week, plus one one-hour tutorial per week. The lectures may be complemented by teaching videos. The lecture outline gives an indication of the topics to be covered, but that may vary to accommodate topical issues. Tutorials provide an opportunity for greater discussion and for learning the topics by way of practicing on previous years' tests.

## 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)

Major Attributes: PUBL majors will be able to	
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

The purpose of the assessments is to measure the attainment of the learning objectives, especially the ones for (a) to (f) set forth above.

For those taking the course for 15 points (i.e. as PUBL 209), course grades are determined by three assessments: 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%.

Those taking the course for 20 points (i.e. as PUBL 203) are required to submit a fourth assessment in addition to all of the above. Course grades are then determined by the following weights: 20% for the in-class test, 20% for the first take-home essay (or test), 40% for the final exam, and 20% for the second take-home essay (or test).

The in-class test will be held on Wednesday, 31 March 2010. Questions for the take-home essay/test will be given out in-class on Wednesday, 19 May and will be due for in-class submission five days later, on Monday, 24 May 2010. The take-home essay/test will only pertain to the material after the in-class test. The final examination for this course will be scheduled at some time during the period from Friday 11 June to Wednesday 30 June 2010. It 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.

Questions for the fourth assessment, which apply only to students enrolled for PUBL 203, will be given out in-class on Wednesday 26 May and will be due for submission by 5pm on Monday 31 May. This assessment must be delivered by hand to the assignment box at School of Government Reception (8th floor Rutherford House) during the office hours, which are 8.30 am – 5.00 pm. The assignment box is cleared daily, and assignments will be date stamped.

*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.*

## Penalties

In exceptional cases, and only if 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(s) 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.

In-class lectures will be supplemented by teaching videos produced by The Teaching Company. The presenters in these videos are prominent American economists, such as Professor Timothy Taylor, editor of the American Economic Association’s *Journal of Economic Perspectives*.

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 203/209 – Introduction to Public Economics, Trimester One 2010, 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, 1 to 14 March)**

Victorio, Andres G. (Antong) (2004), *Applied Models in Public Policy*, 2<sup>nd</sup> edition, Chapt. 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)

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, 15 March to 23 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)

\_\_\_\_\_ (2009), “Altruism and Externalities”, *Applied Economics Letters*, Vol. 16, No. 15, October 2009, pp. 1529 – 1531. (optional)

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)

ASBBank 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. (strongly recommended, in readings packet.)

### 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. (strongly recommended, in readings packet.)

## Class Representative

A class representative will be elected in the first class, and that person's name and contact details will be available to VUWSA, the course coordinator, and the class. The class representative provides a communication channel to liaise with the course coordinator on behalf of the students.

## Communication of Additional Information

Any information concerning changes to class times or the like will be conveyed to students in class. Blackboard may also 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 or by leaving a phone message on 463 5709.

## Academic Integrity, Plagiarism, and the use of Turnitin

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, you must still acknowledge your sources fully and appropriately. This includes:

- material from books, journals or any other printed source
- the work of other students or staff
- information from the Internet
- software programs and other electronic material
- designs and ideas
- the organisation or structuring of any such material.

Acknowledgement is required for *all* material in any work submitted for assessment unless it is a 'fact' that is well-known in the context (such as "Wellington is the capital of New Zealand") or your own ideas in your own words. Everything else that derives from one of the sources above and ends up in your work – whether it is directly quoted, paraphrased, or put into a table or figure, needs to be acknowledged with a reference that is sufficient for your reader to locate the original source.

Plagiarism undermines academic integrity simply because it is a form of lying, stealing and mistreating others. Plagiarism involves stealing other people's intellectual property and lying about whose work it is. This is why plagiarism is prohibited at Victoria.

If you are found guilty of plagiarism, you may be penalised under the Statute on Student Conduct. You should be aware of your obligations under the Statute, which can be downloaded from the policy website ([www.victoria.ac.nz/home/about/policy/students.aspx](http://www.victoria.ac.nz/home/about/policy/students.aspx)). You could fail your course or even be suspended from the University.

Plagiarism is easy to detect. The University has systems in place to identify it. 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 compares submitted work with a very large database of existing material. At the discretion of the Head of School, handwritten work may be copy-typed by the School and subject to checking by Turnitin. 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.

There is guidance available to students on how to avoid plagiarism by way of sound study skills and the proper and consistent use of a recognised referencing system. This guidance may be found at the following website <http://www.victoria.ac.nz/home/study/plagiarism.aspx>

If in doubt seek the advice of your course coordinator.

Plagiarism is simply not worth the risk.

### **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>

#### **AVC (Academic) Website: information including: Conduct, Academic Grievances, Students with Impairments, Student Support**

[http://www.victoria.ac.nz/home/about\\_victoria/avcacademic/Publications.aspx](http://www.victoria.ac.nz/home/about_victoria/avcacademic/Publications.aspx)

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

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

#### **Manaaki Pihipihinga Programme**

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